從玉農業控股有限公司
Cypress Jade Agricultural Holdings Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 875)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

The board of Directors (the "**Board**") of Cypress Jade Agricultural Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2014, along with the comparative figures and selected explanatory notes, which are prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Notes	Six months ended 30 June 2014 HK$'000 (Unaudited)	2013 HK$'000 (Unaudited)
Revenue	2	**92,678**	103,262
Cost of sales		**(81,943)**	(80,435)
Gross profit		**10,735**	22,827
Other income	3	**3,882**	2,892
Gain arising from changes in fair value less costs to sell of biological assets		**8,734**	2,606
Selling and distribution expenses		**(16,736)**	(17,483)
Staff costs		**(21,279)**	(20,464)
Administrative and other operating expenses		**(13,512)**	(12,048)
Finance costs		**(2,885)**	(1,815)
Loss before tax	3	**(31,061)**	(23,485)
Income tax expense	4	**(99)**	(147)
Loss for the period		**(31,160)**	(23,632)
Other comprehensive (expenses)/income for the period:			
Item that may be reclassified subsequently to profit or loss:			
– Exchange differences arising on translation of foreign operations		**(3,614)**	539
Total comprehensive expenses for the period		**(34,774)**	(23,093)
Loss attributable to:			
Equity shareholders of the Company		**(31,160)**	(23,632)
Total comprehensive expenses attributable to:			
Equity shareholders of the Company		**(34,774)**	(23,093)
Loss per share			
Basic (HK cents)	7	**(1.26)**	(1.51)
Diluted (HK cents)	7	**(0.90)**	(0.95)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2014

	Notes	**30 June 2014 *HK$'000* (Unaudited)**	31 December 2013 *HK$'000* (Audited)
Non-current assets			
Property, plant and equipment		**203,536**	211,743
Construction in progress		**7,132**	5,036
Goodwill		**29,580**	29,580
		240,248	246,359
Current assets			
Inventories		**7,249**	8,004
Biological assets		**13,880**	5,430
Trade and other receivables	*8*	**33,731**	48,589
Current tax recoverable		**–**	566
Bank balances and cash		**20,806**	14,811
		75,666	77,400
Current liabilities			
Trade and other payables	*9*	**49,676**	53,280
Interest-bearing bank and other borrowings	*10*	**69,136**	75,670
Obligations under a finance lease		**–**	64
Current tax payable		**175**	–
		118,987	129,014
Net current liabilities		**(43,321)**	(51,614)
Total assets less current liabilities		**196,927**	194,745
Capital and reserves			
Share capital	*11*	**37,950**	37,606
Reserves		**114,708**	134,892
Total equity		**152,658**	172,498
Non-current liabilities			
Convertible bonds	*12*	**20,146**	–
Government subsidies		**24,123**	22,247
		44,269	22,247
		196,927	194,745

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION OF FINANCIAL INFORMATION AND PRINCIPAL ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The condensed consolidated financial information is presented in Hong Kong dollars (“HK$”), which is the same as the functional currency of the Company.

These unaudited condensed consolidated interim financial information has been prepared under the historic cost convention, as modified by the revaluation of biological assets which are measured at fair values less costs to sell.

The accounting policies and basis of preparation used in the preparation of these unaudited condensed consolidated interim financial information are consistent with those used in the annual accounts for the year ended 31 December 2013.

In the current interim period, the Group has applied a number of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2014. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies and amounts reported for the current period and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

Convertible bonds contain liability and equity components

Convertible bonds issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company’s own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The value of early redemption option derivatives embedded in the convertible bonds which is closely related to the convertible bonds is included in the liability component. The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity, is included in equity (convertible bonds reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds reserve until the embedded option is exercised (in which case the balance stated in convertible bonds reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bonds reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

At the request of the Audit Committee, the Group's independent auditor has carried out a review of the unaudited consolidated financial information in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

2. REVENUE

Revenue, which is also the Group's turnover, represents revenue arising from the growing, processing and trading of agricultural produce. The amount of the revenue is as follows:

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue from sales of agricultural produce	**92,678**	103,262

3. LOSS BEFORE TAX AND OTHER INCOME

Loss before tax is arrived at after charging:

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Allowance for impairment of trade receivables	**1,321**	–
Allowance for impairment of other receivables	**375**	–
Bad debts	**7**	–
Depreciation of property, plant and equipment	**10,693**	8,944

Other income:

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Bank interest income	**16**	17
Government grant	**1,976**	2,376
Rental income	**1,014**	–
Reversal of impairment of trade receivables	**522**	380
Sundry income	**354**	119
	3,882	2,892

4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Hong Kong profits tax	**99**	147
PRC corporate income tax	**–**	–
	99	147

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for the period.

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 corporate income tax exemption or half reduction of corporate income tax on profits derived from such business. The Group's PRC subsidiaries engaged in qualifying agricultural business, which include growing, processing and selling of vegetables, are entitled to full exemption of corporate income tax.

5. SEGMENT REPORTING

HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

(a) Business segments

The Group comprises the following main business segments:

(a) Assets holding: Holding of assets

(b) Agricultural produce: Growing, processing and trading of agricultural produce

There were no inter-segment sales and transfer during the current and prior periods.

5. SEGMENT REPORTING (CONTINUED)

(a) Business segments (CONTINUED)

Segment information

An analysis of the Group's revenue, contribution to loss from operations for the period ended 30 June 2014 and 2013 and certain assets, liabilities and expenditure information regarding business segments are as follows:

	Assets holding Six months ended 30 June		Agricultural produce Six months ended 30 June		Total Six months ended 30 June	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Revenue:						
External sales	**–**	–	**92,678**	103,262	**92,678**	103,262
Inter-segment sales	**–**	–	**–**	–	**–**	–
Total revenue	**–**	–	**92,678**	103,262	**92,678**	103,262
Results:						
Segment result and loss before taxation	**(8,659)**	(9,904)	**(22,402)**	(13,581)	**(31,061)**	(23,485)
Income tax expense	**–**	–	**(99)**	(147)	**(99)**	(147)
Loss for the period	**(8,659)**	(9,904)	**(22,501)**	(13,728)	**(31,160)**	(23,632)
Other information:						
Allowance for impairment of trade receivables	**–**	–	**1,321**	–	**1,321**	–
Allowance for impairment of other receivables	**–**	–	**375**	–	**375**	–
Bad debts	**–**	–	**7**	–	**7**	–
Capital expenditure	**–**	23	**10,756**	13,020	**10,756**	13,043
Depreciation	**251**	249	**10,442**	8,695	**10,693**	8,944
Interest expenses	**506**	–	**2,379**	1,815	**2,885**	1,815
Interest income	**–**	–	**(16)**	(17)	**(16)**	(17)
Reversal of impairment of trade receivables	**–**	–	**(522)**	(380)	**(522)**	(380)

	Assets holding		Agricultural produce		Total	
	30 June 2014	31 December 2013	**30 June 2014**	31 December 2013	**30 June 2014**	31 December 2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Assets:						
Segment assets	**6,522**	2,211	**279,812**	291,968	**286,334**	294,179
Unallocated corporate assets	**29,580**	29,580	**–**	–	**29,580**	29,580
Consolidated total assets	**36,102**	31,791	**279,812**	291,968	**315,914**	323,759
Liabilities:						
Segment liabilities	**30,163**	10,557	**133,093**	140,704	**163,256**	151,261
Consolidated total liabilities	**30,163**	10,557	**133,093**	140,704	**163,256**	151,261

5. **SEGMENT REPORTING (CONTINUED)**

(b) **Geographical information**

Revenue from external customers, based on locations of customers, attributable to the Group by geographical areas is as follows:

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
– Hong Kong	**71,094**	66,933
– Mainland China	**21,584**	36,329
	92,678	103,262

An analysis of the Group's non-current assets by their geographical location is as follows:

	30 June	31 December
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Property, plant and equipment		
– Hong Kong	**1,119**	1,551
– Mainland China	**202,417**	210,192
Construction in progress		
– Mainland China	**7,132**	5,036
	210,668	216,779

6. **DIVIDEND**

No dividend was paid, declared or proposed during the current reporting period. The directors do not recommend the payment of an interim dividend.

7. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to equity shareholders of the Company is based on the following data:

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the purpose of calculating basic loss per share	**(31,160)**	(23,632)
Imputed interest on convertible bonds	**456**	–
Loss for the purpose of calculating diluted loss per share	**(30,704)**	(23,632)

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**2,467,495,632**	1,561,122,805
Effect of Class A preference shares issued by the Company	**503,160,000**	930,000,000
Effect of Class B preference shares issued by the Company	**324,560,893**	3,874,360
Effect of convertible bonds issued by the Company	**124,946,876**	–
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share	**3,420,163,401**	2,494,997,165

8. TRADE AND OTHER RECEIVABLES

The average credit period on sales of goods is 60 days. The aged analysis of trade receivables, presented based on the invoice date at the end of the reporting period, is as follows:

	30 June	31 December
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current	**10,487**	11,013
61-120 days	**543**	1,565
Over 120 days	**908**	15,912
	11,938	28,490

9. TRADE AND OTHER PAYABLES

Trade payables principally comprise amounts outstanding for trade purchases and have an average term of 1 month. The aged analysis of trade payables based on the invoice date at the end of the reporting period is as follows:

	30 June 2014 *HK$'000* (Unaudited)	31 December 2013 *HK$'000* (Audited)
0–60 days	**15,267**	14,923
61–120 days	**5,764**	2,565
Over 120 days	**2,350**	921
	23,381	18,409

10. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2014 *HK$'000* (Unaudited)	31 December 2013 *HK$'000* (Audited)
5-year bank loan of HK$2,000,000 – fully repayable in November 2014 *(note(a))*	**–**	421
3-year bank loan of RMB15,000,000 – fully repayable in 2016 *(note(b))*	**18,720**	19,200
1-year bank loan of RMB10,000,000 – fully repayable in September 2014 *(note(c))*	**12,480**	12,800
Revolving bank loan of RMB23,310,000 (2013: RMB26,460,000) *(note(d))*	**29,091**	33,869
Other loan, unsecured *(note(e))*	**1,345**	1,380
Other loan from a related party, unsecured *(note (f))*	**–**	5,000
Other loan from an intermediate holding company, unsecured *(note(g))*	**7,500**	3,000
	69,136	75,670
Less: current portion	**(69,136)**	(75,670)
Non-current portion	**–**	–

10. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

The borrowings are repayable as follows:

	30 June 2014 *HK$'000* **(Unaudited)**	31 December 2013 *HK$'000* (Audited)
On demand or within one year	**50,416**	56,470
More than one year, but not exceeding two years	**18,720**	–
More than two years, but not exceeding five years	**–**	19,200
	69,136	75,670

Notes:

(a) The bank loan was guaranteed by an ex-director of the Company and his spouse and was repayable by equal instalments. The loan interest was charged at prime rate minus 1% per annum and fully repaid in April 2014.

(b) The bank loan is unsecured. The loan interest was charged at prevailing rate quoted by the People's Bank of China plus 15% to 25% of prevailing rate and repayable within three years.

(c) The bank loan is unsecured. The loan interest was charged at prevailing rate quoted by the People's Bank of China plus 15% to 30% of prevailing rate per annum.

(d) The bank loan is secured by several Group's properties. The loan interest was charged at prime rate plus 15% to 40% of prime rate per annum.

(e) Other loan is unsecured, interest free and has no fixed term of repayment.

(f) Other loan from a related party was unsecured, interest free and repayable within 180 days and fully repaid in March 2014.

(g) Other loan from an intermediate holding company is unsecured, interest free and repayable within 30 days.

11. SHARE CAPITAL

	Notes	30 June 2014 HK$'000 (Unaudited)	31 December 2013 HK$'000 (Audited)
Authorised:			
150,000,000,000 (31 December 2013: 150,000,000,000) ordinary shares of HK$0.01 each		1,500,000	1,500,000
10,000,000,000 (31 December 2013: 10,000,000,000) preference shares at HK$0.01 each		100,000	100,000
Issued and fully paid:			
2,532,789,333 (31 December 2013: 1,933,261,335) ordinary shares of HK$0.01 each		25,327	19,333
503,160,000 (31 December 2013: 930,000,000) Class A preference shares of HK$0.01 each	*(a)*	5,032	9,300
759,091,280 (31 December 2013: 897,299,278) Class B preference shares of HK$0.01 each	*(b)*	7,591	8,973

A summary of the transactions during the current period with reference to the movements in the Company's issued ordinary share capital is as follows:

	Notes	No. of shares	Amount HK$'000
At 31 December 2013 and 1 January 2014 (audited)		1,933,261,335	19,333
New issue of shares	*(c)*	34,480,000	344
Conversion of preference shares	*(d)*	565,047,998	5,650
At 30 June 2014		2,532,789,333	25,327

(a) The Class A preference shares are non-redeemable, with par value of HK$0.01 each credited as fully paid up, are issued and allotted to certain creditors in consideration of each creditor discharging and waiving all of its claims in full against the Company. According to the terms of the preference share policy, one Class A preference share is convertible into one new ordinary share at any time after the resumption of the trading of the Company's shares on the Stock Exchange of Hong Kong Limited.

(b) The Class B preference shares are non-redeemable with par value of HK$0.01 each credited as fully paid up are issued and allotted to vendors as part of the considerations for the acquisitions occurred in last financial year. According to the terms of the preference share policy, one Class B preference share is eligible to convert into one new ordinary share any time no earlier than one year from the date of issue.

11. SHARE CAPITAL (CONTINUED)

(c) On 6 January 2014, the Company entered into a share subscription agreement with an independent third party, Mr CHU Woon Cheung Terence, to allot and issue 34,480,000 new ordinary shares of the Company (the "Shares") at the subscription price of HK$0.145 per share, representing a discount of approximately 18.08% to the closing price of HK$0.177 per share on that day. The new Shares were issued under the general mandate granted to the Directors by the Shareholders at the annual general meeting held on 6 June 2013. The 34,480,000 new Shares of HK$0.01 each, credited as fully paid, were allotted and issued to the subscriber on 16 January 2014 with net proceeds of approximately HK$4,900,000, representing in net issue price of approximately HK$0.142 per subscription share, for general working capital of the Group.

(d) On 21 January 2014, 138,207,998 ordinary share of HK$0.01 each were issued pursuant to the conversion of the convertible preference shares Class B at an issue price of HK$0.15 per share.

On 21 January 2014, 426,840,000 ordinary share of HK$0.01 each were issued pursuant to the conversion of the convertible preference shares Class A at an issue price of HK$0.0482 per share.

12. CONVERTIBLE BONDS

Pursuant to the announcement of the company dated 25 March 2014, all conditions precedent under the subscription agreement dated 22 January 2014 has been fulfilled and convertible bonds with aggregate principal amount of HK$30,000,000 were issued with conversion price of HK$0.13 per share to a connected party on 25 March 2014 (the "Issue Date").

The convertible bonds are denominated in Hong Kong dollars and carry an interest rate of 1% per annum. The holders of the convertible bonds are entitled to convert the bonds into 230,769,230 ordinary shares of the Company ("Conversion Shares") at initial conversion price of HK$0.13 at any time from the Issue Date to the maturity date. The Conversion Shares shall rank pari passu in all respects with all other existing shares outstanding at the date of the conversion.

During the Reporting Period, no convertible bonds were converted into ordinary shares of the Company. The amount is repayable on 24 March 2020 (the "Maturity Date"). If the convertible bonds have not been converted up to the Maturity Date, the holders can request the Company to redeem the outstanding convertible bonds at principal amount.

The convertible bonds contain two components, liability component and equity component. At initial recognition, the fair value of liability of approximately HK$19,966,928 was recognised with the residual value of approximately HK$10,033,072, representing equity component, presented in equity heading "convertible bonds reserve".

Transaction costs relating to the liability component of approximately HK$196,282 are included in the carrying amount of the liability portion.

The effective interest rate of the liability component is 8.34% per annum.

During the Reporting Period, interest charged on the convertible bonds of approximately HK$455,823 was debited to profit or loss.

12. CONVERTIBLE BONDS (CONTINUED)

The convertible bonds issued during the reporting period have been split as to their liability and equity components as follows:

	Liability Component *HK$'000*	**Equity component** *HK$'000*	**Total** *HK$'000*
Issued during the period	19,967	10,033	30,000
Direct transaction costs	(196)	(99)	(295)
Finance cost paid	(81)	–	(81)
Imputed interest expense	456	–	456
At 30 June 2014	20,146	9,934	30,080

13. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments for acquisitions of property, plant and equipment:

	30 June 2014 ***HK$'000*** **(Unaudited)**	31 December 2013 *HK$'000* (Audited)
Capital expenditure contracted for but not provided for	**5,335**	3,910

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

During the six months ended 30 June 2014 (the "Reporting Period"), the Group recorded a revenue of HK$92.7 million, representing a decrease of 10.3% compared with HK$103.3 million for the six months ended 30 June 2013 (the "Corresponding Period"). The Group recorded gross profit margin of approximately 11.6% for the Reporting Period, which is a significant decrease as compared to 22.1% of the Corresponding Period. Hence, the gross profit for the Reporting Period has a significant decrease as compared with the Corresponding Period.

The net loss of the Group for the Reporting Period increased by 31.9% to HK$31.2 million as compared to net loss of HK$23.6 million for the Corresponding Period. The increase in net loss for the Reporting Period was mainly attributable to (i) the inclement weather in the first quarter of 2014; (ii) the decrease in the average selling price in the vegetable markets in Hong Kong and China; and (iii) the one-off office relocation expenses (including relocation labour expenses, office leasehold improvement written off and compensation for lay-offs of staff, amounted to approximately HK$1.06 million) in China resulting from business restructuring, despite that it was partly offset by the decrease in distribution expenses and administrative expenses.

During the Reporting Period, the Group adopted the principle of cost control to improve the efficiency and effectiveness of the business operations and to enhance the profitability of the Group in the long run. In line with this principle, the Group leased out a loss making farmland in Chengde, terminated a loss making farmland in Shandong, combined the offices in south China into one office in Conghua, and combined the offices in Hong Kong into one office in Cheung Sha Wan.

Completion of the above restructuring signifies the commencement of the blueprint for strategic development of the Group. In respect of the conventional wholesale channels, the Group started to carry out a series of reform on sales and market layout. With the core markets in Hong Kong and Guangzhou, the Group established an optimized distribution system for tier-1 and tier-2 distributors. While maintaining its competitive position of market supply in Hong Kong, the Group explored the retail market in China by visiting potential distributors and possible co-operators.

Liquidity and Financial Resources

The Group mainly finances its business operations with internally generated cash flows and general banking facilities. As at 30 June 2014, the Group had bank balances and cash of HK$20.8 million (31 December 2013: HK$14.8 million). The Group's current ratio (measured as total current assets to total current liabilities) was approximately 0.6 times (31 December 2013: 0.6 times).

As at 30 June 2014, the total borrowings of the Group amounted to HK$69.1 million (31 December 2013: HK$75.7 million), of which, HK$29.1 million (31 December 2013: HK$33.9 million) was secured by several properties. Also, HK$0.4 million borrowing was guaranteed by an ex-director of the Company and a third party in last year. The borrowings in the amount of HK$50.4 million (31 December 2013: HK$56.5 million) were repayable within one year.

At the end of the Reporting Period, the Group had capital expenditure commitments of HK$5.3 million (31 December 2013: HK$3.9 million) in respect of acquisition of property, plant and equipment.

The Group will continue to adopt a positive but prudent approach in managing its financial resources. Should other opportunities arise requiring additional funding, management also believes that the Group is in a good position to obtain financing on favourable terms.

Capital Structure and Gearing Ratio

The Group and the Company manage its capital to ensure that the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

On 6 January 2014, the Company entered into a share subscription agreement with an independent third party, Mr. CHU Woon Cheung Terence, to allot and issue 34,480,000 new ordinary shares of the Company (the "Shares") at the subscription price of HK$0.145 per share, representing a discount of approximately 18.08% to the closing price of HK$0.177 per Share on that day. The new Shares were issued under the general mandate granted to the Directors by the Shareholders at the annual general meeting held on 6 June 2013. The 34,480,000 new Shares of HK$0.01 each, credited as fully paid, were allotted and issued to the subscriber on 16 January 2014 with net proceeds of approximately HK$4,900,000, representing the net issue price of approximately HK$0.142 per subscription share, for general working capital of the Group. Out of the net proceeds of HK$4,900,000, approximately HK$4,000,000 was used as payment for rental expenses of production bases at Chengde and Ningxia, the PRC, and the remaining balance was used as partial payment for construction project at Zengcheng, the PRC.

On 21 January 2014, the Company allotted and issued 426,840,000 ordinary shares of HK$0.01 each, credited as fully paid, upon conversion of 426,840,000 Class A preference shares at the conversion price of HK$0.0482 per conversion share. On the same day, the Company allotted and issued 138,207,998 ordinary shares of HK$0.01 each, credited as fully paid, upon conversion of 138,207,998 Class B preference shares at the conversion price of HK$0.15 per conversion share.

On 22 January 2014, the Company and Cypress Jade Group Holdings Limited ("CYJ Group"), a connected person of the Company, entered into a subscription agreement in respect of the issue of 1% coupon convertible bonds due 2020 in the aggregate principal amount of HK$30,000,000 with initial conversion price of HK$0.13 per conversion share (the "Subscription"). The Subscription was approved by the independent shareholders at the special general meeting of the Company held on 17 March 2014 and completion of the issue of convertible bonds took place on 25 March 2014. Out of the net proceeds of HK$29.6 million, approximately HK$20 million was used for the repayment of loan from CYJ Group, approximately HK$5 million was used for payment of raw material suppliers, approximately HK$1 million was used for payment of construction project of production base, and the balance of approximately HK$3.6 million was used as general working capital of the Group.

At the end of the Reporting Period, the Group's bank and other borrowings amounted to HK$69.1 million (31 December 2013: HK$75.7 million). Included in the above amounts, an amount of HK$60.3 million (31 December 2013: HK$66.3 million) is charged at floating interest rates. The Group's interest rate risk primarily relates to the interest bearing bank balances and borrowings. The Group currently has not used any interest rate swaps to hedge its exposure to interest rate but may enter into interest rate hedging instruments in the future to hedge any significant interest rate exposure should the need arise.

As at 30 June 2014, the net debt to equity ratio was 0.24 (31 December 2013: 0.26). Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements. The Group's gearing ratio as at 30 June 2014 was 0.4 (31 December 2013: 0.4), which was measured as total debt to total shareholders' equity.

Significant Investments

The Group did not have any significant investments during the six months ended 30 June 2014.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

The Group had no material acquisitions or disposals of subsidiaries and associated companies during the six months ended 30 June 2014.

Charges on Group's Assets

As at 30 June 2014, leasehold land and buildings with carrying amount of HK$9.6 million (31 December 2013: HK$10.1 million) were pledged to secure banking facilities granted to the Group.

Foreign Exchange Exposure

The Group mainly earns revenue and incurs costs in Hong Kong dollars and Renminbi. The management is aware of the possible exchange rate exposure due to the continuing fluctuation of Renminbi and will closely monitor its impact on the performance of the Group to see if any hedging policy is necessary.

Contingent Liabilities

As at 30 June 2014, the Group did not have any material contingent liabilities.

Employee and Remuneration Policy

As at 30 June 2014, the Group had a total of 1,139 (30 June 2013: 1,591) full time employees in Hong Kong and the Mainland China. Total staff costs (including directors' remuneration) for the six months ended 30 June 2014 amounted to HK$36.0 million (six months ended 30 June 2013: HK$31.9 million). The employees are remunerated with reference to the qualification, experience, responsibility and performance of the individual, the performance of the Group and the market practices. Apart from the basic remuneration package, the Company also participates in the mandatory provident fund scheme in Hong Kong and the central provident fund scheme in the Mainland China. The Company has adopted a share option scheme on 6 June 2013 (the "Scheme"). Pursuant to the Scheme, the Board may, at its discretion, grant options to eligible employees, executive and non-executive directors (including independent non-executive director) of the Group.

Prospect

Taking advantage of the preferential policies in relation to agricultural business in China, the Group is expected to grow at a steady pace complemented by future expansion plans. We believe that maintaining high quality farmlands, supported by major processing plant and cold storage capabilities for our supply inventory are essential for the healthy development of our vegetable cultivation business.

Following the operation of the Pesticide Residues in Food Regulation in August 2014, regulatory control of pesticide residues in food is enhanced to protect public health. In response to the market development, the Group will timely adjust its overall strategies to comply with the new regulations while maintaining our competitiveness in the market.

Looking forward, the Group will adopt proactive investment and financing strategies to optimize the business structure. The Group is optimistic towards the prospect of the industry and is confident in overcoming the challenges to achieve sustainable growth and enhance shareholder value in the long run.

INTERIM DIVIDEND

No dividend was paid, declared or proposed during the Reporting Period. The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: nil).

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining good corporate governance standard and practices with an emphasis on integrity, transparency and independence. The Board believes that good corporate governance is essential to the success of the Company and the enhancement of shareholders' value.

The Company's corporate governance practices are based on the principles and the code provisions ("Code Provisions") set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). During the Reporting Period, the Company has complied with the Code Provisions of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the Model Code for Securities Transactions by Directors as set out in Appendix 10 of the Listing Rules. Based on specific enquiry of the directors of the Company, all the directors confirmed that they had complied with the required standards as set out in the Model Code during the Reporting Period.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2014. At the request of the Board, the Company's external auditor, Mabel Chan & Co, has carried out a review of the unaudited interim financial statements in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

As at the date of this announcement, the Audit Committee comprises all independent non-executive Directors, namely, Mr. CHAN Loong Sang, Tommy (Chairman of Committee), Mr. WU Wai Chung, Michael and Mr. YAU Yik Ming, Leao.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the websites of the Company (www.cyj.hk) and the Stock Exchange (www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2014 will be dispatched to the shareholders of the Company and will be available at the above websites in due course.

By order of the Board
Cypress Jade Agricultural Holdings Limited
WU Wai Chung, Michael
Chairman

Hong Kong, 25 August 2014

As at the date of this announcement, the board of directors of the Company comprises seven directors, including four executive directors, namely Mr. SHI Lanjiang, Mr. YUEN Wai Chung, Mr. YANG Jianzun and Ms. YAU Fai San; and three independent non-executive directors, namely Mr. WU Wai Chung, Michael, Mr. CHAN Loong Sang, Tommy and Mr. YAU Yik Ming Leao.