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CHAODA MODERN AGRICULTURE (HOLDINGS) LIMITED
超大現代農業（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 682)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

RESULTS

The board of directors (the “Board”) of Chaoda Modern Agriculture (Holdings) Limited (the “Company”) presents the interim results of the Company and its subsidiaries (collectively referred to as the “Group” or “Chaoda”) for the six months ended 31 December 2015. The consolidated statement of profit or loss and other comprehensive income of the Group for the six months ended 31 December 2015 and the consolidated statement of financial position of the Group as at 31 December 2015, together with the selected explanatory notes, are unaudited and condensed, which have been reviewed by the Company’s Audit Committee and the Company’s auditors, Elite Partners CPA Limited.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2015 - Unaudited**

	Notes	Six months ended 31 December	
		2015 RMB'000	2014 RMB'000
Turnover	3	692,518	618,998
Cost of sales		<u>(1,024,404)</u>	<u>(960,276)</u>
Gross loss		(331,886)	(341,278)
Other revenues		38,050	40,373
Gain arising from changes in fair value less costs to sell of biological assets	9	143,166	11,638
Selling and distribution expenses		(176,957)	(109,585)
General and administrative expenses		(62,106)	(66,396)
Research expenses		(2,762)	(4,241)
Other operating expenses		<u>(258,101)</u>	<u>(1,083,587)</u>
Loss from operations		(650,596)	(1,553,076)
Finance costs	5(a)	(59)	(522)
Impairment loss on available-for-sale investments		-	(51,420)
Gain on disposals of available-for-sale investments		326	-
Share of results of associates		<u>232</u>	<u>(850)</u>
Loss before income tax	5	(650,097)	(1,605,868)
Income tax expense	6	-	-
Loss for the period		<u>(650,097)</u>	<u>(1,605,868)</u>
Other comprehensive income/(expense), including reclassification adjustments and net of income tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange gain/ (loss) on translation of financial statements of foreign operations		6,104	(1,179)
Change in fair value of available-for-sale investments		-	(51,420)
Release upon impairment of available-for-sale investments		-	51,420
Release upon disposals of available-for-sale investments		<u>(1,184)</u>	<u>-</u>
Other comprehensive income/(expense) for the period, including reclassification adjustments and net of income tax		4,920	(1,179)
Total comprehensive expense for the period		<u>(645,177)</u>	<u>(1,607,047)</u>
Loss for the period attributable to:			
Owners of the Company		(651,533)	(1,606,893)
Non-controlling interests		<u>1,436</u>	<u>1,025</u>
		<u>(650,097)</u>	<u>(1,605,868)</u>
Total comprehensive expense for the period attributable to:			
Owners of the Company		(645,480)	(1,607,664)
Non-controlling interests		<u>303</u>	<u>617</u>
		<u>(645,177)</u>	<u>(1,607,047)</u>
Loss per share for loss attributable to the owners of the Company during the period			
– Basic	8(a)	<u>RMB(0.20)</u>	<u>RMB(0.49)</u>
– Diluted	8(b)	<u>RMB(0.20)</u>	<u>RMB(0.49)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015 - Unaudited

	Notes	31 December 2015 RMB'000	30 June 2015 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		2,904,255	3,082,171
Investment properties		55,490	56,686
Construction-in-progress		802	7,553
Prepaid premium for land leases		3,332,624	3,546,243
Biological assets	9	745,408	682,521
Available-for-sale investments		-	2,408
Deferred development costs		-	-
Deferred expenditure		340,601	373,173
Intangible assets		-	-
Interests in associates		6,750	7,536
		7,385,930	7,758,291
Current assets			
Prepaid premium for land leases		105,841	107,135
Biological assets	9	135,918	283,624
Inventories		27,276	21,984
Trade receivables	10	31,937	35,965
Other receivables, deposits and prepayments		346,191	446,837
Cash and cash equivalents		238,511	239,342
		885,674	1,134,887
Current liabilities			
Trade payables	11	21,559	20,507
Other payables and accruals		385,249	358,528
Bank loans		-	4,170
		406,808	383,205
Net current assets		478,866	751,682
Total assets less current liabilities		7,864,796	8,509,973
Non-current liabilities			
Deferred tax liabilities		20,655	20,655
Net assets		7,844,141	8,489,318
EQUITY			
Equity attributable to the owners of the Company			
Share capital		332,787	332,787
Reserves		7,509,322	8,154,802
		7,842,109	8,487,589
Non-controlling interests		2,032	1,729
Total equity		7,844,141	8,489,318

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2015 - Unaudited

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 31 December 2015 (the “Interim Financial Report”) have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Interim Financial Report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 30 June 2015 (the “2015 Annual Financial Statements”).

The Interim Financial Report has been prepared in accordance with the same accounting policies adopted in the 2015 Annual Financial Statements, except for the adoption of the new, amended or revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which collectively include all applicable individual Hong Kong Financial Reporting Standard (“HKFRS”), Hong Kong Accounting Standard and Interpretation issued by the HKICPA) as disclosed in Note 2.

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

2. ADOPTION OF NEW, AMENDED OR REVISED HKFRSs

In the current interim period, the Group has applied, for the first time, all the new standards, amendments and interpretations (the “new HKFRSs”) issued by the HKICPA, which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 July 2015. The application of the new HKFRSs in the current interim period has had no material effect on the amounts reported in the Interim Financial Report and/or disclosures set out in the Interim Financial Report.

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

3. TURNOVER

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

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

	Six months ended 31 December	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of crops	690,032	614,608
Sales of livestock	2,486	4,390
	<u>692,518</u>	<u>618,998</u>

4. SEGMENT INFORMATION

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

The Group's operating business are organised and managed separately according to the nature of products, which each segment representing a strategic business segment that offers different products in the People's Republic of China ("PRC") market. However, the Group's executive directors considered that over 90% of the Group's revenue, operating results and assets during the six months ended 31 December 2015 and 2014 were mainly derived from its growing and sales of crops. Consequently, no operating segment analysis is presented.

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

5. LOSS BEFORE INCOME TAX

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

(a) Finance costs

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

(b) Staff costs

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

(c) Other items

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

6. INCOME TAX EXPENSE

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

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

The enterprise income tax rate of other PRC subsidiaries of the Company not engaged in qualifying agricultural business is 25% for the six months ended 31 December 2015 and 2014.

- (b) No provision for Hong Kong profits tax has been made as the Company and its subsidiaries operating in Hong Kong either do not derive estimated assessable profits or have unused tax losses brought forward to offset against the current period's estimated assessable profits for the six months ended 31 December 2015 and 2014.

7. DIVIDENDS

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

8. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to the owners of the Company of RMB651,533,000 (Six months ended 31 December 2014: RMB1,606,893,000) and the weighted average number of 3,291,302,000 (Six months ended 31 December 2014: 3,291,302,000) ordinary shares in issue during the period.

(b) Diluted loss per share

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

9. BIOLOGICAL ASSETS

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

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

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

Notes:

- Subsequent to the year ended 30 June 2015, the trees in plantation forest held by the Group have been categorised as ecological forest according to the relevant laws and regulations in the PRC. As a result, the Group is restricted to carrying out any commercial operation on those trees in plantation forest categorised as ecological forest. Accordingly, the trees in plantation forest categorised as ecological forest held by the Group as at 30 June 2015 have been written off in full.
- The fair values of the biological assets are determined by the Directors with reference to the methodologies and assumptions adopted in the valuation for the year ended 30 June 2015.

10. 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 2015 <i>RMB'000</i>	30 June 2015 <i>RMB'000</i>
0 – 1 month	12,521	17,846
1 – 3 months	9,182	5,977
Over 3 months	10,234	12,142
	31,937	35,965

11. TRADE PAYABLES

Ageing analysis of trade payables is as follows:

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

12. APPROVAL OF INTERIM FINANCIAL REPORT

The Interim Financial Report was approved by the Board on 26 February 2016.

FINANCIAL REVIEW

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

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

AGRICULTURAL LAND

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

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

BUSINESS OVERVIEW

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

controlling product quality. Consequently, the turnover and sales volume performed an upward tendency during the financial period under review.

OUTLOOK

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

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 December 2015, the Group has unsecured banking facilities of totaling RMB400 million which has not been utilised. As at 30 June 2015, the total banking facilities available to the Group amounted to RMB404 million, of which RMB4 million had been utilised and secured by personal guarantee, whereas the remaining of RMB400 million were unsecured and had not been utilised.

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

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CORPORATE GOVERNANCE

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

Code provision A.2.1 of the CG Code

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

AUDIT COMMITTEE

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

The Audit Committee has reviewed the Interim Financial Report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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.

By Order of the Board
Chaoda Modern Agriculture (Holdings) Limited
Kwok Ho
Chairman

Hong Kong, 26 February 2016

As of the date hereof, the board of directors of the Company comprises:

Executive directors : *Mr. Kwok Ho, Dr. Li Yan, Ms. Huang Xie Ying and Mr. Kuang Qiao*

Non-executive director : *Mr. Ip Chi Ming*

Independent non-executive directors : *Mr. Fung Chi Kin, Mr. Tam Ching Ho, Professor Lin Shun Quan and Mr. Chan Yik Pun*