



CHAODA MODERN AGRICULTURE (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 682)

INTERIM REPORT 2012/2013



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Chaoda Modern Agriculture (Holdings) Limited
Interim Report 2012/2013

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The consolidated statement of profit or loss and other comprehensive income of the Group for the six months ended 31 December 2012 and the consolidated statement of financial position of the Group as at 31 December 2012, 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 2012 — Unaudited

	Notes	Six months ended 31 December	
		2012 RMB'000	2011 RMB'000
Turnover	3	1,140,922	1,708,695
Cost of sales		(1,469,799)	(1,811,050)
Gross loss		(328,877)	(102,355)
Other revenues		37,795	78,278
Gain/(Loss) arising from changes in fair value less costs to sell of biological assets	11	377,072	(2,487,993)
Selling and distribution expenses		(288,454)	(433,758)
General and administrative expenses		(74,815)	(81,849)
Research expenses		(7,461)	(8,012)
Other operating expenses		(726,974)	(164,356)
Loss from operations		(1,011,714)	(3,200,045)
Finance costs	5(a)	(190)	(50,829)
Loss on disposal of available-for-sale investments		—	(86,205)
Impairment loss on available-for-sale investments	12	(23,474)	(79,620)
Share of results of associates		557	241
Loss before income tax	5	(1,034,821)	(3,416,458)
Income tax expense	6	(28)	(38)
Loss for the period		(1,034,849)	(3,416,496)
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		(8,230)	(14,128)
Change in fair value of available-for-sale investments	12	(38,362)	(160,695)
Release upon disposal of available-for-sale investments		—	(123,299)
Release upon impairment of available-for-sale investments	12	23,474	79,620
Other comprehensive expense for the period, including reclassification adjustments and net of income tax		(23,118)	(218,502)
Total comprehensive expense for the period		(1,057,967)	(3,634,998)

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

For the six months ended 31 December 2012 — Unaudited

	Notes	Six months ended 31 December	
		2012 RMB'000	2011 RMB'000
Loss for the period attributable to:			
Owners of the Company		(1,035,799)	(3,415,281)
Non-controlling interests		950	(1,215)
		(1,034,849)	(3,416,496)
Total comprehensive expense for the period attributable to:			
Owners of the Company		(1,057,742)	(3,632,430)
Non-controlling interests		(225)	(2,568)
		(1,057,967)	(3,634,998)
Loss per share for loss attributable to the owners of the Company during the period			
— Basic	8(a)	RMB(0.31)	RMB(1.04)
— Diluted	8(b)	RMB(0.31)	RMB(1.04)

Condensed Consolidated Statement of Financial Position

As at 31 December 2012 — Unaudited

	Notes	31 December 2012 RMB'000	30 June 2012 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	8,584,517	8,932,838
Construction-in-progress		49,601	82,115
Prepaid premium for land leases	10	5,872,220	6,379,888
Biological assets	11	2,015,804	1,814,608
Available-for-sale investments	12	219,731	251,626
Deferred development costs		6,650	9,040
Deferred expenditure		480,533	578,653
Intangible assets		477,065	481,971
Interests in associates	13	8,834	8,281
		17,714,955	18,539,020
Current assets			
Prepaid premium for land leases	10	161,120	161,558
Biological assets	11	436,082	500,983
Inventories		55,374	54,663
Trade receivables	14	42,843	53,189
Other receivables, deposits and prepayments		647,586	782,204
Cash and cash equivalents		490,905	520,166
		1,833,910	2,072,763
Current liabilities			
Trade payables	15	11,751	11,764
Other payables and accruals		118,191	123,731
		129,942	135,495
Net current assets		1,703,968	1,937,268
Total assets less current liabilities		19,418,923	20,476,288
Non-current liabilities			
Deferred tax liabilities	16	20,655	20,655
Net assets		19,398,268	20,455,633

Condensed Consolidated Statement of Financial Position *(continued)*

As at 31 December 2012 — Unaudited

	Notes	31 December 2012 RMB'000	30 June 2012 RMB'000 (Audited)
EQUITY			
Equity attributable to the owners of the Company			
Share capital	17	332,787	332,787
Reserves		18,922,330	19,979,470
		19,255,117	20,312,257
Non-controlling interests		143,151	143,376
Total equity		19,398,268	20,455,633

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2012 — Unaudited

	Six months ended 31 December	
	2012 RMB'000	2011 RMB'000
Net cash (used in)/generated from operating activities	(238,475)	369,062
Net cash generated from/(used in) investing activities	224,987	(886,323)
Net decrease in cash and cash equivalents	(13,488)	(517,261)
Cash and cash equivalents at beginning of the period	505,166	2,502,630
Effect of foreign exchange rate changes, net	(773)	(12,681)
Cash and cash equivalents at end of the period	490,905	1,972,688
Analysis of balances of cash and cash equivalents		
Cash and bank deposits	490,905	2,802,688
Short-term bank deposits not mature within three months	—	(830,000)
	490,905	1,972,688

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2012 — Unaudited

Attributable to the owners of the Company

	Share capital		Capital reserve	Employee share-based compensation reserve	Capital redemption reserve	Investment revaluation reserve	Call option reserve	Convertible bonds equity reserve	Exchange reserve	Statutory reserves	Retained profits	Total	Non-controlling interests	Total
	RMB'000	RMB'000												
Six months ended														
31 December 2011														
At 1 July 2011 (Audited)	332,787	5,968,860	94,894	266,567	5,247	206,785	40,278	297,525	(217,120)	686,823	18,015,133	25,697,779	146,012	25,843,791
Loss for the period	—	—	—	—	—	—	—	—	—	—	(3,415,281)	(3,415,281)	(1,215)	(3,416,496)
Other comprehensive (expense)/ income for the period														
— Currency translation differences	—	—	—	—	—	—	—	—	(12,775)	—	—	(12,775)	(1,353)	(14,128)
— Change in fair value of available-for-sale investments	—	—	—	—	—	(160,695)	—	—	—	—	—	(160,695)	—	(160,695)
— Release upon disposal of available-for-sale investments	—	—	—	—	—	(123,299)	—	—	—	—	—	(123,299)	—	(123,299)
— Release upon impairment of available-for-sale investments	—	—	—	—	—	77,209	—	—	2,411	—	—	79,620	—	79,620
Total comprehensive expense for the period	—	—	—	—	—	(206,785)	—	—	(10,364)	—	(3,415,281)	(3,632,430)	(2,568)	(3,634,998)
Employee share option benefits	—	—	—	1,720	—	—	—	—	—	—	—	1,720	—	1,720
Transactions with owners	—	—	—	1,720	—	—	—	—	—	—	—	1,720	—	1,720
Lapsed of share options	—	—	—	(627)	—	—	—	—	—	—	627	—	—	—
Appropriations	—	—	—	—	—	—	—	—	—	767	(767)	—	—	—
At 31 December 2011 (Unaudited)	332,787	5,968,860	94,894	267,660	5,247	—	40,278	297,525	(227,484)	687,590	14,599,712	22,067,069	143,444	22,210,513

Condensed Consolidated Statement of Changes in Equity (continued)

For the six months ended 31 December 2012 — Unaudited

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2012 — 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 2012 (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 “Listing Rules”).

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 2012 (the “2012 Annual Financial Statements”).

The Interim Financial Report has been prepared in accordance with the same accounting policies adopted in the 2012 Annual Financial Statements, except for the adoption of the new, amended or revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which collectively include all applicable individual Hong Kong Financial Reporting Standard (“HKFRS”), Hong Kong Accounting Standard (“HKAS”) and Interpretation issued by the HKICPA) as disclosed in Note 2 to the Interim Financial Report.

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

2. ADOPTION OF NEW, AMENDED OR REVISED HKFRSs

In the current interim period, the Group has applied, for the first time, 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 2012. Except as explained below, the impact of the new HKFRSs on the Interim Financial Report is not significant.

Amendments to HKAS 1 — Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 — Presentation of Items of Other Comprehensive Income. Upon the adoption of the amendments to HKAS 1, the Group’s ‘statement of comprehensive income’ is renamed as the ‘statement of profit or loss and other comprehensive income’. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income either in a single statement or in two separate but consecutive statements. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

For the six months ended 31 December 2012 — Unaudited

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

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.

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	
	2012 RMB'000	2011 RMB'000
Sales of crops	1,123,615	1,690,551
Sales of livestock	17,307	18,144
	1,140,922	1,708,695

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 2012 and 2011 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 2012 — Unaudited

5. LOSS BEFORE INCOME TAX

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

(a) Finance costs

	Six months ended 31 December	
	2012 RMB'000	2011 RMB'000
Bank and finance charges	190	97
Effective interest on convertible bonds	—	50,732
	190	50,829

(b) Staff costs

	Six months ended 31 December	
	2012 RMB'000	2011 RMB'000
Salaries, wages and other benefits	515,350	593,703
Employee share option benefits	602	1,720
Retirement benefit costs	3,212	2,736
	519,164	598,159

(c) Other items

	Six months ended 31 December	
	2012 RMB'000	2011 RMB'000
Interest income	(2,233)	(31,893)
Scrip dividend income from available-for-sale investments	(9,028)	(16,518)
Amortisation of deferred development costs	2,390	3,535
Amortisation of deferred expenditure, net of amount capitalised	104,196	93,126
Amortisation of prepaid premium for land leases, net of amount capitalised	58,242	60,510
Cost of inventories sold	1,469,799	1,811,050
Depreciation of property, plant and equipment, net of amount capitalised	361,212	251,935
Operating lease expenses		
— Land and buildings	148,328	149,694
— Motor vehicles	—	17
Loss on disposals and write off of property, plant and equipment	44,061	53,364
Loss on early termination of land leases	45,331	—
Agricultural produce written off	268,096	—
Biological assets written off	167,964	—

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

For the six months ended 31 December 2012 — Unaudited

6. INCOME TAX EXPENSE

The amount of income tax expense represents:

	Six months ended 31 December	
	2012 RMB'000	2011 RMB'000
Current tax		
— PRC income tax <i>(Note (a))</i>	28	38
— Hong Kong profits tax <i>(Note (b))</i>	—	—
	28	38

Notes:

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

The enterprise income tax rate of other PRC subsidiaries of the Company not engaged in qualifying agricultural business is 25% for the six months ended 31 December 2012 and 2011.

- (b) No provision for Hong Kong profits tax has been made as there are no estimated assessable profits for the Company and its subsidiaries operating in Hong Kong for the six months ended 31 December 2012 and 2011.

7. DIVIDENDS

The Directors do not recommend the payment of interim dividend for the six months ended 31 December 2012 and 2011.

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

For the six months ended 31 December 2012 — Unaudited

8. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to the owners of the Company of RMB1,035,799,000 (Six months ended 31 December 2011: RMB3,415,281,000) and the weighted average number of 3,291,302,000 (Six months ended 31 December 2011: 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 RMB1,035,799,000 (Six months ended 31 December 2011: RMB3,415,281,000) and the weighted average number of 3,291,302,000 (Six months ended 31 December 2011: 3,291,302,000) ordinary shares. The computation of diluted loss per share does not assume the conversion of the Company's share options, convertible bonds and call options outstanding since their exercise would result in a decrease in loss per share for the six months ended 31 December 2012 and 2011.

9. PROPERTY, PLANT AND EQUIPMENT

	Six months ended 31 December 2012 RMB'000	Year ended 30 June 2012 RMB'000
Net book value at 1 July 2012/1 July 2011	8,932,838	9,666,312
Additions	162,665	284,610
Transfer from construction-in-progress	55,922	650,466
Written off/Disposals	(70,601)	(722,058)
Depreciation charges	(496,214)	(946,229)
Exchange realignment	(93)	(263)
Net book value as at 31 December 2012/30 June 2012	8,584,517	8,932,838

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 31 December 2012 — 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 2011	7,432,111	123,970	7,556,081
Additions	709,068	4,000	713,068
Early termination of leases	(759,500)	—	(759,500)
Exchange realignment	(32,296)	—	(32,296)
At 30 June 2012 and 1 July 2012	7,349,383	127,970	7,477,353
Early termination of leases	(442,335)	—	(442,335)
Exchange realignment	(6,260)	—	(6,260)
At 31 December 2012	6,900,788	127,970	7,028,758
Accumulated amortisation and impairment loss			
At 1 July 2011	830,895	33,729	864,624
Amortisation for the year	166,989	4,849	171,838
Early termination of leases	(68,259)	—	(68,259)
Exchange realignment	(32,296)	—	(32,296)
At 30 June 2012 and 1 July 2012	897,329	38,578	935,907
Amortisation for the period	78,111	2,444	80,555
Early termination of leases	(14,784)	—	(14,784)
Exchange realignment	(6,260)	—	(6,260)
At 31 December 2012	954,396	41,022	995,418
Net carrying value as at 31 December 2012	5,946,392	86,948	6,033,340
Net carrying value as at 30 June 2012	6,452,054	89,392	6,541,446

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

For the six months ended 31 December 2012 — Unaudited

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

	31 December 2012 RMB'000	30 June 2012 RMB'000
Non-current portion	5,872,220	6,379,888
Current portion	161,120	161,558
Net carrying value	6,033,340	6,541,446

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 2012 RMB'000	30 June 2012 RMB'000
Outside Hong Kong held on:		
Leases of over 50 years	674,971	734,232
Leases of between 10 to 50 years	5,358,369	5,807,214
	6,033,340	6,541,446

As at 31 December 2012, long-term prepaid rentals for the farmlands which have not yet been occupied by the Group amounted to RMB967,500,000. (30 June 2012: RMB1,641,500,000).

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 31 December 2012 — Unaudited

11. BIOLOGICAL ASSETS

	Fruit trees and tea trees RMB'000	Livestock RMB'000	Vegetables RMB'000	Trees in plantation forest RMB'000	Total RMB'000
At 1 July 2011	2,030,262	51,691	1,247,676	1,143,852	4,473,481
Additions	342,241	76,949	3,159,473	131,288	3,709,951
Decrease due to harvest or sales	(240,302)	(135,905)	(3,180,201)	—	(3,556,408)
(Loss)/Gain arising from changes in fair value less costs to sell	(1,256,805)	59,716	(725,965)	(388,379)	(2,311,433)
At 30 June 2012 and 1 July 2012	875,396	52,451	500,983	886,761	2,315,591
Additions	140,353	21,400	1,274,603	187,016	1,623,372
Decrease due to harvest or sales	(227,527)	(38,562)	(1,430,096)	—	(1,696,185)
Written off	(167,964)	—	—	—	(167,964)
Gain/(Loss) arising from changes in fair value less costs to sell	305,976	18,005	90,592	(37,501)	377,072
At 31 December 2012	926,234	53,294	436,082	1,036,276	2,451,886

Biological assets as at 31 December 2012 and 30 June 2012 are stated at fair values less costs to sell and are analysed as follows:

	Fruit trees and tea trees RMB'000	Livestock RMB'000	Vegetables RMB'000	Trees in plantation forest RMB'000	31 December 2012 Total RMB'000	30 June 2012 Total RMB'000
Non-current portion	926,234	53,294	—	1,036,276	2,015,804	1,814,608
Current portion	—	—	436,082	—	436,082	500,983
	926,234	53,294	436,082	1,036,276	2,451,886	2,315,591

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 2012.

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

For the six months ended 31 December 2012 — Unaudited

12. AVAILABLE-FOR-SALE INVESTMENTS

	31 December 2012 RMB'000	30 June 2012 RMB'000
Listed equity investments in Hong Kong, at fair value	219,731	251,626

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. During the six months ended 31 December 2012, the fair value loss recognised directly in investment revaluation reserve amounted to approximately RMB38,362,000 (Six months ended 31 December 2011: RMB160,695,000). Due to a prolonged decline in the fair value of the available-for-sale investments below its cost, an impairment loss of approximately RMB23,474,000 (Six months ended 31 December 2011: RMB79,620,000) has been recognised in profit or loss for the six months ended 31 December 2012.

13. INTERESTS IN ASSOCIATES

	31 December 2012 RMB'000	30 June 2012 RMB'000
Share of net assets	8,494	7,937
Amount due from an associate	340	344
	8,834	8,281

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 2012 — 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 customers' creditworthiness.

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

	31 December 2012 RMB'000	30 June 2012 RMB'000
0-1 month	23,390	35,602
1-3 months	16,497	8,679
Over 3 months	2,956	8,908
	42,843	53,189

15. TRADE PAYABLES

Ageing analysis of trade payables is as follows:

	31 December 2012 RMB'000	30 June 2012 RMB'000
0-1 month	2,186	5,150
1-3 months	2,908	783
Over 3 months	6,657	5,831
	11,751	11,764

16. 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 2012 and 30 June 2012, 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 RMB762,931,000 (30 June 2012: RMB863,721,000). 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 2012 — Unaudited

17. SHARE CAPITAL

Authorised ordinary shares of HK\$0.1 each

	No. of shares ('000)	HK\$'000	RMB'000
At 1 July 2011, 30 June 2012 and 31 December 2012	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 2011, 30 June 2012 and 31 December 2012	3,291,302	329,130	332,787

18. RELATED PARTY TRANSACTIONS

The Group entered into the following material transactions with a related party during the period:

	Six months ended 31 December	
	2012	2011
	RMB'000	RMB'000
Fujian Chaoda Agricultural Produce Trading Company Limited <i>(Note (a))</i> — Purchase of organic fertilisers <i>(Note (b))</i>	—	366,775

Notes:

- The related party is a company in which Mr. Kwok Ho is a major shareholder. Mr. Kwok Ho is also the Chairman and the substantial shareholder of the Company.
- The Directors are of the opinion that these transactions were conducted in the normal course of business at the prices and terms no less favorable to the Group than those charged to or contracted with other third parties.
- For the six months ended 31 December 2011, the transactions constitute continuing connected transactions, in respect of which the Company had complied with the requirements in accordance with Chapter 14A of the Listing Rules.

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

For the six months ended 31 December 2012 — Unaudited

19. COMMITMENTS

(a) Capital commitments

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

	31 December 2012 RMB'000	30 June 2012 RMB'000
Contracted but not provided for:		
Research and development expenditure	6,000	—
Purchases of property, plant and equipment	4,640	13,574
Total	10,640	13,574

(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 2012 RMB'000	30 June 2012 RMB'000
Within one year	208,741	213,720
In the second to fifth years, inclusive	832,465	836,354
After five years	2,918,020	3,025,875
Total	3,959,226	4,075,949

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

For the six months ended 31 December 2012 — 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 2012 RMB'000	30 June 2012 RMB'000
Within one year	4,245	3,657
In the second to fifth years, inclusive	12,121	15,361
After five years	1,765	2,606
Total	18,131	21,624

20. EVENTS AFTER THE REPORTING PERIOD

(a) Disposals of property, plant and equipment

Subsequent to the end of the reporting period, certain land leases for lands being occupied by the Group had been terminated and the related property, plant and equipment belongs to these terminated land leases with net carrying value of approximately RMB1,447,851,000 were disposed of accordingly.

(b) Lapse of call options

In September 2010, the Company had received cash premium totalling US\$6,004,000 (equivalent to approximately RMB40,278,000) as the consideration for issuing the call options, which conferred the holders of the call options the right, from time to time during the exercise period from the first date of the conversion period of the convertible bonds to 17 August 2013, to require the Company to issue up to a maximum of 103,300,000 ordinary shares (subject to adjustment) of HK\$0.1 each of the Company at an agreed strike price of HK\$7.9065 per share (subject to adjustment). The unexercised call options became lapsed on the expiry of the exercise period.

21. APPROVAL OF INTERIM FINANCIAL REPORT

The Interim Financial Report was approved by the board of Directors on 9 January 2015.

Management Discussion and Analysis

FINANCIAL REVIEW

During the financial period under review, the Group continued to face a challenging and complex business environment due to the events leading to the suspension of trading in the Company's shares (the "Trading") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). As a result, the Group's overall business and financial performance for the six months ended 31 December 2012 had been negatively affected and were far from satisfactory with approximately 96% (31 December 2011: 98%) of crops sales of the Group came from China. Such events have dampened effect on the confidence of both institutional and indirect export customers which reduced the demand for the Group's produces in the China's markets from 10% in 2011 to 2% of crop sales, however, sales to wholesale markets increased from 90% to 98%. The sales volume for the crops sold in the markets decreased at approximately 887,000 tonnes (31 December 2011: 1.402 million tonnes) and the average selling price for crops sold in the China's markets (the "Average Selling Price") slightly increased from RMB1.18 per kilogram to RMB1.21 per kilogram. As such, the turnover of the Group was down to RMB1,141 million (31 December 2011: RMB1,709 million) that resulted in a gross loss of RMB329 million (31 December 2011: RMB102 million).

A gain of RMB377 million was caused by changes in fair value less costs to sell of biological assets under the valuation. In adherence to prudent financial management and through reasonable control of operating costs, general and administrative expenses reduced from RMB82 million in the corresponding period of previous year to about RMB75 million, representing a drop of 9%. Selling and distribution expenses fell by 34% to RMB288 million. On the other hand, other operating expenses increased from RMB164 million to RMB727 million, it was mainly due to agricultural produces and biological assets written off. Nevertheless, the loss from operations of the Group for the financial period under review was narrowed down from RMB3,200 million to RMB1,012 million.

AGRICULTURAL LAND

As at 31 December 2012, the production base area of the Group's core business, including vegetable land and fruit garden, amounted to 774,623 mu (51,642 hectares), decreased by 12% when compared with 880,573 mu (58,705 hectares) as at 31 December 2011. It also recorded a decrease of 2% in production base area when compared with 788,573 mu (52,572 hectares) as at 30 June 2012.

The weighted average production base area for vegetables as at 31 December 2012 decreased by 14% to 562,320 mu (37,488 hectares) when compared with 656,820 mu (43,788 hectares) as at 31 December 2011. It also represented a decrease of 12% in weighted average production base area for vegetables when compared with 640,237 mu (42,682 hectares) as at 30 June 2012.

Management Discussion and Analysis

BUSINESS OVERVIEW

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

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

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

OUTLOOK

Being an agricultural leading enterprise, Chaoda is fully confident of overcoming the existing challenges and continually generating 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 realizing safe and reliable food supply in the country and society and contributing to the assurance of food safety and social stability of the State.

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

LIQUIDITY AND FINANCIAL RESOURCES

During the financial period under review, net cash used in operating activities of the Group amounted to RMB238 million. As at 31 December 2012, the Group’s cash and cash equivalents amounted to RMB491 million (30 June 2012: RMB520 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 2012, the total equity of the Group (including non-controlling interests) amounted to RMB19,398 million (30 June 2012: RMB20,456 million). The Group did not have any debts outstanding as at 31 December 2012. The current ratio (dividing total current assets by total current liabilities) was 14 times (30 June 2012: 15 times).

The Group did not have any material contingent liabilities as at 31 December 2012 and 30 June 2012.

Management Discussion and Analysis

CHARGE ON ASSETS

As at 31 December 2012, the Group had banking facility of RMB44 million (30 June 2012: RMB44 million) and had not yet been utilised. The banking facility was secured by corporate guarantee provided by one of the subsidiaries of the Company.

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

CAPITAL STRUCTURE

As at 31 December 2012, 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 2012, the Group employed approximately 22,226 employees, of which 21,210 were farmlands employees.

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

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

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

Other Information

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2012 and as at the date of this report, the interests and short position of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or otherwise as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in the Listing Rules were as follows:

Long Positions in Shares of the Company

As at 31 December 2012

Name of directors	Nature of interests	Number of shares held	Total	Percentage of issued share capital recorded in the register
Mr. Kwok Ho	Personal interests Corporate interests (Note)	2,028,000 643,064,644	645,092,644	19.31%
Mr. Chan Chi Po Andy (retired on 30 December 2014)	Personal interests	103,528		

As at the date of this report

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

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

Other Information

Long positions in underlying shares of the Company

As at 31 December 2012

Name of directors	Grant date	Exercisable period		Exercise price HK\$	Balance of share options as at 01/07/2012 and 31/12/2012
		Starting	Ending		
Mr. Kwok Ho	28/01/2003	01/07/2003	to 27/01/2013	1.500	22,113,000
	28/01/2003	01/01/2004	to 27/01/2013	1.500	22,113,000
	28/01/2003	01/01/2005	to 27/01/2013	1.500	22,113,000
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. Chan Chi Po Andy (retired on 30 December 2014)	24/10/2008	24/10/2008	to 23/10/2018	3.846	2,120,000
	26/11/2010	26/11/2010	to 25/11/2020	6.430	3,000,000
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
Ms. Luan Yue Wen (retired on 30 December 2013)	26/11/2010	26/11/2010	to 25/11/2020	6.430	750,000

Other Information

As at the date of this report

Name of directors	Grant date	Exercisable period		Exercise price HK\$	Number of share options		
		Starting	Ending		Balance as at 01/01/2013	Lapsed during the period	Balance as at 09/01/2015
Mr. Kwok Ho	28/01/2003	01/07/2003	to 27/01/2013	1.500	22,113,000	22,113,000	–
	28/01/2003	01/01/2004	to 27/01/2013	1.500	22,113,000	22,113,000	–
	28/01/2003	01/01/2005	to 27/01/2013	1.500	22,113,000	22,113,000	–
Dr. Li Yan	26/11/2010	26/11/2010	to 25/11/2020	6.430	500,000	–	500,000
Ms. Huang Xie Ying	26/11/2010	26/11/2010	to 25/11/2020	6.430	2,000,000	–	2,000,000
Mr. Kuang Qiao	26/11/2010	26/11/2010	to 25/11/2020	6.430	2,000,000	–	2,000,000
Mr. Chen Jun Hua	26/11/2010	26/11/2010	to 25/11/2020	6.430	2,000,000	–	2,000,000
Mr. Chan Chi Po Andy (retired on 30 December 2014)	24/10/2008	24/10/2008	to 23/10/2018	3.846	2,120,000	–	2,120,000
	26/11/2010	26/11/2010	to 25/11/2020	6.430	3,000,000	–	3,000,000
Mr. Ip Chi Ming	26/11/2010	26/11/2010	to 25/11/2020	6.430	2,000,000	–	2,000,000
Mr. Fung Chi Kin	26/11/2010	26/11/2010	to 25/11/2020	6.430	750,000	–	750,000
Mr. Tam Ching Ho	26/11/2010	26/11/2010	to 25/11/2020	6.430	750,000	–	750,000
Ms. Luan Yue Wen (retired on 30 December 2013)	26/11/2010	26/11/2010	to 25/11/2020	6.430	750,000	750,000	–

Save as disclosed above, as at 31 December 2012 and as at the date of this report, none of the Directors, chief executives or their associates had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept by the Company under Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the Model Code.

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

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

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

As at 31 December 2012

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	267,667,574	267,667,574	8.01%
UBS AG (Note 2)	Beneficial owner	Long	53,201,314	225,044,585	6.84%
	Person having a security interest in shares	Long	93,499,334		
	Interest of corporation controlled by the substantial shareholder	Long	78,343,937		
	Beneficial owner	Short	50,414,109	127,838,977	3.88%
Interest of corporation controlled by the substantial shareholder	Short	77,424,868			
BlackRock, Inc. (Note 3)	Interest of corporation controlled by the substantial shareholder	Long	218,282,246	218,282,246	6.63%
Robeco Groep N.V.	Interest of corporation controlled by the substantial shareholder	Long	201,031,513	201,031,513	6.61%

Notes:

1. Kailey Investment Ltd. is a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is beneficially and wholly owned by Mr. Kwok Ho.
2. Among the aggregate interests of UBS AG in the Company, 55,000 shares (long position) were held through physically settled derivatives (on exchange) and 1,007,000 shares (long position) were held through cash settled derivatives (off exchange).
3. Among the aggregate interests of BlackRock, Inc. in the Company, 302,000 shares (long position) were held through physically settled derivatives (on exchange).

Other Information

As at the date of this report

Name of shareholders	Capacity	Long/short position	Number of shares and underlying shares held	Total number of shares and underlying shares held	Percentage of issued share capital recorded in the register
Kailey Investment Ltd. (Note 1)	Beneficial owner	Long	643,064,644	643,064,644	19.25%
Janus Capital Management LLC	Investment manager	Long	262,363,574	262,363,574	7.97%
Deutsche Bank Aktiengesellschaft (Note 2)	Beneficial owner	Long	18,158,000	257,144,016	7.81%
	Person having a security interest in shares	Long	352,624		
	Interest of corporation controlled by the substantial shareholder	Long	6,955,043		
	Custodian corporation/approved lending agent	Long	231,678,349		
BlackRock, Inc. (Note 3)	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 2011/2012 annual report of the Company. During the financial period under review, details of the outstanding share options granted under this scheme were as follows:

Category of participants	Grant date	Exercisable period		Exercise price HK\$	Balance of share options as at 01/07/2012 and 31/12/2012
		Starting	Ending		
Directors (Note 1)					82,209,000
Employees in aggregate	28/05/2004	01/01/2007	to 27/05/2014	2.279	246,940
	17/08/2005	17/08/2005	to 16/08/2015	2.935	210,600
	17/08/2005	17/08/2006	to 16/08/2015	2.935	210,600
	17/08/2005	17/08/2007	to 16/08/2015	2.935	210,600
	17/08/2005	17/08/2008	to 16/08/2015	2.935	210,600
	17/08/2005	17/08/2009	to 16/08/2015	2.935	210,600
	01/11/2005	01/11/2007	to 31/10/2015	2.802	75,816
	01/11/2005	01/11/2008	to 31/10/2015	2.802	118,216
	01/11/2005	01/11/2009	to 31/10/2015	2.802	497,256
	31/08/2006	01/04/2007	to 30/08/2016	3.837	463,320
	31/08/2006	01/04/2008	to 30/08/2016	3.837	568,620
	31/08/2006	01/04/2009	to 30/08/2016	3.837	568,620
	31/08/2006	01/04/2010	to 30/08/2016	3.837	794,450
	31/08/2006	01/04/2011	to 30/08/2016	3.837	23,034,480
	24/10/2008	24/10/2008	to 23/10/2018	3.846	124,800
	24/10/2008	24/10/2009	to 23/10/2018	3.846	125,170
	24/10/2008	24/10/2010	to 23/10/2018	3.846	540,800
	24/10/2008	24/10/2011	to 23/10/2018	3.846	540,800
	24/10/2008	24/10/2012	to 23/10/2018	3.846	540,800
	26/11/2010	26/11/2010	to 25/11/2020	6.430	53,825,000
	26/11/2010	26/11/2011	to 25/11/2020	6.430	625,000
	26/11/2010	26/11/2012	to 25/11/2020	6.430	625,000
	26/11/2010	26/11/2013	to 25/11/2020	6.430	625,000
Other Participants in aggregate	31/08/2006	01/04/2010	to 30/08/2016	3.837	185,700
	31/08/2006	01/04/2011	to 30/08/2016	3.837	1,053,000
	26/11/2010	26/11/2010	to 25/11/2020	6.430	1,000,000
Total					169,440,788

Other Information

Notes:

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 December 2012, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

During the six months ended 31 December 2012, the Audit Committee consisted of three members, all of whom were independent non-executive Directors. Mr. Tam Ching Ho was the Chairman and two other members were Mr. Fung Chi Kin and Ms. Luan Yue Wen.

Following the retirement of Ms. Luan Yue Wen after the conclusion of the annual general meeting of the Company held on 30 December 2013, the number of both the independent non-executive Directors and members of the Audit Committee fell below the minimum requirements respectively stipulated under Rules 3.10A and 3.21 of the Listing Rules.

As at the date of this report, the Company is in compliance with the minimum requirement as stipulated under Rules 3.10A and 3.21 of the Listing Rules.

The Audit Committee (comprising Mr. Tam Ching Ho (the Chairman), Mr. Fung Chi Kin and Mr. Chan Yik Pun as at the date of this report) have reviewed the unaudited interim results of the Group for the six months ended 31 December 2012.

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.

Throughout the financial period under review, the Company had applied the principles of the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "CG Code") and complied with the code provisions and certain recommended best practices set out in the CG Code, except for 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 the Chief Executive Officer of the Company.

Other Information

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

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

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

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

On behalf of the Board

Kwok Ho
Chairman

Hong Kong, 9 January 2015