



CHAODA MODERN AGRICULTURE (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 682)

INTERIM REPORT 2014/2015



Contents

Chaoda Modern Agriculture (Holdings) Limited Interim Report 2014/2015

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	22
Other Information	25

The consolidated statement of profit or loss and other comprehensive income of the Group for the six months ended 31 December 2014 and the consolidated statement of financial position of the Group as at 31 December 2014, 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 2014 — Unaudited

	Notes	Six months ended 31 December	
		2014 RMB'000	2013 RMB'000
Turnover	3	618,998	814,688
Cost of sales		(960,276)	(1,036,534)
Gross loss		(341,278)	(221,846)
Other revenues		40,373	38,946
Gain/(Loss) arising from changes in fair value less costs to sell of biological assets	11	11,638	(156,109)
Selling and distribution expenses		(109,585)	(151,500)
General and administrative expenses		(66,396)	(69,054)
Research expenses		(4,241)	(5,931)
Other operating expenses		(1,083,587)	(630,672)
Loss from operations		(1,553,076)	(1,196,166)
Finance costs	5(a)	(522)	(164)
Impairment loss on available-for-sale investments	12	(51,420)	(36,688)
Share of results of associates		(850)	517
Loss before income tax	5	(1,605,868)	(1,232,501)
Income tax expense	6	—	—
Loss for the period		(1,605,868)	(1,232,501)
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		(1,179)	(1,452)
Change in fair value of available-for-sale investments	12	(51,420)	(36,688)
Release upon impairment of available-for-sale investments	12	51,420	36,688
Other comprehensive expense for the period, including reclassification adjustments and net of income tax		(1,179)	(1,452)
Total comprehensive expense for the period		(1,607,047)	(1,233,953)

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

For the six months ended 31 December 2014 — Unaudited

	Notes	Six months ended 31 December	
		2014 RMB'000	2013 RMB'000
Loss for the period attributable to:			
Owners of the Company		(1,606,893)	(1,233,215)
Non-controlling interests		1,025	714
		(1,605,868)	(1,232,501)
Total comprehensive expense for the period attributable to:			
Owners of the Company		(1,607,664)	(1,234,459)
Non-controlling interests		617	506
		(1,607,047)	(1,233,953)
Loss per share for loss attributable to the owners of the Company during the period			
— Basic	8(a)	RMB(0.49)	RMB(0.37)
— Diluted	8(b)	RMB(0.49)	RMB(0.37)

Condensed Consolidated Statement of Financial Position

As at 31 December 2014 — Unaudited

	Notes	31 December 2014 RMB'000	30 June 2014 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	5,284,866	5,831,067
Investment properties		57,882	59,078
Construction-in-progress		1,231	607
Prepaid premium for land leases	10	4,093,384	4,508,700
Biological assets	11	2,451,403	2,234,252
Available-for-sale investments	12	52,523	104,220
Deferred development costs		180	460
Deferred expenditure		283,589	370,068
Intangible assets		466,051	467,700
Interests in associates	13	10,016	11,667
		12,701,125	13,587,819
Current assets			
Prepaid premium for land leases	10	124,591	133,220
Biological assets	11	269,646	494,260
Inventories		45,571	39,742
Trade receivables	14	33,434	39,979
Other receivables, deposits and prepayments		611,695	890,144
Cash and cash equivalents		220,886	432,321
		1,305,823	2,029,666
Current liabilities			
Trade payables	15	13,977	14,316
Other payables and accruals		316,740	294,657
Bank loans	16	4,170	29,404
		334,887	338,377
Net current assets		970,936	1,691,289
Total assets less current liabilities		13,672,061	15,279,108
Non-current liabilities			
Deferred tax liabilities	17	20,655	20,655
Net assets		13,651,406	15,258,453

Condensed Consolidated Statement of Financial Position *(continued)*

As at 31 December 2014 — Unaudited

	Notes	31 December 2014 RMB'000	30 June 2014 RMB'000 (Audited)
EQUITY			
Equity attributable to the owners of the Company			
Share capital	18	332,787	332,787
Reserves		13,177,006	14,784,670
		13,509,793	15,117,457
Non-controlling interests		141,613	140,996
Total equity		13,651,406	15,258,453

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2014 — Unaudited

	Six months ended 31 December	
	2014 RMB'000	2013 RMB'000
Net cash generated from operating activities	3,626	202,364
Net cash used in investing activities	(190,354)	(256,290)
Net cash (used in)/generated from financing activities	(25,234)	3,368
Net decrease in cash and cash equivalents	(211,962)	(50,558)
Cash and cash equivalents at beginning of the period	432,321	371,419
Effect of foreign exchange rate changes, net	527	(469)
Cash and cash equivalents at end of the period	220,886	320,392

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2014 — 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 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

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

For the six months ended 31 December 2014 — 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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2014 — 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 2014 (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 2014 (the “2014 Annual Financial Statements”).

The Interim Financial Report has been prepared in accordance with the same accounting policies adopted in the 2014 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 2014. 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 2014 — 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	
	2014 RMB'000	2013 RMB'000
Sales of crops	614,608	806,902
Sales of livestock	4,390	7,786
	618,998	814,688

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 2014 and 2013 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 2014 — Unaudited

5. LOSS BEFORE INCOME TAX

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

(a) Finance costs

	Six months ended 31 December	
	2014 RMB'000	2013 RMB'000
Bank and finance charges	55	38
Interest on bank loans wholly repayable within five years	467	126
	522	164

(b) Staff costs

	Six months ended 31 December	
	2014 RMB'000	2013 RMB'000
Salaries, wages and other benefits	432,248	399,119
Employee share option benefits	—	152
Retirement benefit costs	2,432	2,889
	434,680	402,160

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

For the six months ended 31 December 2014 — Unaudited

5. LOSS BEFORE INCOME TAX *(continued)*

(c) Other items

	Six months ended 31 December	
	2014 RMB'000	2013 RMB'000
Interest income	(2,357)	(2,494)
Scrip dividend income from available-for-sale investments	—	(2,880)
Amortisation of deferred development costs	280	2,190
Amortisation of deferred expenditure, net of amount capitalised	70,591	90,053
Amortisation of prepaid premium for land leases, net of amount capitalised	45,954	49,826
Cost of inventories sold	960,276	1,036,534
Depreciation of property, plant and equipment, net of amount capitalised	263,018	322,970
Depreciation of investment properties	1,196	—
Operating lease expense in respect of land and buildings	128,894	132,127
Loss on disposals and write off of property, plant and equipment*	163,883	19,796
Loss on early termination of land leases*	332,096	—
Agricultural produce written off*	69,677	213,155
Biological assets written off*	38,134	—
Deferred expenditure written off*	188,315	—

* Included in other operating expenses in profit or loss

6. INCOME TAX EXPENSE

- (a) No provision for PRC enterprise income tax has been made in the condensed consolidated financial statements for the six months ended 31 December 2014 and 2013 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 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 2014 and 2013.

- (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 2014 and 2013.

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

For the six months ended 31 December 2014 — Unaudited

7. DIVIDENDS

The Directors do not recommend the payment of interim dividend for the six months ended 31 December 2014 and 2013.

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 RMB1,606,893,000 (Six months ended 31 December 2013: RMB1,233,215,000) and the weighted average number of 3,291,302,000 (Six months ended 31 December 2013: 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 RMB1,606,893,000 (Six months ended 31 December 2013: RMB1,233,215,000) and the weighted average number of 3,291,302,000 (Six months ended 31 December 2013: 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 2014 and 2013.

9. PROPERTY, PLANT AND EQUIPMENT

	Six months ended 31 December 2014 RMB'000	Year ended 30 June 2014 RMB'000
Net book value at 1 July 2014/1 July 2013	5,831,067	6,678,361
Additions	3,864	253,792
Transfer to investment properties	—	(59,875)
Transfer from construction-in-progress	10,450	79,511
Written off/Disposals	(164,052)	(267,464)
Depreciation charges	(396,419)	(853,217)
Exchange realignment	(44)	(41)
Net book value as at 31 December 2014 /30 June 2014	5,284,866	5,831,067

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

For the six months ended 31 December 2014 — 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 2013	6,182,844	127,970	6,310,814
Early termination of leases	(641,300)	—	(641,300)
Exchange realignment	(7,272)	—	(7,272)
At 30 June 2014 and 1 July 2014	5,534,272	127,970	5,662,242
Early termination of leases	(426,074)	—	(426,074)
Exchange realignment	(9,396)	—	(9,396)
At 31 December 2014	5,098,802	127,970	5,226,772
Accumulated amortisation and impairment loss			
At 1 July 2013	882,382	43,467	925,849
Amortisation for the year	133,769	4,889	138,658
Early termination of leases	(36,913)	—	(36,913)
Exchange realignment	(7,272)	—	(7,272)
At 30 June 2014 and 1 July 2014	971,966	48,356	1,020,322
Amortisation for the period	64,038	2,444	66,482
Early termination of leases	(68,611)	—	(68,611)
Exchange realignment	(9,396)	—	(9,396)
At 31 December 2014	957,997	50,800	1,008,797
Net carrying value as at 31 December 2014	4,140,805	77,170	4,217,975
Net carrying value as at 30 June 2014	4,562,306	79,614	4,641,920

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

For the six months ended 31 December 2014 — Unaudited

10. PREPAID PREMIUM FOR LAND LEASES *(continued)*

	31 December 2014 RMB'000	30 June 2014 RMB'000
Non-current portion	4,093,384	4,508,700
Current portion	124,591	133,220
Net carrying value	4,217,975	4,641,920

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 2014 RMB'000	30 June 2014 RMB'000
Outside Hong Kong held on:		
Leases of over 50 years	359,403	520,616
Leases of between 10 to 50 years	3,858,572	4,121,304
	4,217,975	4,641,920

As at 31 December 2014, long-term prepaid rentals for the farmlands which have not yet been occupied by the Group amounted to RMB688,500,000 (30 June 2014: RMB688,500,000).

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 31 December 2014 — Unaudited

11. BIOLOGICAL ASSETS

	Fruit trees RMB'000	Livestock RMB'000	Vegetables RMB'000	Trees in plantation forest RMB'000	Total RMB'000
At 1 July 2013	1,061,640	34,110	360,954	1,151,000	2,607,704
Additions	360,654	42,505	1,565,961	206,420	2,175,540
Decrease due to harvest or sales	(310,354)	(47,011)	(1,668,001)	—	(2,025,366)
Written off	(292,735)	—	—	—	(292,735)
Gain/(Loss) arising from changes in fair value less costs to sell	40,473	10,364	235,346	(22,814)	263,369
At 30 June 2014 and 1 July 2014	859,678	39,968	494,260	1,334,606	2,728,512
Additions	201,351	17,331	661,388	185,665	1,065,735
Decrease due to harvest or sales	(200,149)	(14,008)	(832,545)	—	(1,046,702)
Written off	(38,134)	—	—	—	(38,134)
Gain/(Loss) arising from changes in fair value less costs to sell	144,775	(15,526)	(53,457)	(64,154)	11,638
At 31 December 2014	967,521	27,765	269,646	1,456,117	2,721,049

Biological assets as at 31 December 2014 and 30 June 2014 are stated at fair values less costs to sell and are analysed as follows:

	Fruit trees RMB'000	Livestock RMB'000	Vegetables RMB'000	Trees in plantation forest RMB'000	31 December 2014 Total RMB'000	30 June 2014 Total RMB'000
Non-current portion	967,521	27,765	—	1,456,117	2,451,403	2,234,252
Current portion	—	—	269,646	—	269,646	494,260
	967,521	27,765	269,646	1,456,117	2,721,049	2,728,512

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 2014.

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 31 December 2014 — Unaudited

12. AVAILABLE-FOR-SALE INVESTMENTS

	31 December 2014 RMB'000	30 June 2014 RMB'000
Listed equity investments in Hong Kong, at fair value	52,523	104,220

During the six months ended 31 December 2014, the fair value loss recognised directly in investment revaluation reserve amounted to approximately RMB51,420,000 (Six months ended 31 December 2013: RMB36,688,000). 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 (Six months ended 31 December 2013: RMB36,688,000) 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.

13. INTERESTS IN ASSOCIATES

	31 December 2014 RMB'000	30 June 2014 RMB'000
Share of net assets	9,684	11,334
Amount due from an associate	332	333
	10,016	11,667

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 2014 — 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 2014 RMB'000	30 June 2014 RMB'000
0–1 month	17,103	17,692
1–3 months	9,166	5,221
Over 3 months	7,165	17,066
	33,434	39,979

15. TRADE PAYABLES

Ageing analysis of trade payables is as follows:

	31 December 2014 RMB'000	30 June 2014 RMB'000
0–1 month	5,461	1,999
1–3 months	3,627	—
Over 3 months	4,889	12,317
	13,977	14,316

16. BANK LOANS

As at 31 December 2014 and 30 June 2014, the Group's bank loans were repayable within one year. These bank loans were denominated in Renminbi, interest bearing at fixed rates at 7.28% (30 June 2014: ranging from 6.09% to 6.16%) per annum.

As at 31 December 2014, the Group had banking facilities totalling RMB4,170,000 (30 June 2014: RMB29,404,000), of which RMB4,170,000 (30 June 2014: RMB29,404,000) had been utilised. The bank loan as at 31 December 2014 is secured by personal guarantee provided by an employee of the Group (30 June 2014: unsecured).

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 31 December 2014 — 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 2014 and 30 June 2014, 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 RMB433,709,000 (30 June 2014: RMB434,333,000). 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 2013, 30 June 2014 and 31 December 2014	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 2013, 30 June 2014 and 31 December 2014	3,291,302	329,130	332,787

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

For the six months ended 31 December 2014 — Unaudited

19. COMMITMENTS

(a) Capital commitments

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

	31 December 2014 RMB'000	30 June 2014 RMB'000
Contracted but not provided for:		
Purchases of property, plant and equipment	2,020	1,346

(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 2014 RMB'000	30 June 2014 RMB'000
Within one year	126,981	136,714
In the second to fifth years, inclusive	495,281	536,942
After five years	1,466,162	1,661,356
Total	2,088,424	2,335,012

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

For the six months ended 31 December 2014 — 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 2014 RMB'000	30 June 2014 RMB'000
Within one year	8,748	7,179
In the second to fifth years, inclusive	7,633	11,811
After five years	—	1,046
Total	16,381	20,036

20. APPROVAL OF INTERIM FINANCIAL REPORT

The Interim Financial Report was approved by the board of Directors on 27 February 2015.

Management Discussion and Analysis

FINANCIAL REVIEW

During the financial period under review, the demand for the Group's produce in the China markets remained at a low level and the Group continued to downsize its scale of crops production. These unfavorable conditions had a considerable adverse impact on the performance of the Group. As a result, the Group recorded a turnover of RMB619 million (31 December 2013: RMB815 million), down about 24%. Sales of crops in the China market contributed to 92% of the Group's turnover for crops with a sales volume of 305,487 tonnes (31 December 2013: 387,698 tonnes). Approximately 97% of crops produced by the Group were sold in the wholesale markets in China (31 December 2013: 94%). The average selling price for crops sold in the China markets decreased from RMB1.97 per kilogram to RMB1.86 per kilogram. Given that the overall production costs of crops had also kept increasing in China and the farmlands available were not utilised in full due to low demand, the Group could not take full advantage of economies of scale that could help decrease the overall costs of the Group. The myriad of factors led to a gross loss of RMB341 million (31 December 2013: RMB222 million).

In adherence to prudent financial management and through reasonable control of operating costs, general and administrative expenses reduced from RMB69 million in the corresponding period of the previous financial year to about RMB66 million, representing a drop of 4%. Selling and distribution expenses fell by 28% to RMB110 million. On the other hand, other operating expenses increased from RMB631 million to RMB1,084 million. Such increase was primarily attributable to the loss on prepaid premium for certain land leases due to their termination by the Group during the financial period under review. Although a gain of RMB11.64 million (31 December 2013: a loss of RMB156 million) was resulted from changes in fair value less costs to sell of biological assets under the valuation, loss from operations of the Group for the financial period under review rose to RMB1,553 million (31 December 2013: RMB1,196 million).

AGRICULTURAL LAND

As at 31 December 2014, the production area of the Group's core business, including vegetable land and fruit garden, which amounted to 537,713 mu (35,848 hectares), decreased by 12% from 608,113 mu (40,541 hectares) as at 31 December 2013. It also recorded a decrease of 1% in production base area from 543,213 mu (36,214 hectares) as at 30 June 2014.

The weighted average production area for vegetables as at 31 December 2014 decreased by 9% to 365,993 mu (24,400 hectares) from 401,810 mu (26,787 hectares) as at 31 December 2013. It also represented a decrease of 8% in weighted average production area for vegetables from 397,735 mu (26,516 hectares) as at 30 June 2014.

BUSINESS OVERVIEW

During the financial period under review, the Group was positive at all times and strove to grasp favorable opportunities and strike aside those encumbrances. 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. In line with the cost controlled measures implemented by the Group, apart from minimal upkeep and maintenance for indispensable production infrastructure, there were no large scale investments and new constructions.

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.

Management Discussion and Analysis

OUTLOOK

Being an agricultural leading enterprise, Chaoda is fully confident of meeting the challenges that come its way and will continue to generate further 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.

Despite the difficult business environment encountered in the last three financial years, the Group is full of confidence in operating against a stiff headwind in the coming years. Our belief is further strengthened following the resumption (the "Resumption") of trading in the shares in the Company (the "Trading") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 2 February 2015.

The Group believes that benefiting from such favorable factors including but not limited to the introduction of preferential policies and measures for the agricultural industry by the PRC government and the trend towards an awareness of food safety issues, there would be more opportunities for the Group and are instrumental to the sustainable development of its business.

LIQUIDITY AND FINANCIAL RESOURCES

During the financial period under review, net cash generated from operating activities of the Group amounted to RMB3.63 million (31 December 2013: RMB202 million). As at 31 December 2014, cash and cash equivalents of the Group amounted to RMB221 million (30 June 2014: RMB432 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 2014, the total equity of the Group (including non-controlling interests) amounted to RMB13,651 million (30 June 2014: RMB15,258 million). Besides, the Group had bank loans in total amount of approximately RMB4 million which were repayable within one year (30 June 2014: RMB29 million). Thus, as at 31 December 2014, the debt to equity ratio (total of bank loans over total equity) of the Group was 0.03% (30 June 2014: 0.2%). The current ratio (dividing total current assets by total current liabilities) was 4 times (30 June 2014: 6 times).

The Group did not have any material contingent liabilities as at 31 December 2014 and 30 June 2014.

CHARGE ON ASSETS

As at 31 December 2014, the Group had banking facility of approximately RMB4 million (30 June 2014: RMB29 million) which had been utilised by the Group. The banking facility was secured by personal guarantee provided by an employee of the Group (30 June 2014: unsecured), the details of which are set out in note 16 to the unaudited condensed consolidated financial statements.

The Group did not charge any of its assets.

Management Discussion and Analysis

CAPITAL STRUCTURE

As at 31 December 2014, 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 2014, the Group employed approximately 14,131 employees, of which 13,337 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.

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

On 30 January 2015, the Company satisfied all the conditions to the Resumption and the Trading has been resumed by the Stock Exchange since 2 February 2015.

Other Information

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2014, 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

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 01/07/2014 and 31/12/2014
		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 2014, 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 Information

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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2014, according to the register maintained by the Company in accordance with Section 336 of the SFO, the following parties, other than the directors of the Company, were directly or indirectly interested in 5% or more of the issued share capital and underlying shares of the Company:

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 2013/2014 annual report of the Company. During the financial period under review, details of the movements of the outstanding share options granted under this scheme are as follows:

Category of participants	Grant date	Exercisable period		Exercise price HK\$	Number of share options		
		Starting	Ending		Balance as at 01/07/2014	Cancelled during the financial period under review	Balance as at 31/12/2014
Directors (Note 1)					10,000,000	–	10,000,000
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	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	22,255,260	–	22,255,260
	24/10/2008	24/10/2008 to	23/10/2018	3.846	2,244,800	–	2,244,800
					(Note 2)		
	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	56,700,000	–	56,700,000
					(Note 2)		
	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	(61,900)	123,800
	31/08/2006	01/04/2011 to	30/08/2016	3.837	1,053,000	(105,300)	947,700
	26/11/2010	26/11/2010 to	25/11/2020	6.430	1,000,000	(500,000)	500,000
Total					99,351,428	(667,200)	98,684,228

Notes:

1. Details of the share options granted to the directors of the Company are shown under the section headed "Directors' Interests in Securities".

Other Information

2. During the financial period under review, Mr. Chan Chi Po Andy retired as an executive director and continues to serve as the Chief Financial Officer of the Company. Therefore, his holding of 2,120,000 share options at an exercise price of HK\$3.846 and 3,000,000 share options at an exercise price of HK\$6.430 have been reclassified under the category of Employees.
3. No share options have been granted, exercised or lapsed during the six months ended 31 December 2014.
4. 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 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

During the financial period under review, 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.

Since 5 January 2015, the Company has been in compliance with the minimum requirements 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 2014.

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 financial period under review, the Resumption had not been 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. Accordingly, no insurance cover in respect of legal action against the directors had been arranged.

During the financial period under review, 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).

As at the date of this report, the Board is taking steps to identify potential insurance company(ies) to arrange appropriate insurance cover in respect of legal action against its directors and officers in compliance with code provision A.1.8 of the CG Code and the necessity of setting up a nomination committee of the Board is under its assessment.

(iii) Code provisions A.6.7 of the CG Code

Under code provision A.6.7 of the CG Code, independent non-executive directors should also attend general meetings. At the annual general meeting of the Company held on 30 December 2014 (the "2014 AGM"), Professor Lin Shun Quan was absent because he had to attend an education seminar. Other than Professor Lin, all of the then independent non-executive directors attended the 2014 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.

Other Information

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 have complied with the Model Code throughout the financial period under review.

On behalf of the Board

Kwok Ho

Chairman

Hong Kong, 27 February 2015