



CHAODA MODERN AGRICULTURE (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 682)

INTERIM REPORT 2013/2014



Contents

Chaoda Modern Agriculture (Holdings) Limited Interim Report 2013/2014

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	2
Condensed Consolidated Statement of Financial Position	4
Condensed Consolidated Statement of Cash Flows	6
Condensed Consolidated Statement of Changes in Equity	7
Notes to the Condensed Consolidated Financial Statements	9
Management Discussion and Analysis	23
Other Information	26

The consolidated statement of profit or loss and other comprehensive income of the Group for the six months ended 31 December 2013 and the consolidated statement of financial position of the Group as at 31 December 2013, together with the explanatory notes, are unaudited and condensed, which have been reviewed by the Company's Audit Committee and the Company's auditors, Elite Partners CPA Limited.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2013 — Unaudited

	Notes	Six months ended 31 December	
		2013 RMB'000	2012 RMB'000
Turnover	3	814,688	1,140,922
Cost of sales		(1,036,534)	(1,469,799)
Gross loss		(221,846)	(328,877)
Other revenues		38,946	37,795
(Loss)/Gain arising from changes in fair value less costs to sell of biological assets	11	(156,109)	377,072
Selling and distribution expenses		(151,500)	(288,454)
General and administrative expenses		(69,054)	(74,815)
Research expenses		(5,931)	(7,461)
Other operating expenses		(630,672)	(726,974)
Loss from operations		(1,196,166)	(1,011,714)
Finance costs	5(a)	(164)	(190)
Impairment loss on available-for-sale investments	12	(36,688)	(23,474)
Share of results of associates		517	557
Loss before income tax	5	(1,232,501)	(1,034,821)
Income tax expense	6	—	(28)
Loss for the period		(1,232,501)	(1,034,849)
Other comprehensive (expense)/income, including reclassification adjustments and net of income tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange loss on translation of financial statements of foreign operations		(1,452)	(8,230)
Change in fair value of available-for-sale investments	12	(36,688)	(38,362)
Release upon impairment of available-for-sale investments	12	36,688	23,474
Other comprehensive expense for the period, including reclassification adjustments and net of income tax		(1,452)	(23,118)
Total comprehensive expense for the period		(1,233,953)	(1,057,967)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income *(continued)*

For the six months ended 31 December 2013 — Unaudited

	Notes	Six months ended 31 December	
		2013 RMB'000	2012 RMB'000
Loss for the period attributable to:			
Owners of the Company		(1,233,215)	(1,035,799)
Non-controlling interests		714	950
		(1,232,501)	(1,034,849)
Total comprehensive expense for the period attributable to:			
Owners of the Company		(1,234,459)	(1,057,742)
Non-controlling interests		506	(225)
		(1,233,953)	(1,057,967)
Loss per share for loss attributable to the owners of the Company during the period			
— Basic	8(a)	RMB(0.37)	RMB(0.31)
— Diluted	8(b)	RMB(0.37)	RMB(0.31)

Condensed Consolidated Statement of Financial Position

As at 31 December 2013 — Unaudited

	Notes	31 December 2013 RMB'000	30 June 2013 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	6,431,798	6,678,361
Construction-in-progress		31,142	53,832
Prepaid premium for land leases	10	5,175,706	5,244,703
Biological assets	11	1,920,749	2,246,750
Available-for-sale investments	12	126,921	161,025
Deferred development costs		2,270	4,460
Deferred expenditure		419,747	437,191
Intangible assets		465,285	466,141
Interests in associates	13	8,367	8,955
		14,581,985	15,301,418
Current assets			
Prepaid premium for land leases	10	139,940	140,262
Biological assets	11	266,098	360,954
Inventories		56,569	39,433
Trade receivables	14	46,790	39,172
Other receivables, deposits and prepayments		814,546	1,183,450
Cash and cash equivalents		320,392	371,419
		1,644,335	2,134,690
Current liabilities			
Trade payables	15	15,842	11,501
Other payables and accruals		224,380	208,076
Bank loans	16	3,368	—
		243,590	219,577
Net current assets		1,400,745	1,915,113
Total assets less current liabilities		15,982,730	17,216,531
Non-current liabilities			
Deferred tax liabilities	17	20,655	20,655
Net assets		15,962,075	17,195,876

Condensed Consolidated Statement of Financial Position *(continued)*

As at 31 December 2013 — Unaudited

	Notes	31 December 2013 RMB'000	30 June 2013 RMB'000 (Audited)
EQUITY			
Equity attributable to the owners of the Company			
Share capital	18	332,787	332,787
Reserves		15,489,230	16,723,537
		15,822,017	17,056,324
Non-controlling interests		140,058	139,552
Total equity		15,962,075	17,195,876

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2013 — Unaudited

	Six months ended 31 December	
	2013 RMB'000	2012 RMB'000
Net cash generated from/(used in) operating activities	202,364	(238,475)
Net cash (used in)/generated from investing activities	(256,290)	224,987
Net cash generated from financing activities	3,368	—
Net decrease in cash and cash equivalents	(50,558)	(13,488)
Cash and cash equivalents at beginning of the period	371,419	505,166
Effect of foreign exchange rate changes, net	(469)	(773)
Cash and cash equivalents at end of the period	320,392	490,905

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2013 — Unaudited

	Attributable to the owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Employee share-based compensation reserve RMB'000	Capital redemption reserve RMB'000	Investment revaluation reserve RMB'000	Call option reserve RMB'000	Exchange reserve RMB'000	Statutory reserves RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Six months ended 31 December 2012													
At 1 July 2012 (Audited)	332,787	5,968,860	94,894	265,703	5,247	15,041	40,278	(212,654)	687,162	13,114,939	20,312,257	143,376	20,455,633
Loss for the period	—	—	—	—	—	—	—	—	—	(1,035,799)	(1,035,799)	950	(1,034,849)
Other comprehensive (expense)/income for the period													
— Currency translation differences	—	—	—	—	—	—	—	(7,055)	—	—	(7,055)	(1,175)	(8,230)
— Change in fair value of available-for-sale investments	—	—	—	—	—	(38,362)	—	—	—	—	(38,362)	—	(38,362)
— Release upon impairment of available-for-sale investments	—	—	—	—	—	23,321	—	153	—	—	23,474	—	23,474
Total comprehensive expense for the period	—	—	—	—	—	(15,041)	—	(6,902)	—	(1,035,799)	(1,057,742)	(225)	(1,057,967)
Employee share option benefits	—	—	—	602	—	—	—	—	—	—	602	—	602
Transactions with owners	—	—	—	602	—	—	—	—	—	—	602	—	602
Appropriations	—	—	—	—	—	—	—	—	329	(329)	—	—	—
At 31 December 2012 (Unaudited)	332,787	5,968,860	94,894	266,305	5,247	—	40,278	(219,556)	687,491	12,078,811	19,255,117	143,151	19,398,268

Condensed Consolidated Statement of Changes in Equity (continued)

For the six months ended 31 December 2013 — Unaudited

	Attributable to the owners of the Company												Non-controlling interests	Total
	Share capital	Share premium	Capital reserve	Employee share-based compensation reserve	Capital redemption reserve	Investment revaluation reserve	Call option reserve	Exchange reserve	Statutory reserves	Retained profits	Total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended 31 December 2013														
At 1 July 2013 (Audited)	332,787	5,968,860	94,894	220,326	5,247	—	40,278	(234,120)	687,632	9,940,420	17,056,324	139,552	17,195,876	
Loss for the period	—	—	—	—	—	—	—	—	—	(1,233,215)	(1,233,215)	714	(1,232,501)	
Other comprehensive (expense)/income for the period														
— Currency translation differences	—	—	—	—	—	—	—	(1,244)	—	—	(1,244)	(208)	(1,452)	
— Change in fair value of available-for-sale investments	—	—	—	—	—	(36,688)	—	—	—	—	(36,688)	—	(36,688)	
— Release upon impairment of available-for-sale investments	—	—	—	—	—	36,688	—	—	—	—	36,688	—	36,688	
Total comprehensive (expense)/income for the period	—	—	—	—	—	—	—	(1,244)	—	(1,233,215)	(1,234,459)	506	(1,233,953)	
Employee share option benefits	—	—	—	152	—	—	—	—	—	—	152	—	152	
Transactions with owners	—	—	—	152	—	—	—	—	—	—	152	—	152	
Lapse of share options	—	—	—	(2,660)	—	—	—	—	—	2,660	—	—	—	
Lapse of call options	—	—	—	—	—	—	(40,278)	—	—	40,278	—	—	—	
Appropriations	—	—	—	—	—	—	—	—	427	(427)	—	—	—	
At 31 December 2013 (Unaudited)	332,787	5,968,860	94,894	217,818	5,247	—	—	(235,364)	688,059	8,749,716	15,822,017	140,058	15,962,075	

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2013 — Unaudited

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of Chaoda Modern Agriculture (Holdings) Limited (the “Company”) and its subsidiaries (collectively, the “Group”) for the six months ended 31 December 2013 (the “Interim Financial Report”) have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Interim Financial Report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 30 June 2013 (the “2013 Annual Financial Statements”).

The Interim Financial Report has been prepared in accordance with the same accounting policies adopted in the 2013 Annual Financial Statements, except for the adoption of the new, amended or revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which collectively include all applicable individual Hong Kong Financial Reporting Standard (“HKFRS”), Hong Kong Accounting Standard (“HKAS”) and Interpretation issued by the HKICPA) as disclosed in Note 2 to the Interim Financial Report.

The Interim Financial Report is unaudited but has been reviewed by Elite Partners CPA Limited in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

2. ADOPTION OF NEW, AMENDED OR REVISED HKFRSs

In the current interim period, the Group has applied, for the first time, the following new standards, amendments and interpretations (the “new HKFRSs”) issued by the HKICPA, which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 July 2013. Except as explained below, the application of the new HKFRSs in the current interim period has had no material effect on the amounts reported in the Interim Financial Report and/or disclosures set out in the Interim Financial Report:

HKFRS 10	Consolidated Financial Statements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement

HKFRS 10 — Consolidated Financial Statements

HKFRS 10 replaces the requirements in HKAS 27 “Consolidated and Separate Financial Statements” relating to the presentation of consolidated financial statements and HK(SIC) Interpretation 12 “Consolidation — Special Purpose Entities”. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns. As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 July 2013.

Notes to the Condensed Consolidated Financial Statements *(continued)*

For the six months ended 31 December 2013 — Unaudited

2. ADOPTION OF NEW, AMENDED OR REVISED HKFRSs *(continued)*

HKFRS 12 — Disclosure of Interests in Other Entities

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in the Interim Financial Report as a result of adoption of HKFRS 12.

HKFRS 13 — Fair Value Measurement

HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

The Group has not early adopted certain new standards, amendments to standards and interpretations that have been issued at the time of preparing the Interim Financial Report but are not yet effective. The directors of the Company (the “Directors”) anticipate that all of the pronouncements will be adopted in the Group’s accounting policy for the period beginning after the effective date of the pronouncements. The Directors are also currently assessing the impact of these new standards, amendments to standards and interpretations but are not yet in a position to state whether they would have material impact on the results and the financial position of the Group.

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 31 December 2013 — Unaudited

3. TURNOVER

The principal activities of the Group are the growing and sales of crops, and the breeding and sales of livestock.

Turnover represents the sales value of goods supplied to customers. The amount of each significant category of revenue recognised in turnover during the period is as follows:

	Six months ended 31 December	
	2013 RMB'000	2012 RMB'000
Sales of crops	806,902	1,123,615
Sales of livestock	7,786	17,307
	814,688	1,140,922

4. SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major operations.

The Group's operating business are organised and managed separately according to the nature of products, which each segment representing a strategic business segment that offers different products in the People's Republic of China ("PRC") market. However, the Group's executive directors considered that over 90% of the Group's revenue, operating results and assets during the six months ended 31 December 2013 and 2012 were mainly derived from its growing and sales of crops. Consequently, no operating segment analysis is presented.

The Company is an investment holding company and the principal place of the Group's operation is in the PRC. For the purpose of segment information disclosures under HKFRS 8, the Group regarded the PRC as its country of domicile. Over 90% of the Group's revenue and non-current assets are principally attributable to the PRC, being the single geographical region.

Notes to the Condensed Consolidated Financial Statements *(continued)*

For the six months ended 31 December 2013 — Unaudited

5. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging/(crediting):

(a) Finance costs

	Six months ended 31 December	
	2013 RMB'000	2012 RMB'000
Bank and finance charges	38	190
Interest on bank loans wholly repayable within five years	126	—
	164	190

(b) Staff costs

	Six months ended 31 December	
	2013 RMB'000	2012 RMB'000
Salaries, wages and other benefits	399,119	515,350
Employee share option benefits	152	602
Retirement benefit costs	2,889	3,212
	402,160	519,164

(c) Other items

	Six months ended 31 December	
	2013 RMB'000	2012 RMB'000
Interest income	(2,494)	(2,233)
Scrip dividend income from available-for-sale investments	(2,880)	(9,028)
Amortisation of deferred development costs	2,190	2,390
Amortisation of deferred expenditure, net of amount capitalised	90,053	104,196
Amortisation of prepaid premium for land leases, net of amount capitalised	49,826	58,242
Cost of inventories sold	1,036,534	1,469,799
Depreciation of property, plant and equipment, net of amount capitalised	322,970	361,212
Operating lease expense in respect of land and buildings	132,127	148,328
Loss on disposals and write off of property, plant and equipment	19,796	44,061
Loss on early termination of land leases	—	45,331
Agricultural produce written off	213,155	268,096
Biological assets written off	—	167,964

Notes to the Condensed Consolidated Financial Statements *(continued)*

For the six months ended 31 December 2013 — Unaudited

6. INCOME TAX EXPENSE

The amount of income tax expense represents:

	Six months ended 31 December	
	2013 RMB'000	2012 RMB'000
Current tax		
— PRC income tax <i>(Note (a))</i>	—	28
— Hong Kong profits tax <i>(Note (b))</i>	—	—
	—	28

Notes:

- (a) According to the PRC tax law and its interpretation rules (the "PRC Tax Law"), enterprises that engage in qualifying agricultural business are eligible for certain tax benefits, including full enterprise income tax exemption or half reduction of enterprise income tax on profits derived from such business. Fuzhou Chaoda Modern Agriculture Development Company Limited, the Company's principal subsidiary, and other PRC subsidiaries engaged in qualifying agricultural business, which include growing and sales of crops and breeding and sales of livestock, are entitled to full exemption of enterprise income tax.

The enterprise income tax rate of other PRC subsidiaries of the Company not engaged in qualifying agricultural business is 25% for the six months ended 31 December 2013 and 2012.

- (b) No provision for Hong Kong profits tax has been made as the Company and its subsidiaries operating in Hong Kong either do not derive estimated assessable profits or have unused tax losses brought forward to offset against the current period's estimated assessable profits for the six months ended 31 December 2013 and 2012.

7. DIVIDENDS

The Directors do not recommend the payment of interim dividend for the six months ended 31 December 2013 and 2012.

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 31 December 2013 — Unaudited

8. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to the owners of the Company of RMB1,233,215,000 (Six months ended 31 December 2012: RMB1,035,799,000) and the weighted average number of 3,291,302,000 (Six months ended 31 December 2012: 3,291,302,000) ordinary shares in issue during the period.

(b) Diluted loss per share

The calculation of diluted loss per share is based on the loss attributable to the owners of the Company of RMB1,233,215,000 (Six months ended 31 December 2012: RMB1,035,799,000) and the weighted average number of 3,291,302,000 (Six months ended 31 December 2012: 3,291,302,000) ordinary shares. The computation of diluted loss per share does not assume the conversion of the Company's share options and call options outstanding since their exercise would result in a decrease in loss per share for the six months ended 31 December 2013 and 2012.

9. PROPERTY, PLANT AND EQUIPMENT

	Six months ended 31 December 2013 RMB'000	Year ended 30 June 2013 RMB'000
Net book value at 1 July 2013/1 July 2012	6,678,361	8,932,838
Additions	174,051	216,581
Transfer from construction-in-progress	29,350	61,014
Written off/Disposals	(19,889)	(1,538,949)
Depreciation charges	(430,028)	(992,811)
Exchange realignment	(47)	(312)
Net book value as at 31 December 2013/30 June 2013	6,431,798	6,678,361

Included in property, plant and equipment, a property with carrying amount of RMB39,504,000 (30 June 2013: RMB40,426,000) located in the PRC was pledged to a bank for the banking facilities granted to an independent third party. The pledged property was subsequently released in 2014.

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 31 December 2013 — Unaudited

10. PREPAID PREMIUM FOR LAND LEASES

	Long-term prepaid rentals RMB'000	Land use rights RMB'000	Total RMB'000
Cost			
At 1 July 2012	7,349,383	127,970	7,477,353
Early termination of leases	(1,138,445)	—	(1,138,445)
Exchange realignment	(28,094)	—	(28,094)
At 30 June 2013 and 1 July 2013	6,182,844	127,970	6,310,814
Exchange realignment	(7,092)	—	(7,092)
At 31 December 2013	6,175,752	127,970	6,303,722
Accumulated amortisation and impairment loss			
At 1 July 2012	897,329	38,578	935,907
Amortisation for the year	152,460	4,889	157,349
Early termination of leases	(139,313)	—	(139,313)
Exchange realignment	(28,094)	—	(28,094)
At 30 June 2013 and 1 July 2013	882,382	43,467	925,849
Amortisation for the period	66,875	2,444	69,319
Exchange realignment	(7,092)	—	(7,092)
At 31 December 2013	942,165	45,911	988,076
Net carrying value as at 31 December 2013	5,233,587	82,059	5,315,646
Net carrying value as at 30 June 2013	5,300,462	84,503	5,384,965

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 31 December 2013 — Unaudited

10. PREPAID PREMIUM FOR LAND LEASES (continued)

	31 December 2013 RMB'000	30 June 2013 RMB'000
Non-current portion	5,175,706	5,244,703
Current portion	139,940	140,262
Net carrying value	5,315,646	5,384,965

The Group's interests in long-term prepaid rentals and land use rights represent the prepaid operating leases payments and their net carrying values are analysed as follows:

	31 December 2013 RMB'000	30 June 2013 RMB'000
Outside Hong Kong held on:		
Leases of over 50 years	664,001	669,486
Leases of between 10 to 50 years	4,651,645	4,715,479
	5,315,646	5,384,965

As at 31 December 2013, long-term prepaid rentals for the farmlands which have not yet been occupied by the Group amounted to RMB1,078,500,000 (30 June 2013: RMB1,078,500,000).

Included in land use rights, a property interests under an operating lease with carrying amount of RMB2,781,000 (30 June 2013: RMB2,842,000) located in the PRC was pledged to a bank for the banking facilities granted to an independent third party. The pledged property interests was subsequently released in 2014.

Notes to the Condensed Consolidated Financial Statements *(continued)*

For the six months ended 31 December 2013 — Unaudited

11. BIOLOGICAL ASSETS

	Fruit trees and tea trees RMB'000	Livestock RMB'000	Vegetables RMB'000	Trees in plantation forest RMB'000	Total RMB'000
At 1 July 2012	875,396	52,451	500,983	886,761	2,315,591
Additions	279,198	49,451	2,404,605	295,333	3,028,587
Decrease due to harvest or sales	(264,848)	(77,692)	(2,462,980)	(111,248)	(2,916,768)
Written off	(183,464)	—	—	—	(183,464)
Gain/(Loss) arising from changes in fair value less costs to sell	355,358	9,900	(81,654)	80,154	363,758
At 30 June 2013 and 1 July 2013	1,061,640	34,110	360,954	1,151,000	2,607,704
Additions	176,949	18,101	767,220	138,705	1,100,975
Decrease due to harvest or sales	(263,213)	(23,177)	(1,079,333)	—	(1,365,723)
(Loss)/Gain arising from changes in fair value less costs to sell	(278,768)	20,474	217,257	(115,072)	(156,109)
At 31 December 2013	696,608	49,508	266,098	1,174,633	2,186,847

Biological assets as at 31 December 2013 and 30 June 2013 are stated at fair values less costs to sell and are analysed as follows:

	Fruit trees and tea trees RMB'000	Livestock RMB'000	Vegetables RMB'000	Trees in plantation forest RMB'000	31 December 2013 Total RMB'000	30 June 2013 Total RMB'000
Non-current portion	696,608	49,508	—	1,174,633	1,920,749	2,246,750
Current portion	—	—	266,098	—	266,098	360,954
	696,608	49,508	266,098	1,174,633	2,186,847	2,607,704

The fair values of biological assets are determined by the Directors with reference to the methodologies and assumptions adopted in the valuation for the year ended 30 June 2013.

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 31 December 2013 — Unaudited

12. AVAILABLE-FOR-SALE INVESTMENTS

	31 December 2013 RMB'000	30 June 2013 RMB'000
Listed equity investments in Hong Kong, at fair value	126,921	161,025

During the six months ended 31 December 2013, the fair value loss recognised directly in investment revaluation reserve amounted to approximately RMB36,688,000 (Six months ended 31 December 2012: RMB38,362,000). Due to a prolonged decline in the fair value of the available-for-sale investments below its cost, an impairment loss of approximately RMB36,688,000 (Six months ended 31 December 2012: RMB23,474,000) has been recognised in profit or loss for the six months ended 31 December 2013.

The fair value of the listed equity investments is measured at the end of reporting period on a recurring basis and categorised as level 1 fair value measurement within the three-level fair value hierarchy as defined in HKFRS 13, i.e. the unadjusted quoted prices in active markets for identical assets at the measurement date. The fair value of the listed equity investment is based on the quoted market bid prices available on The Stock Exchange of Hong Kong Limited.

13. INTERESTS IN ASSOCIATES

	31 December 2013 RMB'000	30 June 2013 RMB'000
Share of net assets	8,036	8,623
Amount due from an associate	331	332
	8,367	8,955

Amount due from an associate is unsecured, interest-free and has no fixed terms of repayment. In the opinion of the Directors, the balance due is considered as non-current as the settlement of the amount due is neither planned nor likely to occur in the foreseeable future.

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 31 December 2013 — Unaudited

14. TRADE RECEIVABLES

The Group's trading terms for its local wholesale and retail sales are mainly cash on delivery whereas local sales to institutional customers and export trading companies are mainly on credit. The credit period is generally for a period from one month to three months depending on the customers' creditworthiness.

Ageing analysis of trade receivables (net of allowance for doubtful debts) is as follows:

	31 December 2013 RMB'000	30 June 2013 RMB'000
0-1 month	8,466	15,865
1-3 months	1,401	6,842
Over 3 months	36,923	16,465
	46,790	39,172

15. TRADE PAYABLES

Ageing analysis of trade payables is as follows:

	31 December 2013 RMB'000	30 June 2013 RMB'000
0-1 month	3,312	2,119
1-3 months	10	—
Over 3 months	12,520	9,382
	15,842	11,501

16. BANK LOANS

As at 31 December 2013, the Group had banking facilities totalling RMB3,368,000 (30 June 2013: Nil), of which RMB3,368,000 (30 June 2013: Nil) had been utilised. The Group's bank loans were repayable within one year. These bank loans were denominated in Renminbi, unsecured, interest bearing at fixed rates at 6.16% per annum.

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 31 December 2013 — Unaudited

17. DEFERRED TAX LIABILITIES

Under the PRC Tax Law, 10% withholding tax is levied on the foreign investor in respect of dividend distributions arising from a foreign investment enterprise's profit earned after 1 January 2008. Pursuant to the grandfathering treatments of the PRC Tax Law, dividends receivable by the Group from its PRC subsidiaries in respect of its undistributed retained earnings prior to 31 December 2007 are exempt from the withholding tax.

At 31 December 2013 and 30 June 2013, deferred tax liabilities of approximately RMB20,655,000 were recognised in respect of the undistributed retained earnings of the PRC subsidiaries. The aggregate amount of temporary differences associated with the PRC subsidiaries' undistributed retained earnings for which deferred tax liabilities have not been recognised are approximately RMB477,656,000 (30 June 2013: RMB549,852,000). No deferred tax liabilities have been recognised in respect of these differences because the Group is in a position to control the dividend policies of these PRC subsidiaries and it is probable that such differences will not be reversed in the foreseeable future.

18. SHARE CAPITAL

Authorised ordinary shares of HK\$0.1 each

	No. of shares ('000)	HK\$'000	RMB'000
At 1 July 2012, 30 June 2013 and 31 December 2013	5,000,000	500,000	527,515

Issued and fully paid ordinary shares of HK\$0.1 each

	No. of shares ('000)	HK\$'000	RMB'000
At 1 July 2012, 30 June 2013 and 31 December 2013	3,291,302	329,130	332,787

Notes to the Condensed Consolidated Financial Statements *(continued)*

For the six months ended 31 December 2013 — Unaudited

19. COMMITMENTS

(a) Capital commitments

At the end of the reporting period, the Group had the following capital commitments:

	31 December 2013 RMB'000	30 June 2013 RMB'000
Contracted but not provided for:		
Research and development expenditure	3,200	5,500
Purchases of property, plant and equipment	307	2,550
Total	3,507	8,050

(b) Operating lease commitments and arrangements

As lessee

At the end of the reporting period, the Group had total future minimum lease payments, in respect of land and buildings, under non-cancellable operating leases falling due as follows:

	31 December 2013 RMB'000	30 June 2013 RMB'000
Within one year	159,595	162,918
In the second to fifth years, inclusive	625,267	633,704
After five years	2,025,113	2,121,784
Total	2,809,975	2,918,406

Notes to the Condensed Consolidated Financial Statements *(continued)*

For the six months ended 31 December 2013 — Unaudited

19. COMMITMENTS *(Continued)*

(b) Operating lease commitments and arrangements *(continued)*

As lessor

At the end of the reporting period, the Group had total future minimum lease receivables, in respect of land and buildings, under non-cancellable operating leases with its tenants falling due as follows:

	31 December 2013 RMB'000	30 June 2013 RMB'000
Within one year	4,562	3,520
In the second to fifth years, inclusive	7,152	10,168
After five years	1,286	1,526
Total	13,000	15,214

20. EVENT AFTER THE REPORTING PERIOD

Disposals of property, plant and equipment

Subsequent to the end of the reporting period, certain land leases for lands being occupied by the Group has been terminated and the related property, plant and equipment belongs to these terminated land leases with net carrying value of approximately RMB173,568,000 were disposed of accordingly.

21. APPROVAL OF INTERIM FINANCIAL REPORT

The Interim Financial Report was approved by the board of Directors on 30 January 2015.

Management Discussion and Analysis

FINANCIAL REVIEW

The financial period under review was yet a challenging period for the Group due to the events leading to the suspension of trading in the Company's shares (the "Trading") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Group recorded a turnover of RMB815 million (31 December 2012: RMB1,141 million), down about 29%. The decrease was mainly attributable to the low demand for the Group's produce in the China's markets. Sales of crops in the China's market contributed to 95% of the Group's turnover for crops with a sales volume of 387,698 tonnes (31 December 2012: 887,000 tonnes). Approximately 94% of crops produced by the Group were sold in the wholesale markets in China (31 December 2012: 98%). The average selling price for crops sold in the China's markets increased from RMB1.21 per kilogram to RMB1.97 per kilogram, however, the overall production costs for crops had also kept increasing in China and the farmlands were not operated at full capacity due to low demand. As a result, there was a gross loss of RMB222 million (31 December 2012: RMB329 million).

In adherence to prudent financial management and through reasonable control of operating costs, general and administrative expenses reduced from RMB75 million in the corresponding period of previous year to about RMB69 million, representing a drop of 8%. Selling and distribution expenses fell by 47% to RMB152 million. Other operating expenses also decreased from RMB727 million to RMB631 million. However, a loss of RMB156 million (31 December 2012: a gain of RMB377 million) was resulted from changes in fair value less costs to sell of biological assets under the valuation. Accordingly, loss from operations of the Group for the financial period under review rose to RMB1,196 million (31 December 2012: RMB1,012 million).

AGRICULTURAL LAND

As at 31 December 2013, the production area of the Group's core business, including vegetable land and fruit garden, amounted to 608,113 mu (40,541 hectares), decreased by 21% when compared with 774,623 mu (51,642 hectares) as at 31 December 2012. The production area as at 31 December 2013 and 30 June 2013 were the same.

The weighted average production area for vegetables as at 31 December 2013 decreased by 29% to 401,810 mu (26,787 hectares) when compared with 562,320 mu (37,488 hectares) as at 31 December 2012. It also represented a decrease of 23% in weighted average production area for vegetables when compared with 518,475 mu (34,565 hectares) as at 30 June 2013.

Management Discussion and Analysis

BUSINESS OVERVIEW

During the financial period under review, by grasping favourable opportunities and striking aside those encumbrances, the Group timely returned certain leasehold farmlands to the PRC government. Meanwhile, the Group continuously adhered to prudent investment policies, that was, apart from minimal upkeep and maintenance for indispensable production infrastructure, there were no large scale investments and new constructions. By so doing, the Group was and is capable of satisfying the production needs while reducing the financial burden.

The Group placed great emphasis on its core staff. It was of utmost importance to stabilise the morale and spirit of our staff, especially the frontline staff, to ensure the quality as well as quantity of the output from our production bases. In line with the market expectation, the Group took an active part in scaling down its cultivation area to relieve market pressure.

The Board realises that, until the Trading is resumed and market confidence is regained, the pressure caused by sluggish sales will remain or intensify. The Group took a decisive measure to adopt “maintaining brand, price and key objectives” as its marketing strategy, stepping up efforts to improve market confidence and stabilise market expectation.

OUTLOOK

Being an agricultural leading enterprise, Chaoda is fully confident of overcoming the existing challenges and continually enhancing, to the extent practicable, shareholders' value and undergoing further development for its shareholders. On top of that, Chaoda will also strive to be a pioneer in the industry and assume leadership in agricultural development forward and the pursuit of sustainable growth of rural economy. Through industrial development, setting up of industry standard and brand building, among others, the Group aims to align the interest of the farmers with that of the corporations and establish a model with common risk exposure and mutual benefit, thereby realising safe and reliable food supply in the country and society and contributing to the assurance of food safety and social stability of the State.

The Board remains positive at all times notwithstanding the challenges that come its way during the period of turbulence. The Board will continue exhaust every means to mitigate the negative impact and adapt in a positive manner by proactively and strategically implemented measures to control the risks, and realise and enhance core strengths of the Group for corporate development to sustain and thrive. Last but not least, the Board will spare no efforts to resume the Trading.

LIQUIDITY AND FINANCIAL RESOURCES

During the financial period under review, net cash generated from operating activities of the Group amounted to RMB202 million whereas in the corresponding period of previous year, net cash used in operating activities of the Group was RMB238 million. As at 31 December 2013, cash and cash equivalents of the Group amounted to RMB320 million (30 June 2013: RMB371 million). The majority of the Group's operating transactions were settled in RMB. The effect of exchange rate fluctuations was relatively immaterial to the Group.

As at 31 December 2013, the total equity of the Group (including non-controlling interests) amounted to RMB15,962 million (30 June 2013: RMB17,196 million). Besides, the Group had bank loans in total amount of RMB3 million which were repayable within one year (30 June 2013: Nil). Thus, as at 31 December 2013, the debt to equity ratio (total of bank loans over total equity) of the Group was 0.02%. The current ratio (dividing total current assets by total current liabilities) was 7 times (30 June 2013: 10 times).

The Group did not have any material contingent liabilities as at 31 December 2013 and 30 June 2013.

Management Discussion and Analysis

CHARGE ON ASSETS

As at 31 December 2013, the Group had banking facility of RMB3,368,000 (30 June 2013: Nil) which had been utilised by the Group. The banking facility was unsecured, the details of which are set out in note 16 to the unaudited condensed consolidated financial statements.

In addition, as at 31 December 2013, the Group's property and land use rights in the PRC with carrying amount of RMB39,504,000 and RMB2,781,000 (30 June 2013: RMB40,426,000 and RMB2,842,000) respectively were pledged to a bank for the banking facilities granted to an independent third party. The pledged assets were subsequently released in 2014.

Save for the above, the Group did not charge any of its assets.

CAPITAL STRUCTURE

As at 31 December 2013, there were 3,291,302,491 shares in issue and there was no change in the issued share capital of the Company during the financial period under review.

HUMAN RESOURCES

As at 31 December 2013, the Group employed approximately 15,700 employees, of which 14,605 were farmlands employees.

Remuneration of employees is reviewed annually to maintain at a competitive level. The Group also makes reference to the labour market and economic condition. Other benefits like pension, insurance, education, subsidies and training programmes are provided to the employees as well. As for eligible employees, the Company would grant share options to appropriate employees under the share option scheme adopted by the shareholders of the Company.

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

Details of significant event occurred after the reporting period is set out in note 20 to the unaudited condensed consolidated financial statements.

Other Information

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2013 and as at the date of this report, the interests and short position of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or otherwise as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long positions in shares of the Company

As at 31 December 2013

Name of directors	Nature of interests	Number of shares held	Total	Percentage of issued share capital recorded in the register
Mr. Kwok Ho	Personal interests Corporate interests (Note)	2,028,000 643,064,644	645,092,644	19.60%
Mr. Chan Chi Po Andy (retired on 30 December 2014)	Personal interests	103,528		

As at the date of this report

Name of director	Nature of interests	Number of shares held	Total	Percentage of issued share capital recorded in the register
Mr. Kwok Ho	Personal interests Corporate interests (Note)	2,028,000 643,064,644	645,092,644	19.60%

Note: Held through Kailey Investment Ltd. which is wholly owned by Mr. Kwok Ho.

Other Information

Long Positions in underlying shares of the Company

As at 31 December 2013

Name of directors	Grant date	Exercisable period		Exercise price HK\$	Number of share options		
		Starting	Ending		Balance as at 01/07/2013	Lapsed during the financial period under review	Balance as at 31/12/2013
Dr. Li Yan	26/11/2010	26/11/2010	to 25/11/2020	6.430	500,000	—	500,000
Ms. Huang Xie Ying	26/11/2010	26/11/2010	to 25/11/2020	6.430	2,000,000	—	2,000,000
Mr. Kuang Qiao	26/11/2010	26/11/2010	to 25/11/2020	6.430	2,000,000	—	2,000,000
Mr. Chen Jun Hua	26/11/2010	26/11/2010	to 25/11/2020	6.430	2,000,000	—	2,000,000
Mr. Chan Chi Po Andy (retired on 30 December 2014)	24/10/2008 26/11/2010	24/10/2008 26/11/2010	to 23/10/2018 to 25/11/2020	3.846 6.430	2,120,000 3,000,000	— —	2,120,000 3,000,000
Mr. Ip Chi Ming	26/11/2010	26/11/2010	to 25/11/2020	6.430	2,000,000	—	2,000,000
Mr. Fung Chi Kin	26/11/2010	26/11/2010	to 25/11/2020	6.430	750,000	—	750,000
Mr. Tam Ching Ho	26/11/2010	26/11/2010	to 25/11/2020	6.430	750,000	—	750,000
Ms. Luan Yue Wen (retired on 30 December 2013)	26/11/2010	26/11/2010	to 25/11/2020	6.430	750,000	(750,000)	—

Other Information

As at the date of this report

Name of directors	Grant date	Exercisable period		Exercise price HK\$	Balance of share options as at 01/01/2014 and 30/01/2015
		Starting	Ending		
Dr. Li Yan	26/11/2010	26/11/2010	to 25/11/2020	6.430	500,000
Ms. Huang Xie Ying	26/11/2010	26/11/2010	to 25/11/2020	6.430	2,000,000
Mr. Kuang Qiao	26/11/2010	26/11/2010	to 25/11/2020	6.430	2,000,000
Mr. Chen Jun Hua	26/11/2010	26/11/2010	to 25/11/2020	6.430	2,000,000
Mr. Ip Chi Ming	26/11/2010	26/11/2010	to 25/11/2020	6.430	2,000,000
Mr. Fung Chi Kin	26/11/2010	26/11/2010	to 25/11/2020	6.430	750,000
Mr. Tam Ching Ho	26/11/2010	26/11/2010	to 25/11/2020	6.430	750,000

Save as disclosed above, as at 31 December 2013 and as at the date of this report, none of the Directors, chief executives or their associates had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept by the Company under Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the Model Code.

Other than as stated above, at no time during the financial period under review, the Company, or any of its subsidiaries was a party to any arrangement to enable the Directors, their respective spouses or children under 18 years of age, to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

According to the register maintained by the Company in accordance with Section 336 of the SFO, the following parties, other than the Directors, were directly or indirectly interested in 5% or more of the issued share capital and underlying shares of the Company:

As at 31 December 2013

Name of shareholders	Capacity	Long/short position	Number of shares and underlying shares held	Total number of shares and underlying shares held	Percentage of issued share capital recorded in the register
Kailey Investment Ltd. (Note 1)	Beneficial owner	Long	643,064,644	643,064,644	19.25%
Janus Capital Management LLC	Investment manager	Long	262,363,574	262,363,574	7.97%
BlackRock, Inc. (Note 2)	Interest of corporation controlled by the substantial shareholder	Long	212,044,246	212,044,246	6.44%
Robeco Groep N.V.	Interest of corporation controlled by the substantial shareholder	Long	201,031,513	201,031,513	6.11%
UBS AG (Note 3)	Beneficial owner	Long	43,064,820	194,136,164	5.90%
	Person having a security interest in shares	Long	93,961,413		
	Interest of corporation controlled by the substantial shareholder	Long	57,109,931		
	Beneficial owner	Short	39,911,375	96,142,237	2.92%
Interest of corporation controlled by the substantial shareholder	Short	56,230,862			

Notes:

1. Kailey Investment Ltd. is a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is beneficially and wholly owned by Mr. Kwok Ho.
2. Among the aggregate interests of BlackRock, Inc. in the Company, 302,000 shares (long position) were held through cash settled derivatives (on exchange).
3. Among the aggregate interests of UBS AG in the Company, 15,000 shares (long position) were held through physically settled derivatives (on exchange) and 1,007,000 shares (long position) were held through cash settled derivatives (off exchange).

Other Information

As at the date of this report

Name of shareholders	Capacity	Long/short position	Number of shares and underlying shares held	Total number of shares and underlying shares held	Percentage of issued share capital recorded in the register
Kailey Investment Ltd. (Note 1)	Beneficial owner	Long	643,064,644	643,064,644	19.25%
Janus Capital Management LLC	Investment manager	Long	262,363,574	262,363,574	7.97%
Deutsche Bank Aktiengesellschaft (Note 2)	Beneficial owner	Long	18,158,000	257,144,016	7.81%
	Person having a security interest in shares	Long	352,624		
	Interest of corporation controlled by the substantial shareholder	Long	6,955,043		
	Custodian corporation/approved lending agent	Long	231,678,349		
	Beneficial owner	Short	14,473,300	20,978,343	0.64%
	Interest of corporation controlled by the substantial shareholder	Short	6,505,043		
BlackRock, Inc. (Note 3)	Interest of corporation controlled by the substantial shareholder	Long	212,160,246	212,160,246	6.45%
Robeco Groep N.V.	Interest of corporation controlled by the substantial shareholder	Long	192,431,513	192,431,513	5.85%

Notes:

1. Kailey Investment Ltd. is a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is beneficially and wholly owned by Mr. Kwok Ho.
2. The aggregate interests of Deutsche Bank Aktiengesellschaft in the Company included a lending pool of 231,678,349 shares (long position). Besides, 1,390,000 shares (short position) were held through cash settled derivatives (off exchange).
3. Among the aggregate interests of BlackRock, Inc. in the Company, 302,000 shares (long position) were held through cash settled derivatives (on exchange).

Other Information

SHARE OPTION SCHEME

The principal terms of the share option scheme of the Company were summarised and set out in the 2012/2013 annual report of the Company. During the financial period under review, details of the movements of the outstanding share options granted under this scheme were as follows:

Category of participants	Grant date	Exercisable period		Exercise price HK\$	Number of share options		
		Starting	Ending		Balance as at 01/07/2013	Lapsed during the financial period under review	Balance as at 31/12/2013
Directors (Note 1)					15,870,000	(750,000)	15,120,000
Employees in aggregate	01/11/2005	01/11/2007 to	31/10/2015	2.802	75,816	—	75,816
	01/11/2005	01/11/2008 to	31/10/2015	2.802	118,216	—	118,216
	01/11/2005	01/11/2009 to	31/10/2015	2.802	497,256	—	497,256
	31/08/2006	01/04/2007 to	30/08/2016	3.837	358,020	—	358,020
	31/08/2006	01/04/2008 to	30/08/2016	3.837	463,320	—	463,320
	31/08/2006	01/04/2009 to	30/08/2016	3.837	463,320	—	463,320
	31/08/2006	01/04/2010 to	30/08/2016	3.837	689,150	—	689,150
	31/08/2006	01/04/2011 to	30/08/2016	3.837	22,929,180	(673,920)	22,255,260
	24/10/2008	24/10/2008 to	23/10/2018	3.846	124,800	—	124,800
	24/10/2008	24/10/2009 to	23/10/2018	3.846	125,170	—	125,170
	24/10/2008	24/10/2010 to	23/10/2018	3.846	540,800	—	540,800
	24/10/2008	24/10/2011 to	23/10/2018	3.846	540,800	—	540,800
	24/10/2008	24/10/2012 to	23/10/2018	3.846	540,800	—	540,800
	26/11/2010	26/11/2010 to	25/11/2020	6.430	53,700,000	—	53,700,000
	26/11/2010	26/11/2011 to	25/11/2020	6.430	500,000	—	500,000
	26/11/2010	26/11/2012 to	25/11/2020	6.430	500,000	—	500,000
	26/11/2010	26/11/2013 to	25/11/2020	6.430	500,000	—	500,000
Other Participants in aggregate	31/08/2006	01/04/2010 to	30/08/2016	3.837	185,700	—	185,700
	31/08/2006	01/04/2011 to	30/08/2016	3.837	1,053,000	—	1,053,000
	26/11/2010	26/11/2010 to	25/11/2020	6.430	1,000,000	—	1,000,000
Total					100,775,348	(1,423,920)	99,351,428

Other Information

Notes:

1. Movements of the share options granted to the directors of the Company are shown under the section headed "Directors' Interests in Securities".
2. No share options have been granted, exercised or cancelled during the six months ended 31 December 2013.
3. The Company's share option scheme had ten-year life and was expired on 18 June 2012.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 December 2013, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

During the financial period under review, due to the retirement of Ms. Luan Yue Wen after the conclusion of the annual general meeting of the Company held on 30 December 2013 (the "2013 AGM"), the number of both the independent non-executive Directors and members of the Audit Committee fell below the minimum requirements respectively stipulated under Rules 3.10A and 3.21 of the Listing Rules.

As at the date of this report, the Company is in compliance with the minimum requirement as stipulated under Rules 3.10A and 3.21 of the Listing Rules. The members of the Audit Committee comprise Mr. Tam Ching Ho (the Chairman), Mr. Fung Chi Kin and Mr. Chan Yik Pun, all are independent non-executive Directors.

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 31 December 2013.

CORPORATE GOVERNANCE

The Board is committed to maintaining good corporate governance practices and high standards of business ethics. The Board believes that good corporate governance provides a framework for effective management, achieving business goals and maximising long term value to our shareholders.

During the financial period under review, the Company had applied the principles of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules and complied with the code provisions set out in the CG Code, except the deviations as stated below:

(i) Code provision A.2.1 of the CG Code

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be segregated. The Board considers that with his profound knowledge and expertise in agricultural business, Mr. Kwok Ho, being the Chairman and the Chief Executive Officer of the Company, provides a strong and consistent leadership to formulate efficient strategies, to implement prompt decisions and to complete effective business plans of the Group. It is in the best interests of the Company that Mr. Kwok Ho shall continue his dual capacity as the Chairman and Chief Executive Officer of the Company.

Other Information

(ii) Code provisions A.1.8 and A.5.1 of the CG Code

Under code provision A.1.8 of the CG Code, appropriate insurance cover in respect of legal action against directors of a listed issuer should be arranged. Under code provision A.5.1 of the CG Code, a nomination committee should be established with specific written terms of reference (code provision A.5.2), and the same should be made available on the websites of the Stock Exchange and the listed issuer (code provision A.5.3).

The Board has considered the merits of these code provisions. However, during the adverse period of time, the Board is of the view that the fulfilment of the conditions prescribed by the Stock Exchange for the resumption of the Trading (the "Resumption") is regarded as the top priority of the Company. Besides, until the Resumption is achieved, the Board is of the view that the Directors may be subject to such insurance premium which is much higher than necessary, reasonably or normally charged as insurance companies may tend to have reservation in accepting insurance coverage for directors of a listed company whose shares are suspended from trading for whatever cause or reasons. The taking out of insurance policy under this situation may not be in the overall interests of the Company and our shareholders.

During the financial period under review, no insurance cover was therefore arranged in respect of legal action against the Directors; and the Board had not established a nomination committee in compliance with code provision A.5.1 of the CG Code (as the Board considers that it was and is capable to perform the function of a nomination committee as designed under the CG Code without delegation after due consideration and assessment).

The Board will identify potential insurance company(ies) to arrange appropriate insurance cover in respect of legal action against its Directors and officers in due course after the Resumption in compliance with code provision A.1.8 of the CG Code and from time to time review the necessity of setting up a nomination committee of the Board.

Other Information

(iii) Code provisions E.1.2 and A.6.7 of the CG Code

Under code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. Due to participation in the meeting held with the PRC government official, Mr. Kwok Ho, the Chairman of the Board, was unable to attend the 2013 AGM. Other executive directors, the chairmen of the Audit and Remuneration Committees attended the 2013 AGM to answer questions regarding the Group and to exchange views with our shareholders.

Under code provision A.6.7 of the CG Code, independent non-executive directors should also attend general meetings. At the 2013 AGM, Professor Lin Shun Quan was absent because he attended an education seminar. Other than Professor Lin, all of the then independent non-executive Directors attended the 2013 AGM.

The Board will constantly review its corporate governance policies and adopt such practices and procedures as considered by it to be appropriate and in the interests of the Company and our shareholders at appropriate time.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules. Having made specific enquiries with all Directors, all Directors confirmed that they had complied with the Model Code throughout the financial period under review.

On behalf of the Board
Kwok Ho
Chairman

Hong Kong, 30 January 2015