



CHAODA MODERN AGRICULTURE (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 682)

INTERIM REPORT 2015/2016



Contents

Chaoda Modern Agriculture (Holdings) Limited Interim Report 2015/2016

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	21
Other Information	24

The consolidated statement of profit or loss and other comprehensive income of the Group for the six months ended 31 December 2015 and the consolidated statement of financial position of the Group as at 31 December 2015, 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 2015 — Unaudited

	Notes	Six months ended 31 December	
		2015 RMB'000	2014 RMB'000
Turnover	3	692,518	618,998
Cost of sales		(1,024,404)	(960,276)
Gross loss		(331,886)	(341,278)
Other revenues		38,050	40,373
Gain arising from changes in fair value less costs to sell of biological assets	11	143,166	11,638
Selling and distribution expenses		(176,957)	(109,585)
General and administrative expenses		(62,106)	(66,396)
Research expenses		(2,762)	(4,241)
Other operating expenses		(258,101)	(1,083,587)
Loss from operations		(650,596)	(1,553,076)
Finance costs	5(a)	(59)	(522)
Impairment loss on available-for-sale investments	12	—	(51,420)
Gain on disposals of available-for-sale investments		326	—
Share of results of associates		232	(850)
Loss before income tax	5	(650,097)	(1,605,868)
Income tax expense	6	—	—
Loss for the period		(650,097)	(1,605,868)
Other comprehensive income/(expense), including reclassification adjustments and net of income tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange gain/(loss) on translation of financial statements of foreign operations		6,104	(1,179)
Change in fair value of available-for-sale investments	12	—	(51,420)
Release upon impairment of available-for-sale investments	12	—	51,420
Release upon disposals of available-for-sale investments	12	(1,184)	—
Other comprehensive income/(expense) for the period, including reclassification adjustments and net of income tax		4,920	(1,179)
Total comprehensive expense for the period		(645,177)	(1,607,047)

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

For the six months ended 31 December 2015 — Unaudited

	Notes	Six months ended 31 December	
		2015 RMB'000	2014 RMB'000
Loss for the period attributable to:			
Owners of the Company		(651,533)	(1,606,893)
Non-controlling interests		1,436	1,025
		(650,097)	(1,605,868)
Total comprehensive expense for the period attributable to:			
Owners of the Company		(645,480)	(1,607,664)
Non-controlling interests		303	617
		(645,177)	(1,607,047)
Loss per share for loss attributable to the owners of the Company during the period			
— Basic	8(a)	RMB(0.20)	RMB(0.49)
— Diluted	8(b)	RMB(0.20)	RMB(0.49)

Condensed Consolidated Statement of Financial Position

As at 31 December 2015 — Unaudited

	Notes	31 December 2015 RMB'000	30 June 2015 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	2,904,255	3,082,171
Investment properties		55,490	56,686
Construction-in-progress		802	7,553
Prepaid premium for land leases	10	3,332,624	3,546,243
Biological assets	11	745,408	682,521
Available-for-sale investments	12	—	2,408
Deferred development costs		—	—
Deferred expenditure		340,601	373,173
Intangible assets		—	—
Interests in associates	13	6,750	7,536
		7,385,930	7,758,291
Current assets			
Prepaid premium for land leases	10	105,841	107,135
Biological assets	11	135,918	283,624
Inventories		27,276	21,984
Trade receivables	14	31,937	35,965
Other receivables, deposits and prepayments		346,191	446,837
Cash and cash equivalents		238,511	239,342
		885,674	1,134,887
Current liabilities			
Trade payables	15	21,559	20,507
Other payables and accruals		385,249	358,528
Bank loans	16	—	4,170
		406,808	383,205
Net current assets		478,866	751,682
Total assets less current liabilities		7,864,796	8,509,973
Non-current liabilities			
Deferred tax liabilities	17	20,655	20,655
Net assets		7,844,141	8,489,318

Condensed Consolidated Statement of Financial Position *(continued)*

As at 31 December 2015 — Unaudited

	Notes	31 December 2015 RMB'000	30 June 2015 RMB'000 (Audited)
EQUITY			
Equity attributable to the owners of the Company			
Share capital	18	332,787	332,787
Reserves		7,509,322	8,154,802
		7,842,109	8,487,589
Non-controlling interests		2,032	1,729
Total equity		7,844,141	8,489,318

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2015 — Unaudited

	Six months ended 31 December	
	2015 RMB'000	2014 RMB'000
Net cash generated from operating activities	3,229	3,626
Net cash used in investing activities	(5,383)	(190,354)
Net cash used in financing activities	(4,170)	(25,234)
Net decrease in cash and cash equivalents	(6,324)	(211,962)
Cash and cash equivalents at beginning of the period	239,342	432,321
Effect of foreign exchange rate changes, net	5,493	527
Cash and cash equivalents at end of the period	238,511	220,886

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2015 — 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	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 2014												
At 1 July 2014 (Audited)	332,787	5,968,860	94,894	217,818	5,247	—	(232,411)	688,059	8,042,203	15,117,457	140,996	15,258,453
Loss for the period	—	—	—	—	—	—	—	—	(1,606,893)	(1,606,893)	1,025	(1,605,868)
Other comprehensive (expense)/ income for the period												
— Currency translation differences	—	—	—	—	—	—	(771)	—	—	(771)	(408)	(1,179)
— Change in fair value of available-for-sale investments	—	—	—	—	—	(51,420)	—	—	—	(51,420)	—	(51,420)
— Release upon impairment of available-for-sale investments	—	—	—	—	—	51,420	—	—	—	51,420	—	51,420
Total comprehensive (expense)/ income for the period	—	—	—	—	—	—	(771)	—	(1,606,893)	(1,607,664)	617	(1,607,047)
Lapse of share options	—	—	—	(1,304)	—	—	—	—	1,304	—	—	—
At 31 December 2014 (Unaudited)	332,787	5,968,860	94,894	216,514	5,247	—	(233,182)	688,059	6,436,614	13,509,793	141,613	13,651,406

Condensed Consolidated Statement of Changes in Equity *(continued)*

For the six months ended 31 December 2015 — Unaudited

	Attributable to the owners of the Company											Total RMB'000	Non- controlling interests RMB'000	Total RMB'000
	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	Exchange reserve RMB'000	Statutory reserves RMB'000	Retained profits RMB'000	Total RMB'000	Non- controlling interests RMB'000			
Six months ended 31 December 2015														
At 1 July 2015 (Audited)	332,787	5,968,860	94,894	207,817	5,247	1,184	(236,052)	688,059	1,424,793	8,487,589	1,729	8,489,318		
Loss for the period	—	—	—	—	—	—	—	—	(651,533)	(651,533)	1,436	(650,097)		
Other comprehensive (expense)/ income for the period														
— Currency translation differences	—	—	—	—	—	—	7,237	—	—	7,237	(1,133)	6,104		
— Release upon disposals of available-for-sale investments	—	—	—	—	—	(1,184)	—	—	—	(1,184)	—	(1,184)		
Total comprehensive (expense)/ income for the period	—	—	—	—	—	(1,184)	7,237	—	(651,533)	(645,480)	303	(645,177)		
Lapse of share options	—	—	—	(2,913)	—	—	—	—	2,913	—	—	—		
At 31 December 2015 (Unaudited)	332,787	5,968,860	94,894	204,904	5,247	—	(228,815)	688,059	776,173	7,842,109	2,032	7,844,141		

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2015 — 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 2015 (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 2015 (the “2015 Annual Financial Statements”).

The Interim Financial Report has been prepared in accordance with the same accounting policies adopted in the 2015 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 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, all the 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 2015. 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.

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 2015 — Unaudited

3. TURNOVER

The principal activities of the Group are the growing and sales of crops, and 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	
	2015 RMB'000	2014 RMB'000
Sales of crops	690,032	614,608
Sales of livestock	2,486	4,390
	692,518	618,998

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 2015 and 2014 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 2015 — Unaudited

5. LOSS BEFORE INCOME TAX

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

(a) Finance costs

	Six months ended 31 December	
	2015 RMB'000	2014 RMB'000
Bank and finance charges	18	55
Interest on bank loans wholly repayable within five years	41	467
	59	522

(b) Staff costs

	Six months ended 31 December	
	2015 RMB'000	2014 RMB'000
Salaries, wages and other benefits	361,443	432,248
Retirement benefit costs	2,332	2,432
	363,775	434,680

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

For the six months ended 31 December 2015 — Unaudited

5. LOSS BEFORE INCOME TAX *(continued)*

(c) Other items

	Six months ended 31 December	
	2015 RMB'000	2014 RMB'000
Interest income	(480)	(2,357)
Amortisation of deferred development costs	—	280
Amortisation of deferred expenditure, net of amount capitalised	84,697	70,591
Amortisation of prepaid premium for land leases, net of amount capitalised	50,180	45,954
Cost of inventories sold	1,024,404	960,276
Depreciation of property, plant and equipment, net of amount capitalised	191,309	263,018
Depreciation of investment properties	1,196	1,196
Operating lease expense in respect of land and buildings	104,412	128,894
Loss on disposals and write off of property, plant and equipment	8,483	163,883
Loss on early termination of land leases	—	332,096
Agricultural produce written off	—	69,677
Biological assets written off	—	38,134
Deferred expenditure written off	39,783	188,315

6. INCOME TAX EXPENSE

- (a) No provision for the PRC enterprise income tax has been made in the condensed consolidated financial statements for the six months ended 31 December 2015 and 2014 as the PRC companies within the Group either has no assessable profits arising from the PRC or exempt from the enterprise income tax.

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 the 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 2015 and 2014.

- (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 2015 and 2014.

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

For the six months ended 31 December 2015 — Unaudited

7. DIVIDENDS

The Directors do not recommend the payment of interim dividend for the six months ended 31 December 2015 and 2014.

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 RMB651,533,000 (Six months ended 31 December 2014: RMB1,606,893,000) and the weighted average number of 3,291,302,000 (Six months ended 31 December 2014: 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 RMB651,533,000 (Six months ended 31 December 2014: RMB1,606,893,000) and the weighted average number of 3,291,302,000 (Six months ended 31 December 2014: 3,291,302,000) ordinary shares. The computation of diluted loss per share does not assume the conversion of the Company's share options outstanding since their exercise would result in a decrease in loss per share for the six months ended 31 December 2015 and 2014.

9. PROPERTY, PLANT AND EQUIPMENT

	Six months ended 31 December 2015 RMB'000	Year ended 30 June 2015 RMB'000
Net book value at 1 July 2015/1 July 2014	3,082,171	5,831,067
Additions	28,122	15,499
Transfer from construction-in-progress	52,924	141,220
Written off/Disposals	(8,794)	(833,094)
Depreciation charges	(250,256)	(767,059)
Impairment loss <i>(Note (a))</i>	—	(1,305,386)
Exchange realignment	88	(76)
Net book value as at 31 December 2015/30 June 2015	2,904,255	3,082,171

Note:

- (a) As at 30 June 2015, an impairment loss of approximately RMB1,305,386,000 was recognised to impair the carrying amounts of certain furniture, fixtures and equipment, motor vehicles and farmland infrastructure of a subsidiary engaged in the growing and sales of eucalyptus in the PRC as the trees in plantation forest held by the Group have been categorised as ecological forest.

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 31 December 2015 — 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 2014	5,534,272	127,970	5,662,242
Early termination of leases	(1,065,381)	—	(1,065,381)
Exchange realignment	(15,372)	—	(15,372)
At 30 June 2015 and 1 July 2015	4,453,519	127,970	4,581,489
Early termination of leases	(162,000)	—	(162,000)
Exchange realignment	(13,410)	—	(13,410)
At 31 December 2015	4,278,109	127,970	4,406,079
Accumulated amortisation and impairment loss			
At 1 July 2014	971,966	48,356	1,020,322
Amortisation for the year	121,227	4,888	126,115
Early termination of leases	(202,954)	—	(202,954)
Exchange realignment	(15,372)	—	(15,372)
At 30 June 2015 and 1 July 2015	874,867	53,244	928,111
Amortisation for the period	50,469	2,444	52,913
Exchange realignment	(13,410)	—	(13,410)
At 31 December 2015	911,926	55,688	967,614
Net carrying value as at 31 December 2015	3,366,183	72,282	3,438,465
Net carrying value as at 30 June 2015	3,578,652	74,726	3,653,378
		31 December 2015 RMB'000	30 June 2015 RMB'000
Non-current portion		3,332,624	3,546,243
Current portion		105,841	107,135
Net carrying value		3,438,465	3,653,378

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 31 December 2015 — Unaudited

10. PREPAID PREMIUM FOR LAND LEASES (continued)

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 2015 RMB'000	30 June 2015 RMB'000
Outside Hong Kong held on:		
— Leases of over 50 years	353,534	356,469
— Leases of between 10 to 50 years	3,084,931	3,296,909
	3,438,465	3,653,378

Notes:

- (a) As at 31 December 2015, long-term prepaid rentals for the farmlands which have not yet been occupied by the Group amounted to RMB406,500,000 (30 June 2015: RMB568,500,000).
- (b) As at 30 June 2015, prepaid premium for land leases attributable to the trees in plantation forest categorised as ecological forest with carrying amount amounted to RMB1,407,249,000. With reference to the terms of the leasing contracts, no impairment on prepaid premium for land leases is recognised as at the end of the reporting period.

11. BIOLOGICAL ASSETS

	Fruit trees	Livestock	Vegetables	Trees in plantation forest	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(note a)	
At 1 July 2014	859,678	39,968	494,260	1,334,606	2,728,512
Additions	390,070	39,717	1,349,612	253,139	2,032,538
Decrease due to harvest or sales	(245,629)	(24,450)	(1,392,147)	—	(1,662,226)
Written off	(41,047)	—	—	(1,587,745)	(1,628,792)
Loss arising from changes in fair value less costs to sell	(308,004)	(27,782)	(168,101)	—	(503,887)
At 30 June 2015 and 1 July 2015	655,068	27,453	283,624	—	966,145
Additions	198,700	24,058	600,673	—	823,431
Decrease due to harvest or sales	(238,988)	(11,272)	(801,156)	—	(1,051,416)
Gain/(Loss) arising from changes in fair value less costs to sell	108,088	(17,699)	52,777	—	143,166
At 31 December 2015	722,868	22,540	135,918	—	881,326

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 31 December 2015 — Unaudited

11. BIOLOGICAL ASSETS (continued)

Biological assets as at 31 December 2015 and 30 June 2015 are stated at fair values less costs to sell and are analysed as follows:

	31 December 2015				30 June 2015
	Fruit trees	Livestock	Vegetables	Total	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current portion	722,868	22,540	—	745,408	682,521
Current portion	—	—	135,918	135,918	283,624
	722,868	22,540	135,918	881,326	966,145

Notes:

- (a) Subsequent to the year ended 30 June 2015, the trees in plantation forest held by the Group have been categorised as ecological forest according to the relevant laws and regulations in the PRC. As a result, the Group is restricted to carrying out any commercial operation on those trees in plantation forest categorised as ecological forest. Accordingly, the trees in plantation forest categorised as ecological forest held by the Group as at 30 June 2015 have been written off in full.
- (b) 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 2015.

12. AVAILABLE-FOR-SALE INVESTMENTS

	31 December 2015	30 June 2015
	RMB'000	RMB'000
Listed equity investments in Hong Kong, at fair value	—	2,408

During the six months ended 31 December 2015, amount of RMB1,184,000 has been reclassified from investment revaluation reserve to profit or loss upon disposals of available-for-sale investments.

During the six months ended 31 December 2014, the fair value loss recognised directly in investment revaluation reserve amounted to approximately RMB51,420,000. Due to a prolonged decline in the fair value of the available-for-sale investments below its cost, an impairment loss of approximately RMB51,420,000 has been recognised in profit or loss for the six months ended 31 December 2014.

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 investments is based on the quoted market bid prices available on The Stock Exchange of Hong Kong Limited.

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

For the six months ended 31 December 2015 — Unaudited

13. INTERESTS IN ASSOCIATES

	31 December 2015 RMB'000	30 June 2015 RMB'000
Share of net assets	6,399	7,207
Amount due from an associate	351	329
	6,750	7,536

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.

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' credit worthiness.

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

	31 December 2015 RMB'000	30 June 2015 RMB'000
0-1 month	12,521	17,846
1-3 months	9,182	5,977
Over 3 months	10,234	12,142
	31,937	35,965

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

For the six months ended 31 December 2015 — Unaudited

15. TRADE PAYABLES

Ageing analysis of trade payables is as follows:

	31 December 2015 RMB'000	30 June 2015 RMB'000
0–1 month	5,912	3,086
1–3 months	2,168	9,127
Over 3 months	13,479	8,294
	21,559	20,507

16. BANK LOANS

As at 31 December 2015, the Group has unsecured banking facilities totaling RMB400,000,000 which has not been utilised.

As at 30 June 2015, the Group has banking facilities totaling RMB404,170,000, of which RMB4,170,000 is secured by personal guarantee and has been utilised, all other banking facilities are unsecured. The Group's secured bank loans of RMB4,170,000, which are all denominated in RMB and interest bearing at fixed rate at 7.28% per annum, are repayable within one year.

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 2015 and 30 June 2015, 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 RMB431,123,000 (30 June 2015: RMB433,708,000). 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.

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 31 December 2015 — Unaudited

18. SHARE CAPITAL

Authorised ordinary shares of HK\$0.1 each

	No. of shares ('000)	HK\$'000	RMB'000
At 1 July 2014, 30 June 2015 and 31 December 2015	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 2014, 30 June 2015 and 31 December 2015	3,291,302	329,130	332,787

19. COMMITMENTS

(a) Capital commitments

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

	31 December 2015 RMB'000	30 June 2015 RMB'000
Contracted but not provided for: Purchases of property, plant and equipment	—	20,333

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 31 December 2015 — Unaudited

19. COMMITMENTS (continued)

(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 2015 RMB'000	30 June 2015 RMB'000
Within one year	81,373	84,828
In the second to fifth years, inclusive	316,720	326,787
After five years	851,414	911,149
Total	1,249,507	1,322,764

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 2015 RMB'000	30 June 2015 RMB'000
Within one year	8,170	6,635
In the second to fifth years, inclusive	7,816	11,158
After five years	2,349	2,600
Total	18,335	20,393

20. APPROVAL OF INTERIM FINANCIAL REPORT

The Interim Financial Report was approved by the board of Directors on 26 February 2016.

Management Discussion and Analysis

FINANCIAL REVIEW

During the financial period under review, the Group recorded a turnover of RMB693 million (31 December 2014: RMB619 million), increased by approximately 12%. Sales of crops in the China markets contributed to 93% of the Group's turnover for crops with a sales volume of 349,118 tonnes (31 December 2014: 305,487 tonnes). Approximately 93% of crops produced by the Group were sold to the wholesale markets in China (31 December 2014: 97%). The average selling price of crops sold in the China markets slightly decreased from RMB1.86 per kilogram to RMB1.84 per kilogram. The gross loss slightly decreased by approximately 3% to RMB332 million as compared with that in the corresponding period of previous financial year.

Directly driven by the growth of sales volume of the produce, packaging expenses increased and has resulted in rising the selling and distribution expenses from RMB110 million to RMB177 million. The Group continued to implement reasonable and applicable operating measures, by which general and administrative expenses reduced 6% to RMB62 million for the financial period under review. Other operating expenses decreased from RMB1,084 million to RMB258 million mainly because there were loss on prepaid premium for certain land leases due to the early termination and loss on disposals and write off of property, plant and equipment in the corresponding period of previous financial year. A gain of RMB143 million (31 December 2014: RMB11.64 million) was resulted from changes in fair value less costs to sell of biological assets under valuation. As a result, loss from operations of the Group for the financial period under review was narrowed down by about 58% to RMB651 million (31 December 2014: RMB1,553 million).

AGRICULTURAL LAND

As at 31 December 2015 and 30 June 2015, the production area of the Group's core business, including vegetable land and fruit garden, amounted to 470,817 mu (31,388 hectares) (31 December 2014: 537,713 mu (35,848 hectares)).

The weighted average production area for vegetables amounted to 296,020 mu (19,735 hectares) as at 31 December 2015 (31 December 2014: 365,993 mu (24,400 hectares)), while 358,169 mu (23,878 hectares) was recorded as at 30 June 2015.

BUSINESS OVERVIEW

Leveraging on the positive elements of the Group supporting corporate development that we have accumulated over the years, which mainly included strategic selection and deployment of production bases, not only could the Group continue its production to satisfy the market demand, but also ensure a stable year-round crops supply, thus providing a solid base for the supply of fresh agricultural produce in different regions. Moreover, with the advantage of soft power, the Group prudently took the opportunity to step up efforts on marketing and to optimise product mix in order to mitigate the negative effect by the external environment during the financial period under review. On the other hand, the Group actively responded to the changes of the business environment by adopting appropriate measures such as adjusting development strategies, optimising resources allocation, reducing production costs and closely controlling product quality. Consequently, the turnover and sales volume performed an upward tendency during the financial period under review.

Management Discussion and Analysis

OUTLOOK

As an agricultural leading enterprise, Chaoda has a solid business foundation. Looking ahead, the Group will proactively explore and tap new market opportunities by optimising product portfolio, implementing reforms and innovations, and expanding sales channels to enhance our profit margin. Meanwhile, given the prospect of the eco-agricultural industry in China and the 13th Five-Year Plan of the nation, coupled with the direction from the “General Proposal for the Reform for Promoting Ecological Progress” issued in September 2015, which recognised Chaoda’s philosophy of “take the green road to create a civilisation based on ecological principles”, the Group is fully confident of the future prospect of its business. We will strive to achieve the goal of integrating development and conservation in a more mature and steady manners while keeping our focus on enhancing the core competitiveness of the corporation and the capability for sustainable development with a view to rewarding the shareholders, staff and the society with new remarkable result.

LIQUIDITY AND FINANCIAL RESOURCES

The Group’s principal source of fund is the cash flows generated from operating activities in addition to the banking facilities. During the financial period under review, net cash generated from operating activities of the Group amounted to RMB3.23 million (31 December 2014: RMB3.63 million). As at 31 December 2015, cash and cash equivalents of the Group amounted to RMB239 million (30 June 2015: RMB239 million).

As at 31 December 2015, the Group has unsecured banking facilities of totaling RMB400 million which has not been utilised. As at 30 June 2015, the total banking facilities available to the Group amounted to RMB404 million, of which RMB4 million had been utilised and secured by personal guarantee, whereas the remaining of RMB400 million were unsecured and had not been utilised. Details of the bank facilities are set out in the note 16 to the unaudited condensed consolidated financial statements.

As at 31 December 2015, the total equity of the Group (including non-controlling interests) amounted to RMB7,844 million (30 June 2015: RMB8,489 million). Since the Group did not have any outstanding bank loans or long term debts due to third party as at 31 December 2015, the debt to equity ratio (total of bank loans over total equity) of the Group was nil (30 June 2015: 0.05%). The current ratio (dividing total current assets by total current liabilities) was 2 times (30 June 2015: 3 times).

The Group believes that funds generated from operations and the available banking facilities will enable the Group to meet its future working capital requirements.

The Group did not have any material contingent liabilities as at 31 December 2015 and 30 June 2015.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATE

The business operations of the Group’s subsidiaries were mainly conducted in the PRC with revenues and expenses of the Group’s subsidiaries denominated in Renminbi. As at the date of this report, the Board considers that the Group’s risk exposure to foreign exchange rate fluctuation remained minimal. The Group would closely monitor the volatility of the currency exchange rate and adopt appropriate measures, should the needs arise.

During the period under review, the Group did not enter into any interest rate speculative and hedging contracts.

Management Discussion and Analysis

CHARGE ON ASSETS

As at 31 December 2015 and 30 June 2015, the Group did not charge any of its assets.

CAPITAL STRUCTURE

As at 31 December 2015, 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 2015, the Group employed approximately 11,135 employees, of which 10,460 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 including but not limited to pension, insurance, education, subsidies and training programmes are provided to the employees as well.

Other Information

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2015, the interests and short position of the directors of the Company 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 of Hong Kong Limited (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

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.

Long positions in underlying shares of the Company

Name of directors	Grant date	Exercisable period		Exercise price HK\$	Balance of share options as at 01/07/2015 and 31/12/2015
		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. 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

Other Information

Save as disclosed above, as at 31 December 2015, none of the directors, chief executives of the Company nor their associates had or was deemed to have any interests or 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 maintained by the Company under Section 352 of the SFO or which has been 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 of the Company, 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2015, the following parties (not being directors or chief executives of the Company) were directly or indirectly interested in 5% or more of the issued share capital and underlying shares of the Company as recorded in the register maintained by the Company under Section 336 of the SFO:

Name of substantial 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.	Interest of corporation controlled by the substantial shareholder	Long	182,332,608	182,332,608	5.54%

Other Information

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).

SHARE OPTION SCHEME

Share Option Scheme adopted on 17 December 2015

Pursuant to an ordinary resolution passed by shareholders of the Company at the annual general meeting of the Company held on 17 December 2015, a new share option scheme (the “New Share Option Scheme”) was adopted. The principal terms of the New Share Option Scheme were set out in Appendix III of the circular of the Company dated 18 November 2015.

The purposes of the New Share Option Scheme are including but not limited to provide the Board with flexible and effective means to attract and retain professionals, executives and employees of high caliber or appropriate qualification and experience that are valuable to the sustained development of the Group, as well as to reward the eligible participants whose contributions are or will be beneficial to the growth of the Group.

No share options were granted since the adoption of the New Share Option Scheme on 17 December 2015 to the date of this report.

Share Option Scheme adopted on 19 June 2002

The old share option scheme of the Company, which was adopted on 19 June 2002 (the “Old Share Option Scheme”) expired on 18 June 2012. No further share options may be granted under the Old Share Option Scheme consequent upon its termination. All share options granted under the Old Share Option Scheme prior to its termination shall remain valid and exercisable in accordance with the provisions of the Old Share Option Scheme. The principal terms of the Old Share Option Scheme were summarised and set out in the 2014/2015 annual report of the Company.

Other Information

During the financial period under review, details of movements of the outstanding share options granted under the Old Option Scheme are set out below:

Category of participants	Grant date	Exercisable period		Exercise price HK\$	Number of share options		
		Starting	Ending		Balance as at 01/07/2015	Lapsed during the financial period under review	Balance as at 31/12/2015
Directors (Note 1)	26/11/2010	26/11/2010	to 25/11/2020	6.430	8,000,000	—	8,000,000
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	315,900	—	315,900
	31/08/2006	01/04/2008	to 30/08/2016	3.837	421,200	—	421,200
	31/08/2006	01/04/2009	to 30/08/2016	3.837	421,200	—	421,200
	31/08/2006	01/04/2010	to 30/08/2016	3.837	647,030	(10,600)	636,430
	31/08/2006	01/04/2011	to 30/08/2016	3.837	20,359,860	(210,600)	20,149,260
	24/10/2008	24/10/2008	to 23/10/2018	3.846	2,244,800	—	2,244,800
	24/10/2008	24/10/2009	to 23/10/2018	3.846	125,170	(370)	124,800
	24/10/2008	24/10/2010	to 23/10/2018	3.846	436,800	(104,000)	332,800
	24/10/2008	24/10/2011	to 23/10/2018	3.846	436,800	(104,000)	332,800
	24/10/2008	24/10/2012	to 23/10/2018	3.846	436,800	(104,000)	332,800
	26/11/2010	26/11/2010	to 25/11/2020	6.430	56,625,000 (Note 2)	(125,000)	56,500,000
	26/11/2010	26/11/2011	to 25/11/2020	6.430	425,000	(125,000)	300,000
26/11/2010	26/11/2012	to 25/11/2020	6.430	425,000	(125,000)	300,000	
26/11/2010	26/11/2013	to 25/11/2020	6.430	425,000	(125,000)	300,000	
Other Participants in aggregate	31/08/2006	01/04/2010	to 30/08/2016	3.837	123,800	—	123,800
	31/08/2006	01/04/2011	to 30/08/2016	3.837	947,700	—	947,700
	26/11/2010	26/11/2010	to 25/11/2020	6.430	500,000	—	500,000
Total					94,008,348	(1,724,858)	92,283,490

Notes:

- Details of the share options granted to the directors of the Company under the Old Share Option Scheme are shown under the section headed "Directors' Interests in Securities".
- Share options held by the retired director were re-classified to the category of employees upon his retirement which was to take effect on 17 December 2015.
- No share options have been granted, exercised or cancelled under the Old Share Option Scheme during the six months ended 31 December 2015.

Other Information

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 December 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

All members of the Audit Committee are independent non-executive directors, including Mr. Tam Ching Ho (the Chairman), Mr. Fung Chi Kin and Mr. Chan Yik Pun. They possess appropriate professional qualifications, accounting or related financial management expertise as required under the Listing Rules.

The Audit Committee has reviewed the Interim Financial Report.

CORPORATE GOVERNANCE

The Board is responsible for ensuring high standard of corporate governance is maintained. During the financial period under review, the Company has applied the principles and complied with all the applicable code provisions laid down in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules, except the deviation as stated below:

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. The Board will review and assess such arrangement from time to time to keep a balance of power and authority.

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, 26 February 2016