



# CHAODA MODERN AGRICULTURE (HOLDINGS) LIMITED

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



## 2015/16 ANNUAL REPORT







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## Chaoda Modern Agriculture (Holdings) Limited Annual Report 2015/2016

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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Kwok Ho (*Chairman*)  
Ms. Huang Xie Ying  
Mr. Kuang Qiao  
Mr. Chen Jun Hua (retired on 17 December 2015)  
Dr. Li Yan (resigned on 8 June 2016)  
Mr. Yang Gang (appointed on 8 June 2016)  
Mr. Zhang Chang Man (appointed on 8 June 2016)

### Non-executive Director

Mr. Ip Chi Ming

### Independent Non-executive Directors

Mr. Fung Chi Kin  
Mr. Tam Ching Ho  
Professor Lin Shun Quan  
Mr. Chan Yik Pun

### AUDIT COMMITTEE

Mr. Tam Ching Ho (*Chairman*)  
Mr. Fung Chi Kin  
Mr. Chan Yik Pun

## REMUNERATION COMMITTEE

Mr. Fung Chi Kin (*Chairman*)  
Mr. Tam Ching Ho  
Mr. Chan Yik Pun  
Mr. Zhang Chang Man (appointed on 8 June 2016)

## NOMINATION COMMITTEE

Mr. Fung Chi Kin (*Chairman*)  
Mr. Kwok Ho  
Mr. Kuang Qiao  
Mr. Tam Ching Ho  
Mr. Chan Yik Pun

## AUTHORISED REPRESENTATIVES

Mr. Kwok Ho  
Mr. Ip Chi Ming

## CHIEF FINANCIAL OFFICER

Mr. Chan Chi Po Andy

## COMPANY SECRETARY

Ms. Chong Suet Ming Alison



## STOCK CODE

The Stock Exchange of Hong Kong Limited: 682

## AUDITORS

Elite Partners CPA Limited  
*Certified Public Accountants*

## PRINCIPAL BANKS

China Merchants Bank Co., Ltd.  
China CITIC Bank Corporation Limited  
Industrial Bank Co., Ltd.  
Shanghai Pudong Development Bank Co., Ltd.  
Ping An Bank Co., Ltd.

## REGISTERED OFFICE

P.O. Box 309  
Ugland House  
Grand Cayman  
KY1-1104  
Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2705, 27th Floor  
China Resources Building  
26 Harbour Road  
Wanchai, Hong Kong

## SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Abacus Limited  
Level 22  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

## WEBSITES

<http://www.chaoda.com.hk>  
<http://www.irasia.com/listco/hk/chaoda>

# Chairman's Statement

I hereby present the annual results of Chaoda Modern Agriculture (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group" or "Chaoda") for the financial year ended 30 June 2016 on behalf of the board of directors (the "Board") of the Company.

## INDUSTRY AND BUSINESS REVIEW

During the financial year under review, the Chinese economy struggled through downward pressure and rigorous reforms under the "New Normal". During the dramatic transformation of the Chinese economy, the transformation and development of the agricultural industry yielded extraordinary results. Subsequent to the release of the "Number One Document", "Several Opinions on the Implementation of New Concepts on the Development and the Acceleration of the Agricultural Modernisation for the Realisation of the Moderate Prosperity in All Respects" by the Central Committee of the Communist Party of China and the State Council, new policies and measures to modernise the agricultural industry as well as new agricultural technologies and a new agricultural revolution were introduced pursuant to several major agricultural development strategies such as "supply-side structural reform in agriculture" and "Internet + Agriculture".

To achieve structural reform and industrial upgrade, the agricultural industry must change its development approach and actively explore all sorts of viable conglomerations. With the intention of paving our path to further development, Chaoda captures any favorable trends, consolidates its resources, builds up its foundation and steps up reforms to boost supply-side capacity in the new era.

The technological and industrial revolution of the agricultural sector calls for an accelerated integration of agricultural and information technologies to procure intermediate and advanced agricultural development. Under Chaoda's business model, a comprehensive industrial system and massive data have been formed for production, cultivation and informatisation development. During the financial year under review, in the course of its business operation, Chaoda consolidated its quality resources to carry out a number of measures, such as upgrading the spraying and dripping irrigation systems and mechanising cultivation, at its core production bases, thereby laying a profound foundation for efficient, safe, energy-saving and environmental friendly production. Modern information technologies were used to strengthen the information carrier of Chaoda's product quality traceability system. The product identification system and barcode facilitated the quality traceability system so as to capitalise on Chaoda's superior product portfolio.

## FUTURE OUTLOOK

This new historic moment is a window of opportunity for Chaoda. However, opportunities come along with challenges. Due to increasing uncertainties in respect of the macro-economy, market diversity and extreme climate, the sustainability of many businesses are under threat in recent years. Nevertheless, agriculture enjoys a bright future. With well-established foundation and strength, Chaoda is confident about its future. Chaoda will accelerate the implementation of new supply-side production reforms based on informatisation, cope with the rising of upgrade demand in consumption pattern and enhance the quality and efficiency of agricultural supplies.



### APPRECIATION

I would like to take this opportunity to express my hearty gratitude to the shareholders, customers and business partners for their continual support and trust. I would also like to thank the management team and the entire staff for their efforts and contributions to the Group during the past year.

**Kwok Ho**  
*Chairman*

Hong Kong, 23 September 2016

# Management Discussion and Analysis

## FINANCIAL REVIEW

During the financial year under review, the Group recorded a revenue of RMB1,120 million, representing a drop of approximately 15% as compared to RMB1,317 million for the previous financial year. The sales volume of produce was 519,336 tonnes (2015: 608,152 tonnes). The drop in revenue was mainly due to the decrease in the size of the production base area. The average selling price of the produce sold in China market slightly fell to RMB1.97 per kilogram (2015: RMB2 per kilogram). Gross loss increased to RMB513 million (2015: RMB384 million) which was mainly due to the increase in production costs.

Selling and distribution expenses of the Group increased by 10% to RMB259 million due to the increase in packaging material costs during the financial year under review. General and administrative expenses decreased by 3% to RMB116 million, reflecting the Group's effective control over administrative costs. Other operating expenses were RMB2,957 million, representing a decrease of 46% as compared to RMB5,517 million for the previous financial year. Other operating expenses predominantly comprised loss on early termination of prepaid premium for certain land leases of RMB1,248 million, loss on disposals of property, plant and equipment of RMB494 million and impairment loss on prepaid premium for certain land leases of RMB343 million. Loss from operations recorded by the Group narrowed down to RMB4,068 million, improved by approximately 39% as compared with RMB6,697 million for the previous financial year.

During the financial year under review, loss for the year attributable to owners of the Company amounted to RMB4,068 million (2015: RMB6,627 million).

## AGRICULTURAL LAND

As at 30 June 2016, the Group's production bases amounted to 14 located in 8 different provinces and cities in China, with a total production area (including vegetable land and fruit garden) of 400,482 mu (26,699 hectares), representing a decrease of 15% as compared with the total production area of 470,817 mu (31,388 hectares) as at the end of the previous financial year. Such decrease was mainly attributable to the return of leasehold farmlands.

The weighted average production area for vegetables for the financial year under review was 285,367 mu (19,024 hectares), representing a decrease of 20% as compared with 358,169 mu (23,878 hectares) for the previous financial year.



## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2016, the Group has unsecured banking facilities of 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 RMB400 million were unsecured and had not been utilised. The details are set out in note 30 to the consolidated financial statements.

As at 30 June 2016, cash and cash equivalents of the Group amounted to RMB204 million (2015: RMB239 million). The total equity of the Group (including non-controlling interests) amounted to RMB4,429 million (2015: RMB8,489 million). Since the Group did not have any outstanding bank loans or long term debts due to third party as at 30 June 2016, the debt to equity ratio (bank loans over total equity) of the Group was nil (2015: 0.05%). The current ratio (dividing total current assets by total current liabilities) was 3 times (2015: 3 times).

## EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATE

The Group's operating transactions were primarily denominated in Renminbi. During the financial year under review, the Group was not exposed to material risk in respect of fluctuations in Renminbi exchange rates. The Group will continue to closely monitor the risk and adopt appropriate measure should the needs arise.

During the financial year under review, the Group neither took part in any derivatives activities nor entered into any hedging activities in respect of foreign exchange risk.

## SIGNIFICANT INVESTMENTS

As at 30 June 2016 and 2015, the Group did not have any significant investments.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

During the financial year under review, the Group did not carry out any material acquisitions and disposals in respect of subsidiaries and associates.

## CHARGE ON ASSETS

As at 30 June 2016, the Group did not charge any of its assets to any bank or other financial institutions (2015: Nil).



# Management Discussion and Analysis

## CONTINGENT LIABILITIES

As at 30 June 2016 and 2015, the Group did not have any significant contingent liabilities.

## CAPITAL STRUCTURE

During the financial year under review, there was no change in the structure of the Company's capital (including ordinary shares and capital reserves). As at 30 June 2016, there were 3,291,302,491 issued shares.

## HUMAN RESOURCES

As at 30 June 2016, the Group employed 10,045 employees, of which 9,433 were farmland workers.

According to the Group's current remuneration policy, promotions and salary increments are based on objective factors like employees' job positions, work performance, qualifications and experience, and also by reference to the actual condition of the human resources market. In addition to basic salaries, the Group also distributes discretionary bonuses and/or other incentives based on the results of internal appraisal. Besides, the Group provides employees with other benefits such as pension, insurance, education, subsidies and training programmes. In order to motivate the employees and enhance their sense of belonging so that they will support the Group's strategies, eligible employees are granted share options entitling them to subscribe for the Company's shares.

## EVENT AFTER THE REPORTING PERIOD

Details of the significant event occurred after the reporting period is disclosed in note 42 to the consolidated financial statements.



# Corporate Governance Report

The Board recognises that good corporate governance will not only safeguard the interests and assets of the Company and deliver long-term return to our shareholders, but will also lay a good foundation for sustainable growth of the Company. The key corporate governance principles and practices of Chaoda during the financial year ended 30 June 2016 are set out in this report.

## CORPORATE GOVERNANCE PRACTICES

During the financial year ended 30 June 2016, the Company has applied the principles and complied with the applicable code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except for the deviation set out below under the paragraph headed "Chairman and Chief Executive Officer" of this report. The current corporate governance practices will be reviewed and assessed from time to time for the compliance with the latest statutory requirements.

## DIRECTORS' 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. All directors, after specific enquiries made by the Company, confirmed that they had complied with the Model Code throughout the financial year ended 30 June 2016. The directors' interests as at 30 June 2016 in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) are set out in the Directors' Report under the section headed "Directors' Interests in Securities".

## BOARD OF DIRECTORS

### Composition

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Group's business and includes a balanced composition of executive and non-executive directors (including independent non-executive directors), which can effectively exercise independent judgment.

As at the date of this report, the members of the Board are listed below:

#### **Executive directors**

Mr. Kwok Ho (*Chairman*)

Ms. Huang Xie Ying

Mr. Kuang Qiao

Mr. Yang Gang (appointed on 8 June 2016)

Mr. Zhang Chang Man (appointed on 8 June 2016)

#### **Non-executive director**

Mr. Ip Chi Ming

#### **Independent non-executive directors**

Mr. Fung Chi Kin

Mr. Tam Ching Ho

Professor Lin Shun Quan

Mr. Chan Yik Pun



# Corporate Governance Report

During the financial year under review, Mr. Chen Jun Hua retired as the executive director of the Company and Dr. Li Yan resigned as the executive director of the Company.

Biographical details of the directors are disclosed in the section headed “Profiles of Directors and Senior Executives” of this annual report. There is no financial, business, family or other material/relevant relationship among members of the Board.

The Company has complied with Rules 3.10(1) and (2) of the Listing Rules, i.e. the Board includes at least three independent non-executive directors and at least one of them possesses appropriate professional qualifications or accounting or related financial management expertise.

The Company has received annual confirmation of independence from each of the independent non-executive directors pursuant to Rule 3.13 of the Listing Rules and accordingly, the Company is of the view that all independent non-executive directors are independent under the Listing Rules. To the best knowledge and belief of the Company, they have the character, integrity, independence and experience to fulfill their role effectively.

The non-executive director and each of the independent non-executive directors are appointed for a specific term of two years. Appointment may be terminated by either party serving on the other party a written notice of not less than three months. In accordance with the CG Code and the Company’s articles of association, they should be subject to retirement by rotation at least once every three years at the annual general meeting.

## Responsibilities

The Board is committed to providing effective and responsible leadership for the Company. Its primary role is to protect and enhance the interests of our shareholders as a whole. The members of the Board are accountable to, and are committed to acting in the best interests of the Company and our shareholders. Matters reserved for the Board’s consideration include but not limited to:

- the Group’s long-term objectives and corporate strategy;
- the overall corporate governance of the Group;
- the internal control system of the Group;
- the financial reporting and control;
- the recommendations to our shareholders like dividend payments, appointment or re-appointment of directors.

Under the leadership of the Chairman of the Board, the day-to-day management, administration and operations of the Group are delegated to the executive directors and the management. Each of the delegated parties has accumulated sufficient and valuable experience to hold his/her position in order to ensure that his/her fiduciary duties and other responsibilities can be carried out in an effective and efficient manner.

The Board has established three committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. Three committees operate within specified terms of reference to oversee respective areas of the Company’s affairs. Each committee composition and its respective responsibilities are stated in the relevant paragraphs of this report.



## Board Meetings

During the financial year ended 30 June 2016, the Board convened a total of four Board meetings. The agenda and accompanying Board papers are served to all members of the Board in advance of each meeting to facilitate informed discussion and decision-making. Senior management and professional advisers are invited to attend the meeting(s) to give a presentation on issues considered and/or answer the Board's enquiries when necessary. All proceedings of the Board meetings are duly recorded, approved and signed by the chairman of the meeting. Upon request, minutes of Board meetings are open for inspection by any director.

Attendance of each director, by name, at the board meetings held during the financial year ended 30 June 2016 is set out below:

Name of directors	Attendance
<b>Executive directors:</b>	
Mr. Kwok Ho ( <i>Chairman</i> )	04/04
Ms. Huang Xie Ying	04/04
Mr. Kuang Qiao	04/04
Mr. Chen Jun Hua (retired on 17 December 2015)	01/01
Dr. Li Yan (resigned on 8 June 2016)	02/04
Mr. Yang Gang (appointed on 8 June 2016)	N/A
Mr. Zhang Chang Man (appointed on 8 June 2016)	N/A
<b>Non-executive director:</b>	
Mr. Ip Chi Ming	04/04
<b>Independent non-executive directors:</b>	
Mr. Fung Chi Kin	04/04
Mr. Tam Ching Ho	04/04
Professor Lin Shun Quan	03/04
Mr. Chan Yik Pun	04/04

## DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT

According to the records maintained by the Company, the directors' participation in various continuous professional programs relevant to regulatory updates; industry-specific; business management; accounting or finance for the financial year ended 30 June 2016 were as follows:

Name of directors	Attending Training Course/ Seminar/ Conference/ Forum/Workshop	Reading Materials
<b>Executive directors:</b>		
Mr. Kwok Ho ( <i>Chairman</i> )	✓	✓
Ms. Huang Xie Ying	✓	
Mr. Kuang Qiao	✓	✓
Mr. Yang Gang	✓	✓
Mr. Zhang Chang Man	✓	✓
<b>Non-executive director:</b>		
Mr. Ip Chi Ming	✓	✓
<b>Independent non-executive directors:</b>		
Mr. Fung Chi Kin	✓	✓
Mr. Tam Ching Ho	✓	✓
Professor Lin Shun Quan	✓	
Mr. Chan Yik Pun		✓

## INSURANCE COVER IN RESPECT OF LEGAL ACTION AGAINST DIRECTORS

The Company has arranged appropriate insurance cover in respect of legal action arising from the business of the Group against the Directors.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Kwok Ho held and is currently performing both the roles of Chairman and Chief Executive Officer of the Company. The Board considers that Mr. Kwok, as the founder of the Group, has profound knowledge and expertise in agricultural business. Under the present structure, the Group can enjoy the benefit of strong and consistent leadership in the development and execution of the Group's business strategies in the most efficient and effective manner. The Board will review and assess such arrangement from time to time to keep a balance of power and authority.



## REMUNERATION COMMITTEE

During the financial year under review, Mr. Chen Jun Hua retired as a member of the Remuneration Committee on 17 December 2015. On 8 June 2016, Mr. Zhang Chang Man was appointed as a member of the Remuneration Committee to fill the vacancy. As at the date of this report, the Remuneration Committee comprises four members, three of whom are independent non-executive directors and one is executive director. Members of the Remuneration Committee are:

- Mr. Fung Chi Kin (*Chairman*)
- Mr. Tam Ching Ho
- Mr. Chan Yik Pun
- Mr. Zhang Chang Man

Pursuant to its terms of reference, the Remuneration Committee is delegated, among others, (i) to make recommendations to the Board on the framework or broad policy and structure for the remuneration of individual executive directors and senior management; (ii) to make recommendations to the Board on the establishment of a formal and transparent procedure for developing such policy; (iii) to make recommendations to the Board on the remuneration of non-executive directors; (iv) to review the ongoing appropriateness and relevance of the remuneration policy; and (v) to review the design of all share incentive plans for approval by the Board and the shareholders. The specific terms of reference of the Remuneration Committee are available on the Company's websites ([www.irasia.com/listco/hk/chaoda](http://www.irasia.com/listco/hk/chaoda) and [www.chaoda.com.hk](http://www.chaoda.com.hk)).

No director or manager shall be involved in any decisions as to his/her own remuneration. The remuneration of an independent non-executive director who is a member of the Remuneration Committee shall be a matter for other members of the Remuneration Committee.

Meeting of the Remuneration Committee shall be held at least once a year and at such other times as the Chairman of the Remuneration Committee shall require. During the financial year ended 30 June 2016, the Remuneration Committee met once. The individual members' attendance records are set out below:

Members of the Remuneration Committee	Attendance
<b>Independent non-executive directors :</b>	
Mr. Fung Chi Kin ( <i>Chairman</i> )	1/1
Mr. Tam Ching Ho	1/1
Mr. Chan Yik Pun	1/1
<b>Executive directors:</b>	
Mr. Chen Jun Hua (retired on 17 December 2015)	1/1
Mr. Zhang Chang Man (appointed on 8 June 2016)	N/A

During the financial year ended 30 June 2016, the Remuneration Committee (i) discussed and reviewed the remuneration policy adopted by the Group; and (ii) reviewed and recommended to the Board the overall level of increment applicable to the employees of the Group for the following calendar year.

## NOMINATION COMMITTEE

As at the date of this report, the Nomination Committee comprises five members, three of whom are independent non-executive directors and two are executive directors. Members of the Nomination Committee are:

- Mr. Fung Chi Kin (*Chairman*)
- Mr. Kwok Ho
- Mr. Kuang Qiao
- Mr. Tam Ching Ho
- Mr. Chan Yik Pun

Pursuant to its terms of reference, the Nomination Committee is delegated, among others, (i) to review the structure, size and composition (including the skills, knowledge and experience) of the Board; (ii) to identify, nominate and recommend suitable candidate(s) to the Board for its consideration; (iii) to assess the independence of independent non-executive directors; (iv) to make recommendations to the Board on the appointment or re-appointment of directors; and (v) to make recommendations to the Board on the removal of a director. The specific terms of reference of the Nomination Committee are available on the Company's websites ([www.irasia.com/listco/hk/chaoda](http://www.irasia.com/listco/hk/chaoda) and [www.chaoda.com.hk](http://www.chaoda.com.hk)).

During the financial year ended 30 June 2016, the Nomination Committee had convened one meeting with full attendance to review the structure, size and composition of the Board as well as to make recommendations to the Board on the selection of suitably qualified candidates nominated for directorship.

## AUDIT COMMITTEE

As at the date of this report, the Audit Committee comprises three members, all of whom are independent non-executive directors. Members of the Audit Committee are:

- Mr. Tam Ching Ho (*Chairman*)
- Mr. Fung Chi Kin
- Mr. Chan Yik Pun

Pursuant to its terms of reference, the Audit Committee is delegated, among others, (i) to monitor the integrity of the financial statements of the Group (including its annual and interim reports and accounts, preliminary results announcements and any other formal announcements relating to its financial performance); (ii) to review significant financial reporting issues and judgments thereof before the financial statements are submitted to the Board; (iii) to review the effectiveness of the Group's financial controls, internal controls and risk management systems; and (iv) to assess the independence and objectivity of the external auditors. The specific terms of reference of the Audit Committee are available on the Company's websites ([www.irasia.com/listco/hk/chaoda](http://www.irasia.com/listco/hk/chaoda) and [www.chaoda.com.hk](http://www.chaoda.com.hk)).



During the financial year ended 30 June 2016, the Audit Committee held eight meetings to perform the following works, including but not limited to:

- (i) reviewed and discussed with the external auditors the general scope of their audit and review works for auditing the annual results for the financial year ended 30 June 2015 as well as for reviewing the interim results for the six-month period ended 31 December 2015;
- (ii) reviewed the audited financial statements for the financial year ended 30 June 2015 as well as the financial statements for the six-month period ended 31 December 2015;
- (iii) reviewed and discussed with internal control consultant the internal control review report on the Group's operations; and
- (iv) reviewed and made recommendation to the internal audit plan for the financial year ended 30 June 2016.

The audited financial statements of the Group for the financial year ended 30 June 2016 have been reviewed by the Audit Committee.

The individual members' attendance records are set out below:

<b>Members of the Audit Committee</b>	<b>Attendance</b>
<b>Independent non-executive directors:</b>	
Mr. Tam Ching Ho ( <i>Chairman</i> )	08/08
Mr. Fung Chi Kin	08/08
Mr. Chan Yik Pun	08/08

## CORPORATE GOVERNANCE FUNCTIONS

The Board as a whole is responsible for determining the policy for corporate governance of the Company as well as performing the corporate governance functions set out in code provision D.3.1 of the CG Code.

During the financial year ended 30 June 2016, the Board performed the corporate governance duties which include:

- (i) reviewed and discussed the policies and practices on corporate governance; (ii) reviewed the training and continuous professional development of directors and senior management; and (iii) reviewed the disclosure in the Corporate Governance Report.

## AUDITORS' REMUNERATION

The fees paid or payable to external auditors of the Group for the financial year ended 30 June 2016 in respect of audit and non-audit services were as follows:

Services rendered	Fee paid/payable HK\$'000
Audit services	2,100
Non-audit services (interim review)	500

## DIRECTORS' RESPONSIBILITY FOR PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

The directors acknowledged their responsibility for preparing the consolidated financial statements for each financial period which give a true and fair view of the state of affairs of the Group and its results and cash flows for the relevant financial period.

In preparing the consolidated financial statements for the financial year ended 30 June 2016 of the Group, the Board adopted appropriate accounting policies consistently, made prudent, fair and reasonable judgments and estimates, as well as based on a going concern basis.

The statement of the external auditors of the Group in respect of their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditors' Report of this annual report.

## INTERNAL CONTROLS

The Board has overall responsibility for maintaining sound and effective internal control system to safeguard the assets of the Group and interests of the shareholders. By the delegation to our internal audit team, the internal control system has been implemented and monitored so as to ensure that it can provide reasonable and independent assurance against material misstatement or loss and to manage risks of failure in the Group's operational systems.

The internal audit department is established to provide independent assurance to the Board and management on the adequacy and effectiveness of internal controls for the Group on a continual basis. The department adopts a risk and control based audit approach. Internal audit reports are communicated to and discussed with the Audit Committee and the Board.

The Company engaged RSM Consulting (Hong Kong) Limited ("RSM") as the internal control consultant, to perform an independent internal control review to assess the effectiveness of the financial, operational and compliance controls, and risk management functions of the Company and the Group's major subsidiaries on a rotation basis. The Audit Committee and the Board, having discussed with RSM and reviewed the internal control review report compiled by RSM, were reasonably satisfied that no material deficiencies or inadequacies existed or identified for the financial year ended 30 June 2016.

## COMPANY SECRETARY

The Board is supported by the Company Secretary who has day-to-day knowledge of the Company's affairs and is responsible for, among other matters, assisting in the effective operation of the Board and the Board committees, ensuring the Board policy and procedures are followed, and also facilitating the overall compliance with the Listing Rules and other laws and regulations applicable to the Company. During the financial year ended 30 June 2016, the Company Secretary had complied with the professional training requirements under Rule 3.29 of the Listing Rules.



## SHAREHOLDERS' RIGHTS

According to Article 72 of the Company's articles of association, any two or more members of the Company or any one member of the Company which is a recognised clearing house (or its nominee(s)) may request for an extraordinary general meeting to be convened upon depositing at the principal office of the Company in Hong Kong a written requisition specifying the objects of the meeting and signed by the requisitionist(s), provided that as at the date of deposit of the requisition, such requisitionist(s) hold not less than one-tenth of the paid-up capital of the Company which carries the right of voting at a general meeting of the Company.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene an extraordinary general meeting, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene an extraordinary general meeting in the same manner, as nearly as possible, as that in which meeting may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition.

The same procedure also applies to any proposal to be tabled at general meetings for adoption.

## CONSTITUTIONAL DOCUMENTS

There was no change in the Company's constitutional documents during the financial year under review.

## ANNUAL GENERAL MEETING

The attendance of individual directors at the annual general meeting held on 17 December 2015 is set out as follows:

Name of directors	Attendance
<b>Executive directors:</b>	
Mr. Kwok Ho ( <i>Chairman</i> )	✓
Ms. Huang Xie Ying	✓
Mr. Kuang Qiao	✓
Mr. Chen Jun Hua (retired on 17 December 2015)	✓
Dr. Li Yan (resigned on 8 June 2016)	X
Mr. Yang Gang (appointed on 8 June 2016)	N/A
Mr. Zhang Chang Man (appointed on 8 June 2016)	N/A
<b>Non-executive director:</b>	
Mr. Ip Chi Ming	✓
<b>Independent non-executive directors:</b>	
Mr. Fung Chi Kin	✓
Mr. Tam Ching Ho	✓
Professor Lin Shun Quan	X
Mr. Chan Yik Pun	✓

## COMMUNICATION

The Company values the views of our shareholders and acknowledges their interests in the Group's strategy and performance. Hence, the Board endeavors to maintain an on-going dialogue with our shareholders. The Company's website serves as a communication platform with our shareholders and investors. Updated information about the Company including its financial performance, corporate governance practices and the principal business developments of the Group, are available for public browse in a timely manner.

Besides, general meetings of the Company are considered as valuable opportunities for the Board to have dialogue directly with our shareholders. The directors of the Company are encouraged to attend the general meetings. In particular, the Chairman of the Board and the Chairman of each board committee are required to attend and answer questions raised by our shareholders in respect of the issues that they are responsible.

The shareholders and investors are also welcome to share their views and suggestions by contacting us or our investor relations consultant, Christensen China Limited, through the following methods:

### The Company

By telephone: (852) 2845 0168  
By fax: (852) 2827 0278  
By email: investor@chaoda.com.hk

### Christensen China Limited

By telephone: (852) 2117 0861  
By fax: (852) 2117 0869  
By email: khui@ChristensenIR.com



# Profiles of Directors and Senior Executives

## EXECUTIVE DIRECTORS

**Mr. KWOK Ho**, aged 61, is the founder of the Group and is also the Chairman of the Board, the Chief Executive Officer (the “CEO”) and a member of the Nomination Committee of the Company. Mr. Kwok is also a director and the legal representative of some of the subsidiaries of the Company. Mr. Kwok is primarily responsible for the formulation and deployment of the overall strategy of the Group. He holds an Honorary Doctor of Business Administration and has over 30 years of experience in commercial trading in the PRC, particularly in the areas of strategic planning, management, business development, product strategy, sales and marketing. Mr. Kwok was granted by the Fujian Provincial Committee and People’s Government of Fujian Province the award of Outstanding Contribution Entrepreneur of Fujian Province for two consecutive terms. Mr. Kwok is a member of the Ninth and the Tenth Fujian Provincial Committee of the Chinese People’s Political Consultative Conference (“CPPCC”), a member of the Eleventh National Committee of CPPCC, the first, second and third term of President of the Fujian Agricultural Industrialisation Leading Enterprises Association, and the Vice President of China Association of Agricultural Leading Enterprises.

**Ms. HUANG Xie Ying**, aged 68, joined the Group in January 1997 and was appointed as an executive director of the Company on 1 September 2003. Ms. Huang is primarily responsible for financial planning of the Group. She graduated from Xiamen Finance and Economic College. Ms. Huang has over 22 years of extensive accounting experience in the PRC.

**Mr. KUANG Qiao**, aged 45, joined the Group in 1996 and was appointed as an executive director of the Company on 1 September 2003. He is also a member of the Nomination Committee of the Board and the Vice President of the Group. Mr. Kuang is primarily responsible for new business development and new project research management of the Group. He graduated from the Faculty of Horticulture of Nanjing Agricultural University in July 1992 with a bachelor’s degree in agriculture (majoring in vegetables). Mr. Kuang has more than 21 years of experience in the agricultural industry.

**Mr. YANG Gang**, aged 42, joined the Group in 1998 and was appointed as an executive director of the Company on 8 June 2016. Mr. Yang is an assistant to the CEO and the Head of Construction Department of the Group, who is primarily responsible for the Group’s assets management and construction projects. Mr. Yang graduated from West Anhui United University, as one of the predecessors of West Anhui University (majoring in industrial and civil architecture), and Dongbei University of Finance and Economics (majoring in construction management), and is qualified as an intermediate engineer. Prior to joining the Group, he had served in construction management of government departments and schools. Mr. Yang has over 20 years of extensive assets management and construction projects experience in the PRC.

**Mr. ZHANG Chang Man**, aged 39, joined the Group in 2000 and was appointed as an executive director of the Company on 8 June 2016. He is also a member of the Remuneration Committee of the Board and the Vice President of the Group. Mr. Zhang is primarily responsible for the consolidated accounting and finance management of the Group. Mr. Zhang graduated from Fuzhou University (majoring in accounting), and is qualified as an intermediate accountant. Prior to joining the Group, he had worked in the Taiwanese-invested enterprise and gained practical experience in accounting. Mr. Zhang has over 15 years of extensive accounting experience in the PRC.

## Profiles of Directors and Senior Executives

### NON-EXECUTIVE DIRECTOR

**Mr. IP Chi Ming**, aged 55, was formerly an executive director of the Company until 8 January 2010 when he was re-designated as a non-executive director of the Company. Mr. Ip is a director of some of the subsidiaries of the Company. Mr. Ip has over 25 years of experience in trading and marketing in the food products industry as well as extensive experience in corporate strategic planning, overall management, business development, sales and marketing. Mr. Ip served as an executive director of Suncorp Technologies Limited (stock code: 1063) from February 2010 to April 2014.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. FUNG Chi Kin**, aged 67, has been an independent non-executive director of the Company since September 2003. He is also the Chairman of the Remuneration Committee and Nomination Committee as well as a member of the Audit Committee of the Board. Mr. Fung is the Honorary Permanent President of The Chinese Gold & Silver Exchange Society, the International Advisor of Shanghai Gold Exchange and the director of Fung Chi Kin Consulting Limited. He was conferred on an Honorary Senior Fellowship by Asian College of Knowledge Management. Mr. Fung has over 30 years of experience in banking and finance. Prior to his retirement, he was the director and the Deputy General Manager of Po Sang Bank Limited (merged into Bank of China (Hong Kong) Limited in 2001), the Managing Director of BOCI Securities Limited and the Chief Administration Officer of BOC International Holdings Limited. From October 1998 to June 2000, Mr. Fung served as a Council Member of the First Legislative Council of the HKSAR. He also held offices in various public organisations and was the Vice Chairman of the Stock Exchange, the director of Hong Kong Futures Exchange Limited, the director of Hong Kong Securities Clearing Company Limited and Hong Kong Affairs Advisor. Mr. Fung has also acted as an executive director of Powerwell Pacific Holdings Limited (stock code: 8265) since September 2014.

**Mr. TAM Ching Ho**, aged 45, has been an independent non-executive director of the Company since September 2003. He is also the Chairman of the Audit Committee as well as a member of the Remuneration Committee and Nomination Committee of the Board. Mr. Tam is a certified public accountant (practicing) registered with Hong Kong Institute of Certified Public Accountants (the "HKICPA"). He has previously worked in a reputable international accounting firm for about eight years and specialised in providing assurance services for pre-listing, listed and multinational companies. He has also held senior positions in several companies, including mainly the financial controller of a company listed on the Main Board of the Stock Exchange and another company listed on the Main Board of the Singapore Exchange Securities Trading Limited for a total of about seven years. Mr. Tam has accumulated extensive experience in corporate finance and administration, listing compliance, investor relations, accounting and auditing. Mr. Tam holds a bachelor's degree of arts with honors in accountancy. He is an associate member of the HKICPA and a fellow member of The Association of Chartered Certified Accountants. Mr. Tam is currently an independent non-executive director of China Zenith Chemical Group Limited, which is listed on the Main Board of the Stock Exchange.



**Professor LIN Shun Quan**, aged 61, has been an independent non-executive director of the Company since November 2000. Professor Lin received his doctorate degree in agriculture from Fujian Agricultural and Forestry University and had further studies at Saga University in Japan in 1988 and 1996. He was appointed as professor and head of the College of Horticulture at South China Agricultural University. He has extensive experience in the agricultural industry in the PRC.

**Mr. CHAN Yik Pun**, aged 34, has been an independent non-executive director of the Company since January 2015. He is a member of the Audit, Remuneration and Nomination Committees of the Board. Mr. Chan obtained a Bachelor's degree in Business (Accounting) from the Monash University, Australia in 2004. He is a member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Company, Mr. Chan has accumulated over 10 years of accounting and auditing experience from working in various international accounting firms, as well as various companies listed on the Main Board of the Stock Exchange. Mr. Chan is an independent non-executive director of Unity Investments Holdings Limited (stock code: 913).

### SENIOR EXECUTIVES

**Mr. CHEN Jun Hua**, aged 48, joined the Group in October 2002 and was appointed as an executive director of the Company on 17 August 2005 until he retired from his office on 17 December 2015. He is the Vice President of General Affairs of the Group. Mr. Chen is mainly responsible for assisting the CEO in administrative management of the Group. In July 1989, Mr. Chen graduated from China Agricultural University with a bachelor's degree in agriculture (majoring in protection of agricultural environment). Thereafter, he received a master's degree in agricultural extension from Chinese Academy of Agricultural Sciences (majoring in rural and regional development). Mr. Chen is a Senior Economist and has over 24 years of experience in agricultural and administrative management.

**Mr. CHAN Chi Po Andy**, aged 49, joined the Group in 2003 and was appointed as an executive director of the Company on 17 August 2005 until he retired from his office on 30 December 2014. He has also been the Chief Financial Officer of the Company for many years and is also a director of certain subsidiaries of the Company. Mr. Chan is primarily responsible for financial management and financial information analysis of the Group. Mr. Chan graduated from The University of Sheffield in the United Kingdom with an honors degree in accounting, financial management and economics. Mr. Chan is a fellow member of the Association of Chartered Certified Accountants, a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Institute of Chartered Accountants in England and Wales. Prior to joining the Group in 2003, Mr. Chan served as senior corporate auditor responsible for the Asia Pacific region of a company listed on the New York Stock Exchange for approximately three years. Mr. Chan has also held office in an international accounting firm and The Stock Exchange of Hong Kong Limited for a total of approximately eight years before joining the Group.

**Ms. CHONG Suet Ming Alison**, aged 36, joined the Company in January 2008 as the Finance Manager and was appointed as the Company Secretary in January 2012. Ms. Chong holds a bachelor's degree of commerce in accounting from Macquarie University in Australia and is a member of each of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. Ms. Chong has over 12 years of experience in accounting, finance, compliance and auditing in Hong Kong and the PRC. Prior to joining the Company, Ms. Chong had served in an international accounting firm.

## Profiles of Directors and Senior Executives

**Mr. YANG Jin Fa**, aged 40, joined the Group in 1999. Mr. Yang is a Vice President and the General Affairs Vice President of the strategic planning department of the Group. Mr. Yang is primarily responsible for strategic planning, corporate planning and promotion, management of production and product sales of the Group. Mr. Yang graduated from Fujian Agricultural and Forestry University (majoring in economics and management) and is a Senior Economist. He has extensive experience in policy planning, media management, marketing, and production base management.

**Mr. WANG Zhi Qun**, aged 60, joined the Group in February 2000. Mr. Wang is a Vice President of the Group. Mr. Wang is primarily responsible for the management of the administration and logistics matters of the Group. Mr. Wang graduated from San Ming Teachers School, and received local and overseas senior managerial training. Prior to joining the Group, he was a senior executive of a state-owned enterprise and has over 28 years of extensive experience in integrated corporate management.

**Mr. David Alfred SEALEY III**, aged 53, joined the Group in August 2004. Mr. Sealey is the Deputy Chief Operation Officer. Mr. Sealey is primarily responsible for business development of the Group in the international trade markets. He graduated from University of Kentucky in the USA with a bachelor's degree in marketing. Prior to joining the Group, Mr. Sealey worked in various companies in the USA and Japan, and was responsible for corporate operation, product planning and quality control and marketing. He has extensive experience in corporate operation and management.

**Mr. HE Can De**, aged 53, joined the Group in 2000. Mr. He is an assistant to the CEO. He is responsible for assisting the CEO in the planning and management of the production bases of the Group as well as relevant projects. Mr. He graduated from Fujian Zhang Zhou Health and Hygiene School. Mr. He has extensive experience in the management of production bases, construction and planning of investment projects, product development and sales.

**Mr. WANG Jing Hai**, aged 66, joined the Group in 2000. Mr. Wang is the head of the Internal Audit Department of the Group. He is responsible for internal auditing and internal control of the Group. Mr. Wang graduated from Shanghai East China Normal University with a bachelor's degree in accounting and economics. Prior to joining the Group, he worked in a large state-owned enterprise in Shanghai and an American wholly-owned foreign enterprise, and was responsible for corporate management, internal control and auditing. Mr. Wang has over 36 years of experience in corporate management and internal auditing.

**Mr. WANG Long Wang**, aged 51, joined the Group in 2000. Mr. Wang is the head of the Production Base Department and General Manager of the Trading Department of the Group. He is primarily responsible for production management, technology research, demonstration and promotion work, as well as coordinates planning in product sales and marketing management of the production bases. Mr. Wang graduated from the College of Horticulture, Nanjing Agricultural University with a bachelor's degree in agriculture in 1985. Prior to joining the Group, he worked in the Vegetables Office of Fujian Province, Fuzhou Institute of Vegetable Science and was responsible for the management, research and development of vegetable production. He has also been to Thailand, Jamaica and other countries for further studies and work, and has over 26 years of experience in the agricultural industry.



The directors of the Company present their report together with the audited consolidated financial statements of the Group for the financial year ended 30 June 2016.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities and other particulars of the Company's principal subsidiaries are set out in note 37 to the consolidated financial statements.

An analysis of the Group's revenue for the financial year ended 30 June 2016 is set out in note 5 to the consolidated financial statements.

## FINANCIAL RESULTS

The results of Group for the financial year ended 30 June 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 39 to 40.

## BUSINESS REVIEW

A fair review of the business of the Group as well as discussion and analysis of the Group's performance review during the financial year ended 30 June 2016 are set out in the "Chairman's Statement" and "Management Discussion and Analysis" sections respectively on pages 4 to 8 of this annual report.

## Key risks and uncertainties

A nature disaster, catastrophe or other acts of God, which are beyond our control, could materially adversely affect the environment, infrastructure and livelihood of people in the regions where we operate. The Group's agricultural produce and livestock businesses are, by nature, subject to a high degree of exposure to the risks of natural disasters and adverse weather conditions such as droughts, flood, windstorms, frost and pests.

The financial risk factors are set out in note 38 to the consolidated financial statements.

## Environmental policies and performance

The core values of Chaoda are sustainable development, harmony and win-win so as to establish green ecological industrial chain as "Chaoda Mode". Our motto is "Follow the Green Way and Create Ecological Civilization". Agriculture generally represents a significant portion of environmental issue. Therefore, Chaoda endeavors to rely on a modern and scientific understanding of ecology and soil science, while also integrating traditional agricultural know-how. In order to protect natural soil fertility, the Group advocates crop rotation, inter-cropping to protect its farmland from nutrient offtake. The healthy growth of agriculture can help prevent deterioration of soil and desertification and hence improving China's ecological environment and also preserving and greening a vast area of land of the State. Under the precondition of preserving the farmland, agriculture should be developed in a scientific and environmentally friendly way.

In addition, when planning its crops, the Group makes use of climatic conditions in conjunction with land retirement so that the land regains its nutrients.

# Directors' Report

## Compliance with laws and regulations

The Group recognises the importance of compliance with regulatory requirements and risks of non-compliance with such requirements. During the financial year under review and up to the date of this annual report, to the best knowledge of the Company, there was no material non-compliance with the laws and regulations that has a significant impact on the business and operations of the Group.

## Relationships with employees, customers, suppliers and others

The Group ensures all staff are reasonable remunerated and regularly reviews the employment policies on remuneration and other benefits.

The Group understands the importance of maintaining good relationship with its suppliers and customers to meet its immediate and long-term goals, so the Group commits to provide high quality services to customers and develop mutual trust with suppliers. During the financial year under review, there were no material and significant disputes between the Group and its suppliers and/or customers.

## FIVE YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 106.

## DIVIDENDS

The directors do not recommend the payment of dividend for the financial year ended 30 June 2016 (2015: Nil).

## RESERVES

Movements in reserves of the Group and the Company during the financial year under review are set out in notes 34 and 41 to the consolidated financial statements and in the consolidated statement of changes in equity. The reserves of the Company available for distribution to shareholders as at 30 June 2016 amounted to RMB3,444,600,000 (2015: RMB4,863,038,000).

## DONATIONS

Donations made by the Group during the financial year under review amounted to approximately RMB664,222.

## PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the financial year under review are set out in note 16 to the consolidated financial statements.

## SHARE CAPITAL

The Company did not issue any new shares during the financial year under review. Details of the share capital of the Company are shown in note 32 to the consolidated financial statements.



## PRE-EMPTIVE RIGHTS

No pre-emptive rights exist under the laws of the Cayman Islands, the jurisdiction in which the Company is incorporated.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the financial year under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## DIRECTORS

During the financial year under review, the directors of the Company were:

### Executive Directors

Mr. Kwok Ho (*Chairman*)

Ms. Huang Xie Ying

Mr. Kuang Qiao

Mr. Chen Jun Hua (retired on 17 December 2015)

Dr. Li Yan (resigned on 8 June 2016) (*Note*)

Mr. Yang Gang (appointed on 8 June 2016)

Mr. Zhang Chang Man (appointed on 8 June 2016)

### Non-executive Director

Mr. Ip Chi Ming

### Independent Non-executive Directors

Mr. Fung Chi Kin

Mr. Tam Ching Ho

Professor Lin Shun Quan

Mr. Chan Yik Pun

Note: Dr. Li Yan tendered his resignation as an executive director of the Company so as to devote more time focusing on his academic research.

Particulars of the directors' remuneration during the financial year under review are set out in note 14 to the consolidated financial statements.

In accordance with Article 116A of the Company's Articles of Association, Ms. Huang Xie Ying and Mr. Ip Chi Ming shall retire by rotation at the forthcoming annual general meeting (the "2016 AGM"). Ms. Huang Xie Ying will not offer herself for re-election whereas Mr. Ip Chi Ming, being eligible, will offer himself for re-election at the 2016 AGM.

In accordance with Article 99 of the Company's Articles of Association, Mr. Yang Gang and Mr. Zhang Chang Man shall hold office until the 2016 AGM and shall then be eligible for re-election. Mr. Yang and Mr. Zhang have agreed to offer themselves for re-election at the 2016 AGM.

No retiring directors proposed for re-election at the 2016 AGM have an unexpired service agreement with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## Directors' Report

### DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2016, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in the Listing Rules were as follows:

#### Long positions in shares of the Company

Name of director	Nature of interests	Number of shares held	Total	Percentage of issued share capital recorded in the register
Mr. Kwok Ho	Personal interests Corporate interests (Note)	2,028,000 643,064,644	645,092,644	19.60%

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

#### Long positions in underlying shares of the Company

Name of directors	Grant date	Exercisable period			Exercise price HK\$	Balance of share options as at 30/06/2016
		Starting		Ending		
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. Yang Gang	31/08/2006 26/11/2010	01/04/2011 26/11/2010	to	30/08/2016 25/11/2020	3.837 6.430	105,300 200,000
Mr. Ip Chi Ming	26/11/2010	26/11/2010	to	25/11/2020	6.430	2,000,000
Mr. Fung Chi Kin	26/11/2010	26/11/2010	to	25/11/2020	6.430	750,000
Mr. Tam Ching Ho	26/11/2010	26/11/2010	to	25/11/2020	6.430	750,000

Save as disclosed above, as at 30 June 2016, none of the directors and chief executives of the Company nor their associates had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which has been recorded in the register maintained by the Company under Section 352 of the SFO or which has been notified to the Company and the Stock Exchange pursuant to the Model Code.

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



## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2016, the following parties (not being directors or chief executives of the Company) were directly or indirectly interested in 5% or more of the issued share capital and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of substantial shareholders	Capacity	Long/ short position	Number of shares and underlying shares held	Total number of shares and underlying shares held	Percentage of issued share capital recorded in the register
Kailey Investment Ltd. (Note)	Beneficial owner	Long	643,064,644	643,064,644	19.25%
BlackRock, Inc.	Interest of corporation controlled by the substantial shareholder	Long	182,332,608	182,332,608	5.54%

Note: 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.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information available to the Company and within the knowledge of the directors, the Company has maintained a sufficient public float as required under the Listing Rules during the financial year under review and up to the date of this report.

## DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

There was no contract of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party, subsisted at the end of the financial year under review or at any time during the financial year under review, and in which the directors and any entities connected with the directors had direct or indirect material interest, nor there was any other contract of significance in relation to the Company's business between the Company or any of the Company's subsidiaries and a controlling shareholder or any of its subsidiaries.

## EQUITY-LINKED AGREEMENTS

Other than the share option scheme adopted by the Company on 17 December 2015 as set out on pages 32 to 35, no equity-linked agreements were entered into by the Company during the financial year under review.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the financial year ended 30 June 2016, none of the directors were interested in any business which competes or was likely to compete, either directly or indirectly, with the Company's business.

## CONNECTED TRANSACTIONS

The Group did not have significant continuing connected transaction or connected transaction during the financial year ended 30 June 2016.

None of the related party transactions set out in note 36 to the consolidated financial statements constitutes discloseable non-exempted connected transaction or non-exempted continuing connected transaction under the Listing Rules.

## SHARE OPTION SCHEME

### The 2002 Share Option Scheme

The share option scheme (the "2002 Share Option Scheme") adopted by the Company on 19 June 2002 (the "Adoption Date") was expired at the tenth anniversary of the Adoption Date on 18 June 2012. No further share options could be granted under the 2002 Share Option Scheme consequent upon its expiration. The 2002 Share Option Scheme will remain in force to the extent necessary to give effect to the exercise of the options previously granted thereunder. Subject to the exercise periods, all share options granted before the expiration of the 2002 Share Option Scheme and yet to be exercised remain valid. The principal terms of the 2002 Share Option Scheme are summarised as below.

### Purpose

The purpose of the 2002 Share Option Scheme is to enable the Board to provide incentive or reward to selected participants for their contribution and continuing efforts to promote the interests of the Company.

### Participants

A Category A Participant refers to any director (whether executive or non-executive, including any independent non-executive director), or employee (whether full time or part time) of, or any individual for the time being seconded to work for, any member of the Group or any controlling shareholder or any company controlled by a controlling shareholder.

A Category B Participant refers to any holder of any securities issued by any member of the Group or any controlling shareholder or any company controlled by a controlling shareholder.



A Category C Participant refers to (i) any business or joint venture partner, contractor or agent of, (ii) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional services to, (iii) any supplier, producer or licensor of any goods or services to, (iv) any customer, licensee or distributor of any goods or services of, or (v) any landlord or tenant of, any member of the Group or any controlling shareholder or any company controlled by a controlling shareholder.

The participants shall include any company controlled by one or more persons belonging to any of the above categories of participants.

### Maximum Entitlement

Without the approval of the shareholders of the Company in general meeting, the Board shall not grant options to a participant which would cause the aggregate number of shares already issued and to be issued upon exercise of options in any 12-month period up to the date of grant exceeding 1% of the shares in issue. In the event of a substantial shareholder of the Company or an independent non-executive director or any of their respective associates, any such grant is limited to 0.1% of the shares in issue and an aggregate value of HK\$5 million basing on the closing price of the shares at the date of grant.

### Basis of determining exercise price

The option price is determined by the directors provided always that it shall be at least the higher of (i) the closing price of the shares on the offer date, (ii) the average closing price of the shares for the five business days immediately preceding the offer date. The option price shall in no event be less than the nominal amount of one share.

### Other terms

The share options granted under the 2002 Share Option Scheme can be exercised during a period commencing on or after the date of the grant and expiring on such date as the Board may determine in granting the share options but in any event not exceeding ten years from the date of grant. There is no general requirement that a share option must be held for any minimum period before it can be exercised. A consideration of HK\$1 is payable upon accepting the offer of the grant. To exercise a share option, the participant has to, inter alia, tender the payment of the subscription price representing an amount equal to the option price multiplied by the relevant number of shares exercised under the option in full.

### Number of shares available for issue

A scheme mandate representing 10% of the then issued share capital of the Company was approved at the time when the 2002 Share Option Scheme was adopted on 19 June 2002 (the "Scheme Mandate"). The Scheme Mandate was refreshed pursuant to a resolution of the shareholders of the Company passed on 14 February 2006. Following the expiry of the 2002 Share Option Scheme on 18 June 2012, the Scheme Mandate as refreshed (and to the extent which had not been utilised by the Company) is no longer available for use.

## Directors' Report

As at 30 June 2016, 91,783,490 share options granted under the 2002 Share Option Scheme remained unexercised and outstanding, which represents approximately 2.79% of the issued share capital of the Company as at the date of this report.

Share options granted were recognised as expenses of the Company in accordance with the accounting policy as set out in note 2.15(ii) to the consolidated financial statements. The determination of the fair value of the share options is also set out in note 33 to the consolidated financial statements.

During the financial year under review, details of the movements of the outstanding share options granted under the 2002 Share Option Scheme are set out below:

Category of participants	Grant date	Exercisable period		Exercise price HK\$	Number of share options		
		Starting	Ending		Balance as at 01/07/2015	Lapsed during the financial year under review	Balance as at 30/06/2016
<b>Directors</b>							
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
Dr. Li Yan	26/11/2010	26/11/2010	to 25/11/2020	6.430	500,000	(500,000) (Note 1)	—
Mr. Yang Gang	31/08/2006 26/11/2010	01/04/2011 26/11/2010	to 30/08/2016 to 25/11/2020	3.837 6.430	105,300 200,000 (Note 2)	— —	105,300 200,000
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
<b>Employees</b>							
in aggregate	01/11/2005	01/11/2007	to 31/10/2015	2.802	75,816	(75,816)	—
	01/11/2005	01/11/2008	to 31/10/2015	2.802	118,216	(118,216)	—
	01/11/2005	01/11/2009	to 31/10/2015	2.802	497,256	(497,256)	—
	31/08/2006	01/04/2007	to 30/08/2016	3.837	315,900	—	315,900
	31/08/2006	01/04/2008	to 30/08/2016	3.837	421,200	—	421,200
	31/08/2006	01/04/2009	to 30/08/2016	3.837	421,200	—	421,200
	31/08/2006	01/04/2010	to 30/08/2016	3.837	647,030	(10,600)	636,430
	31/08/2006	01/04/2011	to 30/08/2016	3.837	20,254,560	(210,600)	20,043,960



Category of participants	Grant date	Exercisable period		Exercise price HK\$	Number of share options		
		Starting	Ending		Balance as at 01/07/2015	Lapsed during the financial year under review	Balance as at 30/06/2016
	24/10/2008	24/10/2008	to 23/10/2018	3.846	2,244,800	—	2,244,800
	24/10/2008	24/10/2009	to 23/10/2018	3.846	125,170	(370)	124,800
	24/10/2008	24/10/2010	to 23/10/2018	3.846	436,800	(104,000)	332,800
	24/10/2008	24/10/2011	to 23/10/2018	3.846	436,800	(104,000)	332,800
	24/10/2008	24/10/2012	to 23/10/2018	3.846	436,800	(104,000)	332,800
	26/11/2010	26/11/2010	to 25/11/2020	6.430	56,425,000 (Note 3)	(125,000)	56,300,000
	26/11/2010	26/11/2011	to 25/11/2020	6.430	425,000	(125,000)	300,000
	26/11/2010	26/11/2012	to 25/11/2020	6.430	425,000	(125,000)	300,000
	26/11/2010	26/11/2013	to 25/11/2020	6.430	425,000	(125,000)	300,000
<b>Other Participants</b>							
in aggregate	31/08/2006	01/04/2010	to 30/08/2016	3.837	123,800	—	123,800
	31/08/2006	01/04/2011	to 30/08/2016	3.837	947,700	—	947,700
	26/11/2010	26/11/2010	to 25/11/2020	6.430	500,000	—	500,000
<b>Total</b>					<b>94,008,348</b>	<b>(2,224,858)</b>	<b>91,783,490</b>

Notes:

- Options held by Dr. Li Yan were lapsed upon his resignation which was to take effect on 8 June 2016.
- Options held by Mr. Yang Gang were re-classified to the category of directors upon his appointment which was to take effect on 8 June 2016.
- Options held by the retired director were re-classified to the category of employees upon his retirement which was to take effect on 17 December 2015.
- Under the 2002 Share Option Scheme, no share options have been granted or exercised or cancelled during the financial year ended 30 June 2016.

## The 2015 Share Option Scheme

Pursuant to an ordinary resolution passed by shareholders of the Company at the annual general meeting of the Company held on 17 December 2015, a new share option scheme (the "2015 Share Option Scheme") was adopted. The principal terms of the 2015 Share Option Scheme are set out as below.

### Purpose

The purpose of the 2015 Share Option Scheme is to enable the Group to grant options to the eligible participants to recognise and reward their contributions and as incentives for retaining them for their contribution or potential contribution to the Group for the long-term growth and development of the Group.

### Participants

- (a) any employee (whether full time or part time, including any executive director but excluding any non-executive director) of the Company, any of its subsidiary, or any entity (the "Invested Entity") in which any member of the Group holds any equity interest;
- (b) any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiary or any Invested Entity;
- (c) any supplier of goods or services to any member of the Group or any Invested Entity;
- (d) any customer of any member of the Group or any Invested Entity;
- (e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;
- (f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
- (g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and
- (h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group,

and, for the purposes of the 2015 Share Option Scheme, the offer for the grant of option(s) may be made to any company wholly owned by one or more persons belonging to any of the above classes of participants.



## The total number of shares available for issue

The total number of shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the 2015 Share Option Scheme and any other share option scheme of the Group) to be granted under the 2015 Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 329,130,249 shares, representing approximately 10% of the issued share capital of the Company as at the date of this report. As at 30 June 2016, no share options were granted under the 2015 Share Option Scheme.

## Maximum entitlement of each participant

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the 2015 Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of issued share capital of the Company for the time being (the "Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the shareholders of the Company in general meeting with such grantee and his close associates (or his associates if such grantee is a connected person of the Company) abstaining from voting.

## Period within which the securities must be taken up under an option

An option may be exercised in accordance with the terms of the 2015 Share Option Scheme at any time during a period to be determined and notified by the directors to each grantee, which period may commence from the date of acceptance of the offer for the grant of options but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof.

## Minimum period for options to be held

Unless otherwise determined by the directors and stated in the offer to a grantee, there is no minimum period required under the 2015 Share Option Scheme for the holding of an option before it can be exercised.

## Period and payment on acceptance of options

An option may be accepted by a participant within 21 days from the date of offer for grant of the option. A nominal consideration of HK\$1.00 is payable on acceptance of the grant of an option.

## Basis of determining subscription price

The subscription price for shares under the 2015 Share Option Scheme shall be a price determined by the directors but shall not be less than the highest of (i) the closing price of shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer for grant; (ii) the average closing price of shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a share.

## Remaining life

The 2015 Share Option Scheme will remain in force for a period of ten (10) years commencing on 17 December 2015.

## Directors' Report

### Details of options granted under the 2015 Share Option Scheme after the reporting period

On 13 July 2016, options to subscribe for an aggregate of 329,130,000 shares of the Company granted to directors and certain eligible participants pursuant to the 2015 Share Option Scheme. Such unexercised and outstanding options represents approximately 10% of the issued share capital of the Company as at the date of this report. Details of the share options granted are set out as below:

Category of participants	Grant date	Exercisable period		Exercise price HK\$	Balance as at grant date and 23/09/2016
		Starting	Ending		
<b>Directors</b>					
Ms. Huang Xie Ying	13/07/2016	13/07/2016	to 12/07/2026	0.187	600,000
		13/07/2017	to 12/07/2026	0.187	600,000
		13/07/2018	to 12/07/2026	0.187	600,000
		13/07/2019	to 12/07/2026	0.187	600,000
		13/07/2020	to 12/07/2026	0.187	600,000
Mr. Kuang Qiao	13/07/2016	13/07/2016	to 12/07/2026	0.187	2,000,000
		13/07/2017	to 12/07/2026	0.187	2,000,000
		13/07/2018	to 12/07/2026	0.187	2,000,000
		13/07/2019	to 12/07/2026	0.187	2,000,000
		13/07/2020	to 12/07/2026	0.187	2,000,000
Mr. Yang Gang	13/07/2016	13/07/2016	to 12/07/2026	0.187	800,000
		13/07/2017	to 12/07/2026	0.187	800,000
		13/07/2018	to 12/07/2026	0.187	800,000
		13/07/2019	to 12/07/2026	0.187	800,000
		13/07/2020	to 12/07/2026	0.187	800,000
Mr. Zhang Chang Man	13/07/2016	13/07/2016	to 12/07/2026	0.187	1,200,000
		13/07/2017	to 12/07/2026	0.187	1,200,000
		13/07/2018	to 12/07/2026	0.187	1,200,000
		13/07/2019	to 12/07/2026	0.187	1,200,000
		13/07/2020	to 12/07/2026	0.187	1,200,000
Mr. Ip Chi Ming	13/07/2016	13/07/2016	to 12/07/2026	0.187	1,200,000
		13/07/2017	to 12/07/2026	0.187	1,200,000
		13/07/2018	to 12/07/2026	0.187	1,200,000
		13/07/2019	to 12/07/2026	0.187	1,200,000
		13/07/2020	to 12/07/2026	0.187	1,200,000
Mr. Fung Chi Kin	13/07/2016	13/07/2016	to 12/07/2026	0.187	600,000
		13/07/2017	to 12/07/2026	0.187	600,000
		13/07/2018	to 12/07/2026	0.187	600,000
		13/07/2019	to 12/07/2026	0.187	600,000
		13/07/2020	to 12/07/2026	0.187	600,000



Category of participants	Grant date	Exercisable period		Exercise price HK\$	Balance as at grant date and 23/09/2016
		Starting	Ending		
Mr. Tam Ching Ho	13/07/2016	13/07/2016	to 12/07/2026	0.187	600,000
		13/07/2017	to 12/07/2026	0.187	600,000
		13/07/2018	to 12/07/2026	0.187	600,000
		13/07/2019	to 12/07/2026	0.187	600,000
		13/07/2020	to 12/07/2026	0.187	600,000
Professor Lin Shun Quan	13/07/2016	13/07/2016	to 12/07/2026	0.187	100,000
		13/07/2017	to 12/07/2026	0.187	100,000
		13/07/2018	to 12/07/2026	0.187	100,000
		13/07/2019	to 12/07/2026	0.187	100,000
		13/07/2020	to 12/07/2026	0.187	100,000
Mr. Chan Yik Pun	13/07/2016	13/07/2016	to 12/07/2026	0.187	400,000
		13/07/2017	to 12/07/2026	0.187	400,000
		13/07/2018	to 12/07/2026	0.187	400,000
		13/07/2019	to 12/07/2026	0.187	400,000
		13/07/2020	to 12/07/2026	0.187	400,000
<b>Employees</b>					
in aggregate	13/07/2016	13/07/2016	to 12/07/2026	0.187	49,926,000
		13/07/2017	to 12/07/2026	0.187	49,926,000
		13/07/2018	to 12/07/2026	0.187	49,926,000
		13/07/2019	to 12/07/2026	0.187	49,926,000
		13/07/2020	to 12/07/2026	0.187	49,926,000
<b>Other Participants</b>					
in aggregate	13/07/2016	13/07/2016	to 12/07/2026	0.187	8,400,000
		13/07/2017	to 12/07/2026	0.187	8,400,000
		13/07/2018	to 12/07/2026	0.187	8,400,000
		13/07/2019	to 12/07/2026	0.187	8,400,000
		13/07/2020	to 12/07/2026	0.187	8,400,000
<b>Total</b>					<b>329,130,000</b>

Note:

- The closing price of the shares of the Company immediately before the date on which the options were granted was HK\$0.182.

## RETIREMENT BENEFITS

Particulars of the Group's retirement benefits are set out in notes 2.15(i) and 9(b) to the consolidated financial statements.

# Directors' Report

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the financial year under review.

## MAJOR SUPPLIERS AND CUSTOMERS

During the financial year under review, the percentage of the total purchases and sales attributable to the Group's major suppliers and customers were as follows:

	<b>Percentage of total purchases</b>
The largest supplier	16%
Five largest suppliers in aggregate	46%

	<b>Percentage of total sales</b>
The largest customer	10%
Five largest customers in aggregate	39%

None of the directors of the Company or their respective associates or any shareholder (who to the knowledge of the directors own more than 5% of the Company's share capital) had an interest in the major suppliers or customers of the Group.

## CORPORATE GOVERNANCE

A report on the Company's corporate governance practices is set out on pages 9 to 18 of this annual report.

## AUDITORS

Crowe Horwath (HK) CPA Limited ("Crowe Horwath") was appointed as the auditors of the Company on 1 February 2013. Following the resignation of Crowe Horwath on 30 July 2014, Elite Partners CPA Limited ("Elite Partners") was appointed as the auditors of the Company on 18 August 2014.

The financial statements for the financial year ended 30 June 2016 have been audited by Elite Partners who will retire and being eligible, offer themselves for re-appointment at the 2016 AGM.

On behalf of the Board

**Kwok Ho**  
*Chairman*

Hong Kong, 23 September 2016



# Independent Auditors' Report



開元信德會計師事務所有限公司  
ELITE PARTNERS CPA LIMITED  
Certified Public Accountants

## TO THE MEMBERS OF CHAODA MODERN AGRICULTURE (HOLDINGS) LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Chaoda Modern Agriculture (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 39 to 105, which comprise the consolidated statement of financial position as at 30 June 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Independent Auditors' Report (*continued*)

### OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 30 June 2016, and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

**Elite Partners CPA Limited**

*Certified Public Accountants*

Hong Kong, 23 September 2016

**Yip Kai Yin**

Practising Certificate Number: P05131

10th Floor, 8 Observatory Road

Tsimshatsui, Kowloon

Hong Kong



# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2016

	Notes	2016 RMB'000	2015 RMB'000
Revenue	5	1,119,599	1,316,855
Cost of sales		(1,632,702)	(1,700,640)
<b>Gross loss</b>		<b>(513,103)</b>	(383,785)
Other revenues	6	63,549	68,704
Loss arising from changes in fair value less costs to sell of biological assets	20	(280,835)	(503,887)
Selling and distribution expenses		(259,042)	(234,474)
General and administrative expenses		(116,075)	(119,697)
Research expenses		(5,214)	(6,461)
Other operating expenses	8	(2,956,908)	(5,517,294)
<b>Loss from operations</b>		<b>(4,067,628)</b>	(6,696,894)
Finance costs	9(a)	(89)	(507)
Share of results of associates		836	(3,327)
Gain/(loss) on disposal of available-for-sale investments		330	(12,489)
Impairment loss on available-for-sale investments	21	–	(51,420)
<b>Loss before income tax</b>	9	<b>(4,066,551)</b>	(6,764,637)
Income tax expense	10	(416)	(774)
<b>Loss for the year</b>		<b>(4,066,967)</b>	(6,765,411)
<b>Other comprehensive income/(expense), including reclassification adjustments and net of income tax</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange gain/(loss) on translation of financial statements of foreign operations		8,139	(4,908)
Change in fair value of available-for-sale investments	21	–	(50,236)
Release upon disposal of available-for-sale investments	21	(1,184)	–
Release upon impairment of available-for-sale investments	21	–	51,420
<b>Other comprehensive income/(expense) for the year, including reclassification adjustments and net of income tax</b>		<b>6,955</b>	(3,724)
<b>Total comprehensive expense for the year</b>		<b>(4,060,012)</b>	(6,769,135)

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

For the year ended 30 June 2016

	Notes	2016 RMB'000	2015 RMB'000
<b>Loss for the year attributable to:</b>			
Owners of the Company	11	<b>(4,068,486)</b>	(6,627,411)
Non-controlling interests		<b>1,519</b>	(138,000)
		<b>(4,066,967)</b>	(6,765,411)
<b>Total comprehensive expense for the year attributable to:</b>			
Owners of the Company		<b>(4,060,005)</b>	(6,629,868)
Non-controlling interests		<b>(7)</b>	(139,267)
		<b>(4,060,012)</b>	(6,769,135)
<b>Loss per share for loss attributable to the owners of the Company during the year</b>			
– Basic	13(a)	<b>RMB(1.24)</b>	RMB(2.01)
– Diluted	13(b)	<b>RMB(1.24)</b>	RMB(2.01)



# Consolidated Statement of Financial Position

As at 30 June 2016

	Notes	2016 RMB'000	2015 RMB'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	16	2,108,972	3,082,171
Investment properties	17	82,569	56,686
Construction-in-progress	18	1,952	7,553
Prepaid premium for land leases	19	1,038,582	3,546,243
Biological assets	20	203,163	682,521
Available-for-sale investments	21	–	2,408
Deferred development costs	22	–	–
Deferred expenditure	23	270,403	373,173
Intangible assets	24	–	–
Interests in associates	25	7,362	7,536
		<b>3,713,003</b>	<b>7,758,291</b>
<b>Current assets</b>			
Prepaid premium for land leases	19	56,921	107,135
Biological assets	20	284,326	283,624
Inventories	26	10,955	21,984
Trade receivables	27	32,895	35,965
Other receivables, deposits and prepayments		474,435	446,837
Cash and cash equivalents	28	204,443	239,342
		<b>1,063,975</b>	<b>1,134,887</b>
<b>Current liabilities</b>			
Trade payables	29	39,126	20,507
Other payables and accruals		287,891	358,528
Bank loans	30	–	4,170
		<b>327,017</b>	<b>383,205</b>
<b>Net current assets</b>		<b>736,958</b>	<b>751,682</b>
<b>Total assets less current liabilities</b>		<b>4,449,961</b>	<b>8,509,973</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	31	20,655	20,655
<b>Net assets</b>		<b>4,429,306</b>	<b>8,489,318</b>

## Consolidated Statement of Financial Position (*continued*)

As at 30 June 2016

	Notes	2016 RMB'000	2015 RMB'000
<b>EQUITY</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital	32	<b>332,787</b>	332,787
Reserves	34	<b>4,094,797</b>	8,154,802
		<b>4,427,584</b>	8,487,589
Non-controlling interests		<b>1,722</b>	1,729
<b>Total equity</b>		<b>4,429,306</b>	8,489,318

The consolidated financial statements on pages 39 to 105 were approved and authorised for issue by the Board of Directors on 23 September 2016 and are signed on its behalf by:

**Kwok Ho**  
Director

**Ip Chi Ming**  
Director

# Consolidated Statement of Cash Flows

For the year ended 30 June 2016

	2016 RMB'000	2015 RMB'000
<b>Cash flows from operating activities</b>		
Loss before income tax	<b>(4,066,551)</b>	(6,764,637)
Adjustments for:		
Finance costs	<b>89</b>	507
Share of results of associates	<b>(836)</b>	3,327
Interest income	<b>(646)</b>	(2,947)
Depreciation of property, plant and equipment	<b>369,371</b>	568,703
Depreciation of investment properties	<b>3,963</b>	2,392
Amortisation of prepaid premium for land leases	<b>99,834</b>	87,223
Loss on disposals of property, plant and equipment	<b>494,493</b>	797,510
(Gain)/Loss on disposals of available-for-sale investments	<b>(330)</b>	12,489
Loss on early termination of prepaid premium for land leases	<b>1,247,709</b>	541,463
Deferred expenditure written off	<b>105,795</b>	241,024
Biological assets written off	<b>246,174</b>	1,628,792
Agricultural produce written off	–	78,851
Other receivables written off	<b>74,310</b>	–
Impairment loss on property, plant and equipment	<b>52,464</b>	1,305,386
Impairment loss on intangible assets	–	462,576
Impairment loss on available-for-sale investments	–	51,420
Impairment loss on prepaid premium for land leases	<b>343,164</b>	–
Amortisation of deferred development costs	–	460
Amortisation of deferred expenditure	<b>117,448</b>	98,436
Loss arising from changes in fair value less costs to sell of biological assets	<b>280,835</b>	503,887
Operating loss before working capital changes	<b>(632,714)</b>	(383,138)
Decrease in trade receivables, other receivables, deposits and prepayments	<b>318,030</b>	686,339
Decrease/(Increase) in biological assets	<b>75,340</b>	(205,795)
Decrease in inventories	<b>11,029</b>	17,758
Increase in trade payables, other payables and accruals	<b>23,479</b>	107,196
Cash (used in)/generated from operations	<b>(204,836)</b>	222,360
Interest received	<b>646</b>	2,947
Finance costs paid	<b>(89)</b>	(507)
Income tax paid	<b>(2,652)</b>	–
Net cash (used in)/generated from operating activities	<b>(206,931)</b>	224,800



## Consolidated Statement of Cash Flows (continued)

For the year ended 30 June 2016

	2016 RMB'000	2015 RMB'000
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	<b>(34,729)</b>	(15,499)
Proceeds from disposals of property, plant and equipment	<b>14,818</b>	35,584
Payments of construction-in-progress	<b>(61,552)</b>	(148,166)
Dividend received from an associate	–	800
Refunds of prepaid premium of land leases	<b>373,645</b>	44,493
Proceeds from disposal of available-for-sale investments	<b>1,687</b>	38,741
Payments of deferred expenditure	<b>(124,761)</b>	(348,684)
Net cash generated from/(used in) investing activities	<b>169,108</b>	(392,731)
<b>Cash flows from financing activities</b>		
New bank loans	–	4,170
Repayments of bank loans	<b>(4,170)</b>	(29,404)
Net cash used in financing activities	<b>(4,170)</b>	(25,234)
<b>Net decrease in cash and cash equivalents</b>	<b>(41,993)</b>	(193,165)
<b>Cash and cash equivalents at beginning of the year</b>	<b>239,342</b>	432,321
<b>Effect of foreign exchange rate changes, net</b>	<b>7,094</b>	186
<b>Cash and cash equivalents at end of the year (Note 28)</b>	<b>204,443</b>	239,342

# Consolidated Statement of Changes in Equity

For the year ended 30 June 2016

	Attributable to the owners of the Company											Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Employee share-based compensation reserve RMB'000	Capital redemption reserve RMB'000	Exchange reserve RMB'000	Investment revaluation reserve RMB'000	Statutory reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non- controlling interests RMB'000	
At 1 July 2014	332,787	5,968,860	94,894	217,818	5,247	(232,411)	-	688,059	8,042,203	15,117,457	140,996	15,258,453
Loss for the year	-	-	-	-	-	-	-	-	(6,627,411)	(6,627,411)	(138,000)	(6,765,411)
Other comprehensive (expense)/income												
- Currency translation differences	-	-	-	-	-	(3,641)	-	-	-	(3,641)	(1,267)	(4,908)
- Change in fair value of available-for-sale investments	-	-	-	-	-	-	(50,236)	-	-	(50,236)	-	(50,236)
- Release upon impairment of available-for-sale investments	-	-	-	-	-	-	51,420	-	-	51,420	-	51,420
Total comprehensive (expense)/income for the year	-	-	-	-	-	(3,641)	1,184	-	(6,627,411)	(6,629,868)	(139,267)	(6,769,135)
Lapse of share options	-	-	-	(10,001)	-	-	-	-	10,001	-	-	-
At 30 June 2015	332,787	5,968,860	94,894	207,817	5,247	(236,052)	1,184	688,059	1,424,793	8,487,589	1,729	8,489,318

## Consolidated Statement of Changes in Equity (continued)

For the year ended 30 June 2016

	Attributable to the owners of the Company											Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Employee share-based compensation reserve RMB'000	Capital redemption reserve RMB'000	Exchange reserve RMB'000	Investment revaluation reserve RMB'000	Statutory reserve RMB'000	(Accumulated loss)/ Retained profits RMB'000	Total RMB'000	Non- controlling interests RMB'000	
At 1 July 2015	332,787	5,968,860	94,894	207,817	5,247	(236,052)	1,184	688,059	1,424,793	8,487,589	1,729	8,489,318
Loss for the year	-	-	-	-	-	-	-	-	(4,068,486)	(4,068,486)	1,519	(4,066,967)
Other comprehensive (expense)/income												
– Currency translation differences	-	-	-	-	-	9,665	-	-	-	9,665	(1,526)	8,139
– Release upon disposal of available-for-sale investments	-	-	-	-	-	-	(1,184)	-	-	(1,184)	-	(1,184)
Total comprehensive (expense)/income for the year	-	-	-	-	-	9,665	(1,184)	-	(4,068,486)	(4,060,005)	(7)	(4,060,012)
Lapse of share options	-	-	-	(4,037)	-	-	-	-	4,037	-	-	-
At 30 June 2016	332,787	5,968,860	94,894	203,780	5,247	(226,387)	-	688,059	(2,639,656)	4,427,584	1,722	4,429,306



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

## 1. GENERAL INFORMATION

Chaoda Modern Agriculture (Holdings) Limited (the “Company”) is incorporated in the Cayman Islands as an exempted company with limited liability and its shares have been listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 15 December 2000. The address of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The principal activity of the Company is investment holding. The principal activities and other particulars of the principal subsidiaries are set out in Note 37. The Company and its subsidiaries are referred to as the “Group” hereafter. There were no significant changes in the Group’s operations during the year.

The consolidated financial statements are presented in thousands of units of Renminbi (RMB’000), unless otherwise stated.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collectively includes all applicable individual Hong Kong Financial Reporting Standard (“HKFRS”), Hong Kong Accounting Standard (“HKAS”) and Interpretation issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and by the Hong Kong Companies Ordinance (“CO”).

The provisions of the new CO (Cap 622) regarding the preparation of accounts and directors’ reports and audits became effective for the Company for the financial year ended 30 June 2016. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 30 June 2016 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 30 June 2015 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in the consolidated financial statements.

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new and revised HKFRSs and the impacts on the Group’s consolidated financial statements, if any, are disclosed in Note 3.

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

For the year ended 30 June 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

### 2.1 Basis of preparation (*continued*)

The consolidated financial statements have been prepared under historical cost convention except for certain assets such as biological assets and financial instruments classified as available-for-sale investments which are measured at fair values, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

### 2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30 June each year.

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

For the year ended 30 June 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

### 2.3 Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income or expense for the year between non-controlling interests and the owners of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2.19) or, when appropriate, the cost on initial recognition of an investment in an associate (see Note 2.4).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2.9).



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

For the year ended 30 June 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

### 2.4 Associates

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2.9). Any acquisition-date excess over cost, the Group's share of the post-acquisition post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the Group's other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2.19).

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

For the year ended 30 June 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

### 2.5 Property, plant and equipment

Property, plant and equipment including buildings and leasehold land (classified as finance leases) held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets (other than properties under construction) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Depreciation is calculated using straight-line method to allocate their costs less their residual values over their estimated useful lives, as follows:

Leasehold improvements	2 to 10 years or over the lease term whichever is the shorter
Buildings	33 to 50 years or over the lease term whichever is the shorter
Furniture, fixtures and equipment	5 to 20 years
Motor vehicles	5 years
Farmland infrastructure	5 to 20 years
Computer equipment	5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

For the year ended 30 June 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

### 2.6 Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see Note 2.7) to earn rental income and/or for capital appreciation.

Investment properties are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Any gain or loss arising from the retirement or disposal of an investment property is recognised in profit or loss.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is not classified and accounted for as an investment property.

### 2.7 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

#### **(i) Prepaid premium for land leases**

Prepaid premium for land leases include long-term prepaid rentals under operating leases and land use rights. These are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on straight-line method over the period of the respective leases.

Cost of land use rights represents up-front payments to acquire the rights to use the land on which various warehouses, office premises and processing factories of the Group are situated.

#### **(ii) Operating leases charges as the lessee**

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss using straight-line method over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the financial year in which they are incurred.



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

For the year ended 30 June 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

### 2.8 Intangible assets and research and development activities

#### (i) *Intangible assets acquired separately*

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

#### (ii) *Research and development activities*

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

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

For the year ended 30 June 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

### 2.9 Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### 2.10 Biological assets

Biological assets are living animals and/or plants managed by the Group which is involved in the agricultural activities of the transformation of biological assets for sale, into agricultural produce, or into additional biological assets. Biological assets are measured at fair value less costs to sell at initial recognition and at each reporting date. The fair value of biological assets is determined based on either the present value of expected net cash flows from the biological assets discounted at a current market-determined pre-tax rate or the market-determined prices with reference to the cultivation areas, species, growing conditions, growing progress and expected yield of the crops.

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

For the year ended 30 June 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

### 2.10 Biological assets (*continued*)

The agricultural produce is initially measured at fair value less costs to sell. The fair value of agricultural produce is measured at the market prices in the local market. The fair value less costs to sell is deemed as the cost of agricultural produce for further processing.

The gain or loss arising on initial recognition of biological asset at fair value less costs to sell and from a change in fair value less costs to sell is recognised in profit or loss for the financial year in which it arises.

### 2.11 Deferred expenditure

Deferred expenditure is stated at cost less accumulated amortisation and any impairment losses. Amortisation is charged to profit or loss on straight-line method over the period of three to ten years.

### 2.12 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made for the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.



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

For the year ended 30 June 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

### 2.13 Revenue recognition

Revenue comprises the fair value of the consideration received and receivable for the sale of goods and rendering of services, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

- (i) Sales of crops, livestock and milk are recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has been passed; and
- (ii) Interest income is recognised on a time-proportion basis using the effective interest method.

### 2.14 Foreign currencies

Items included in the financial statements of each of the Group's entity are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is Hong Kong dollars ("HK\$"). The consolidated financial statements are presented in Renminbi ("RMB") since most of the companies comprising the Group are operating in RMB environment and the functional currency of most of the companies comprising the Group is RMB. In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

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

For the year ended 30 June 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

### 2.14 Foreign currencies (*continued*)

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interests in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in the exchange reserve.

### 2.15 Employee benefits

#### (i) **Retirement benefit obligations**

The Group contributes to a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Scheme Ordinance for all employees in Hong Kong. Contributions are made based on a percentage of the employees' relevant income and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed in the MPF Scheme.

The employees of the Company's subsidiaries which operate in the People's Republic of China ("PRC") are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

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

For the year ended 30 June 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

### 2.15 Employee benefits (*continued*)

#### **(ii) Share-based employee compensation**

The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the equity instruments awarded. The value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All share-based compensation is recognised as an expense in profit or loss with a corresponding credit to employee share-based compensation reserve, net of deferred tax where applicable. If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally vested.

At the time when the share options are exercised, the amount previously recognised in employee share-based compensation reserve will be transferred to share premium. When the vested share options are lapsed, forfeited or still not exercised at the expiry date, the amount previously recognised in employee share-based compensation reserve will be transferred to retained profits.

### 2.16 Inventories

The Group's inventories, comprising agricultural materials and merchandise purchased for resale, are carried at the lower of cost and net realisable value.

Costs of agricultural materials and merchandise purchased for resale are stated at their purchase costs calculated on a first-in, first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.



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

For the year ended 30 June 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

### 2.17 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash at banks and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

### 2.18 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

### 2.19 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

#### ***Financial assets***

Other than investments in subsidiaries and associates, the Group's financial assets are classified into (i) loans and receivables and (ii) available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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

For the year ended 30 June 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

### 2.19 Financial instruments (*continued*)

#### **Financial assets** (*continued*)

##### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

#### (i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, other receivables and deposits and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

#### (ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. Where the financial asset is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of the reporting period (see the accounting policy in respect of impairment loss on financial assets below).

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

For the year ended 30 June 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

### 2.19 Financial instruments (*continued*)

#### ***Impairment of financial assets***

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).



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

For the year ended 30 June 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

### 2.19 Financial instruments (*continued*)

#### ***Impairment of financial assets*** (*continued*)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are reversed against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

#### ***Financial liabilities and equity instruments***

Debt and equity instruments issued by a group entity are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

#### *Other financial liabilities*

Other financial liabilities including trade payables, other payables and accruals and bank loans are subsequently measured at amortised cost, using the effective interest method.

#### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

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

For the year ended 30 June 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

### 2.20 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

### 2.21 Accounting for income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

For the year ended 30 June 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

### 2.21 Accounting for income taxes (*continued*)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

### 2.22 Segment reporting

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.

### 2.23 Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of the Company's parent.

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

For the year ended 30 June 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.23 Related parties *(continued)*

- (b) An entity is related to the Group if any of the following conditions applies:
- (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
  - (iii) both entities are joint ventures of the same third entity;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of the employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.



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

For the year ended 30 June 2016

## 3. APPLICATION OF NEW AND REVISED HKFRSS

In the current year, 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 consolidated financial statements for the annual period beginning on 1 July 2015. The application of the new HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

At the date of authorisation of the consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

The directors of the Company (the “Directors”) anticipate that all of the pronouncements will be adopted in the Group’s accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group’s accounting policies is provided below. Certain other new and amended HKFRSs have been issued but are not expected to have a material impact of the Group’s consolidated financial statements.

### HKFRS 16 – Leases

HKFRS 16 is effective for accounting period beginning on or after 1 January 2019. Upon the effective date, HKFRS 16 will supersede HKAS 17 Leases. HKFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayment of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases differently.

The Directors expect that the implementation of HKFRS 16 in the future will affect the recognition and measurement respect of the Group’s prepaid premium for land leases and operating lease expenses in respect of land and buildings. However, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

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

For the year ended 30 June 2016

## 3. APPLICATION OF NEW AND REVISED HKFRSS (*continued*)

### HKAS 16 and HKAS 41 (Amendments) – Bearer plants

The amendments are effective for the accounting periods beginning on or after 1 January 2016. The amendments introduce the definition of bearer plants and extend the scope of HKAS 16 to include bearer plants, and explicitly exclude bearer plants from the scope of HKAS 41. The produce on bearer plants remains within the scope of HKAS 41. Prior to the amendments, the accounting for bearer plants was within the scope of HKAS 41, which requires all biological assets to be measured at fair value less costs to sell (except for rare cases in which the presumption that fair value can be measured reliably is rebutted). The measurement principle of fair value for biological assets is based on the premise that the transformation of biological assets is best reflected by fair value measurement. The amendments enable entities to account for bearer plants in accordance with HKAS 16, using either the cost model or the revaluation model. Before bearer plants are able to bear agricultural produce (i.e. before maturity), they are accounted for as self-constructed items of property, plant and equipment. The agricultural produce of the bearer plant remains within the scope of HKAS 41 and is therefore accounted for at fair value.

The Directors are currently assessing the possible impact of the amendments on the Group's results and financial position in the first year of application.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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

For the year ended 30 June 2016

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (*continued*)

### (i) Depreciation and amortisation

The Group depreciates its property, plant and equipment and investment properties, and amortises its prepaid premium for land leases and deferred expenditure in accordance with the accounting policies stated in Note 2.5, Note 2.6, Note 2.7(i) and Note 2.11 respectively. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual values and the useful lives and if the expectation differs from the original estimates, such a difference may impact the depreciation and amortisation in the year and the estimate will be changed in the future period.

### (ii) Estimated impairment loss on property, plant and equipment

The impairment loss for property, plant and equipment are recognised for the amounts by which the carrying amounts exceed their recoverable amounts, in accordance with the Group's accounting policy. The recoverable amounts of property, plant and equipment have been determined based on the higher of value-in-use calculations and fair value less costs to sell. These calculations require the use of estimates such as the future revenue and discount rates. As at 30 June 2016, the carrying amount of the property, plant and equipment was approximately RMB2,108,972,000 (2015: RMB3,082,171,000). During the year ended 30 June 2016, approximately RMB52,464,000 impairment loss (2015: RMB1,305,386,000) was recognised on property, plant and equipment.

### (iii) Impairment of other non-financial assets

The Group assesses whether there are any indicators of impairment for all other non-financial assets, including investment properties, prepaid premium for land leases and deferred expenditure, at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value-in-use calculations are undertaken, management estimates the expected future cash flows from the assets or cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. As at 30 June 2016, the carrying amount of investment properties, prepaid premium for land leases and deferred expenditure was approximately RMB82,569,000, RMB1,095,503,000 and RMB270,403,000 (2015: RMB56,686,000, RMB3,653,378,000 and RMB373,173,000) respectively. During the years ended 30 June 2016 and 2015, no impairment loss was recognised on other non-financial assets.

### (iv) Initial recognition and impairment of intangible asset

Determining the initial fair value of intangible assets and using the value-in-use approach to determine whether intangible assets are impaired require the Group to estimate the future cash flows expected to arise from the intangible assets and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. No carrying amount of intangible assets as at 30 June 2016 and 2015. As such, no impairment loss was recognised on intangible assets for the year ended 30 June 2016 (2015: RMB462,576,000).

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

For the year ended 30 June 2016

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (*continued*)

### (v) Impairment of trade receivables, other receivables, deposits and prepayments

The Group estimates impairment loss on trade receivables, resulting from the inability of customers or debtors to make the required payments and when there is objective evidence that the Group will not be able to collect full amounts due. These estimates were based on the payment history, customers' or debtors' creditworthiness, historical write off experience and default or delinquency in payments. If the financial condition of the customers or debtors were to deteriorate, actual write off would be higher than estimated. As at 30 June 2016, the carrying amount of the trade receivables were approximately RMB32,895,000 (2015: RMB35,965,000), net of allowance for doubtful debts of approximately RMB5,306,000 (2015: RMB2,692,000). During the years ended 30 June 2016 and 2015, no impairment loss in respect of trade receivables was recognised in profit or loss. As at 30 June 2016, the carrying amount of other receivables, was approximately RMB474,435,000 (2015: RMB446,837,000). During the year ended 30 June 2016, approximately RMB74,310,000 (2015: Nil) impairment loss in respect of other receivable was recognised in profit or loss.

### (vi) Fair value of biological assets

The Group's biological assets are stated at fair value less costs to sell on initial recognition and at the end of each reporting period. The management of the Company determines the fair value less costs to sell with reference to the market-determined prices, cultivation areas, species, growing conditions, growing progress, expected yield of the crops and discount rates and/or the professional valuation. Any change in the estimates may affect the fair value of the biological assets significantly. The management reviews the assumptions and estimates periodically to identify any significant change in the fair value of the biological assets. The carrying amounts of the Group's biological assets as at 30 June 2016 were approximately RMB487,489,000 (2015: RMB966,145,000).

### (vii) Provision for income tax

The Company's operating subsidiaries in the PRC are subject to income taxes in the PRC. Determining income tax provisions involves the exercise of significant judgement on interpretation of the relevant tax rules and regulations. There may have transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made. The amount of income tax and therefore, profit or loss could be affected by any interpretations and clarifications which the tax authority may issue from time to time.



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

For the year ended 30 June 2016

### 5. REVENUE

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

Revenue represents the sales value of goods supplied to customers. The amount of each significant category of revenue recognised during the year is as follows:

	<b>2016</b> <b>RMB'000</b>	2015 RMB'000
Sales of crops	<b>1,115,053</b>	1,309,772
Sales of livestock	<b>4,546</b>	7,083
	<b>1,119,599</b>	1,316,855

### 6. OTHER REVENUES

	<b>2016</b> <b>RMB'000</b>	2015 RMB'000
Interest income	<b>646</b>	2,947
Sales of milk	<b>38,695</b>	45,771
Sundry income	<b>24,208</b>	19,986
	<b>63,549</b>	68,704

### 7. 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 PRC market. However, the Group's executive directors considered that over 90% of the Group's revenue, operating results and assets for both years ended 30 June 2016 and 2015 were mainly derived from its growing and sales of crops. Consequently, no operating segment analysis is presented.

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

For the year ended 30 June 2016

### 7. SEGMENT INFORMATION (*continued*)

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.

### 8. OTHER OPERATING EXPENSES

	2016 RMB'000	2015 RMB'000
Expenses incurred for fallow farmlands	299,582	349,463
Impairment loss on prepaid premium for land leases ( <i>Note 19</i> )	343,164	–
Impairment loss on property, plant and equipment ( <i>Note 16</i> )	52,464	1,305,386
Impairment loss on intangible assets ( <i>Note 24</i> )	–	462,576
Natural crop losses	86,799	78,589
Agricultural produce written off	–	78,851
Loss on disposals of property, plant and equipment	494,493	797,510
Biological assets written off ( <i>Note 20</i> )	246,174	1,628,792
Loss on early termination of prepaid premium for land leases	1,247,709	541,463
Deferred expenditure written off	105,795	241,024
Others receivables written off	74,310	–
Others	6,418	33,640
	<b>2,956,908</b>	<b>5,517,294</b>

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

For the year ended 30 June 2016

### 9. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

#### (a) Finance costs

	2016 RMB'000	2015 RMB'000
Bank and finance charges	31	153
Interest on bank loans wholly repayable within five years	58	354
	<b>89</b>	507

#### (b) Staff costs (including directors' remuneration – Note 14)

	2016 RMB'000	2015 RMB'000
Salaries, wages and other benefits	593,180	643,436
Retirement benefit costs	4,522	4,983
	<b>597,702</b>	648,419

#### (c) Other items

	2016 RMB'000	2015 RMB'000
Auditors' remuneration	1,741	1,976
Amortisation of deferred development costs	–	460
Amortisation of prepaid premium for land leases, net of amount capitalised	99,834	87,223
Amortisation of deferred expenditure, net of amount capitalised	117,448	98,436
Cost of inventories sold	1,632,702	1,700,640
Depreciation of property, plant and equipment, net of amount capitalised	369,371	568,703
Depreciation of investment properties	3,963	2,392
Operating lease expense in respect of land and buildings	188,102	262,682

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

For the year ended 30 June 2016

### 10. INCOME TAX EXPENSE

The amount of income tax expense charged to the consolidated statement of profit or loss and other comprehensive income represents:

	2016 RMB'000	2015 RMB'000
Current tax		
– PRC income tax ( <i>Note (a)</i> )	–	–
– Hong Kong profits tax ( <i>Note (b)</i> )	416	774
	<b>416</b>	774

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% (2015: 25%).

- (b) Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the years ended 30 June 2016 and 2015.

Reconciliation between the Group's income tax expense and accounting loss at applicable tax rates are as follows:

	2016 RMB'000	2015 RMB'000
Loss before income tax	<b>(4,066,551)</b>	(6,764,637)
Notional tax at the rate applicable to losses in the tax jurisdictions concerned	<b>(1,015,293)</b>	(1,684,168)
Net tax effect of expense and income that are not deductible and taxable in determining taxable profit and tax allowance	<b>(535,728)</b>	970,668
Tax effect of unrecognised tax losses	<b>1,552,044</b>	715,114
Tax effect of previous years' unrecognised tax losses utilised this year	<b>(607)</b>	(840)
Income tax expense	<b>416</b>	774

### 11. LOSS ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

Of the consolidated loss attributable to the owners of the Company of RMB4,068,486,000 (2015: RMB6,627,411,000), a loss of RMB1,422,475,000 (2015: RMB23,552,000) has been dealt with in the financial statements of the Company.



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

For the year ended 30 June 2016

## 12. DIVIDENDS

The Directors do not recommend any payment of dividend for the year ended 30 June 2016 (2015: Nil).

## 13. 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 RMB4,068,486,000 (2015: RMB6,627,411,000) and the weighted average number of 3,291,302,000 (2015: 3,291,302,000) ordinary shares in issue during the year.

### (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 RMB4,068,486,000 (2015: RMB6,627,411,000) and the weighted average number of 3,291,302,000 (2015: 3,291,302,000) ordinary shares. The computation of diluted loss per share for both years does not assume the conversion of the Company's share options outstanding since their exercise would result in a decrease in loss per share.

## 14. DIRECTORS' REMUNERATION

Emoluments paid and payable to the Company's Directors for the year ended 30 June 2016 were as follows:

Name of Directors	Fees RMB'000	Basic salaries, bonus and allowance RMB'000	Retirement benefit scheme contributions RMB'000	Total emoluments RMB'000
<b>Executive Directors</b>				
Kwok Ho	–	1,886	15	1,901
Chen Jun Hua ( <i>Note (a)</i> )	–	274	7	281
Huang Xie Ying	–	431	–	431
Kuang Qiao	–	237	–	237
Li Yan ( <i>Note (b)</i> )	–	142	–	142
Yang Gang ( <i>Note (c)</i> )	–	4	–	4
Zhang Chang Man ( <i>Note (c)</i> )	–	6	–	6
<b>Non-executive Director</b>				
Ip Chi Ming	–	895	–	895
<b>Independent Non-executive Directors</b>				
Fung Chi Kin	378	–	–	378
Tam Ching Ho	378	–	–	378
Chan Yik Pun	149	–	–	149
Lin Shun Quan	66	–	–	66
	971	3,875	22	4,868

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

For the year ended 30 June 2016

### 14. DIRECTORS' REMUNERATION (*continued*)

Emoluments paid and payable to the Company's Directors for the year ended 30 June 2015 were as follows:

Name of Directors	Fees RMB'000	Basic salaries, bonus and allowance RMB'000	Retirement benefit scheme contributions RMB'000	Total emoluments RMB'000
<b>Executive Directors</b>				
Kwok Ho	–	1,798	14	1,812
Chan Chi Po, Andy ( <i>Note (d)</i> )	–	869	7	876
Chen Jun Hua	–	565	14	579
Huang Xie Ying	–	411	–	411
Kuang Qiao	–	226	–	226
Li Yan	–	144	–	144
<b>Non-executive Director</b>				
Ip Chi Ming	–	854	–	854
<b>Independent Non-executive Directors</b>				
Fung Chi Kin	360	–	–	360
Tam Ching Ho	360	–	–	360
Chan Yik Pun ( <i>Note (e)</i> )	70	–	–	70
Lin Shun Quan	66	–	–	66
	856	4,867	35	5,758

None of the Directors waived or has agreed to waive emoluments in respect of the years ended 30 June 2016 and 2015.

During the years ended 30 June 2016 and 2015, no emoluments were paid or payable by the Group to the Directors as an inducement to join the Group or upon joining the Group or as compensation for loss of office.

Notes:

- Following the conclusion of the adjourned 2011 annual general meeting, which was held on 17 December 2015, Mr. Chen Jun Hua retired as the executive director since then.
- Dr. Li Yan resigned as the executive director of the Company on 8 June 2016.
- Mr. Yang Gang and Mr. Zhang Chang Man were appointed as the executive director of the Company on 8 June 2016.
- Following the conclusion of the annual general meeting held on 30 December 2014, Mr. Chan Chi Po, Andy retired as the executive director of the Company since then.
- Mr. Chan Yik Pun was appointed as the independent non-executive director of the Company on 5 January 2015.

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

For the year ended 30 June 2016

### 15. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five individuals whose emoluments were the highest in the Group for the year include two (2015: three) Directors whose emoluments are reflected in the table presented in Note 14 above. The emoluments paid and payable to the remaining three (2015: two) highest paid individuals during the year are as follows:

	<b>2016</b> <b>RMB'000</b>	2015 RMB'000
Salaries and other emoluments	<b>3,292</b>	2,031
Retirement benefit scheme contributions	<b>45</b>	28
	<b>3,337</b>	2,059

The emoluments of three (2015: two) individuals with the highest emoluments are within the following bands:

<b>Emoluments band</b>	<b>2016</b> <b>No. of</b> <b>Individuals</b>	2015 No. of Individuals
HK\$500,000 to HK\$999,999	<b>1</b>	1
HK\$1,500,000 to HK\$1,999,999	<b>2</b>	1

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

for the year ended 30 June 2016

## 16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Buildings RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Farmland infrastructure RMB'000 <i>(Note (a))</i>	Computer equipment RMB'000	Total RMB'000
<b>Cost</b>							
At 1 July 2014	64,346	33,898	150,285	26,729	8,932,870	22,000	9,230,128
Additions	14	–	5,246	777	9,462	–	15,499
Transferred from construction-in-progress <i>(Note 18)</i>	–	–	82	–	141,138	–	141,220
Disposals	(15)	–	(49,218)	(5,110)	(1,693,597)	–	(1,747,940)
Exchange realignment	(42)	–	(77)	(202)	(524)	–	(845)
At 30 June 2015 and 1 July 2015	64,303	33,898	106,318	22,194	7,389,349	22,000	7,638,062
Additions	1,044	–	313	1,633	31,739	–	34,729
Transferred from construction-in-progress <i>(Note 18)</i>	–	–	818	–	66,335	–	67,153
Transferred to investment properties <i>(Note 17)</i>	–	–	(22,338)	–	(9,079)	–	(31,417)
Disposals	–	–	(66)	(2,014)	(3,104,166)	–	(3,106,246)
Exchange realignment	375	–	77	569	(283)	–	738
<b>At 30 June 2016</b>	<b>65,722</b>	<b>33,898</b>	<b>85,122</b>	<b>22,382</b>	<b>4,373,895</b>	<b>22,000</b>	<b>4,603,019</b>
<b>Accumulated depreciation and impairment loss</b>							
At 1 July 2014	33,940	6,730	88,296	19,394	3,228,701	22,000	3,399,061
Charge for the year	4,106	728	5,149	2,210	754,866	–	767,059
Disposals	(15)	–	(18,842)	(4,991)	(890,998)	–	(914,846)
Impairment loss <i>(Note (b))</i>	–	–	7	248	1,305,131	–	1,305,386
Exchange realignment	(41)	–	(68)	(179)	(481)	–	(769)
At 30 June 2015 and 1 July 2015	37,990	7,458	74,542	16,682	4,397,219	22,000	4,555,891
Charge for the year	4,362	727	1,574	2,158	474,780	–	483,601
Transferred to investment properties <i>(Note 17)</i>	–	–	(1,117)	–	(454)	–	(1,571)
Disposals	–	–	(66)	(1,704)	(2,595,165)	–	(2,596,935)
Impairment loss <i>(Note (b))</i>	–	–	253	–	52,211	–	52,464
Exchange realignment	350	–	60	449	(262)	–	597
<b>At 30 June 2016</b>	<b>42,702</b>	<b>8,185</b>	<b>75,246</b>	<b>17,585</b>	<b>2,328,329</b>	<b>22,000</b>	<b>2,494,047</b>
<b>Net book value</b>							
<b>At 30 June 2016</b>	<b>23,020</b>	<b>25,713</b>	<b>9,876</b>	<b>4,797</b>	<b>2,045,566</b>	<b>–</b>	<b>2,108,972</b>
At 30 June 2015	26,313	26,440	31,776	5,512	2,992,130	–	3,082,171

Notes:

- (a) Farmland infrastructure includes films, green house facilities, ditches, roads and others.
- (b) During the year ended 30 June 2016, an impairment loss of approximately RMB52,464,000 was recognised to impair to carrying amount of certain furniture, fixtures and equipment and farmland infrastructures of a subsidiary engaged in the growing and the sales of fruits. As at the year ended 30 June 2015, an impairment loss of approximately RMB1,305,386,000 was recognised to impair the carrying amount of certain furniture, fixtures and equipment, motor vehicles and farmland infrastructure of a subsidiary engaged in the growing and sales of eucalyptus in the PRC as the trees in plantation forest held by the Group have been categorized as ecological forest.



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

for the year ended 30 June 2016

### 17. INVESTMENT PROPERTIES

	2016 RMB'000	2015 RMB'000
<b>Cost</b>		
At 1 July	86,554	86,554
Transferred from property, plant and equipment ( <i>Note 16</i> )	31,417	–
At 30 June	117,971	86,554
<b>Accumulated depreciation</b>		
At 1 July	29,868	27,476
Transferred from property, plant and equipment ( <i>Note 16</i> )	1,571	–
Depreciation for the year	3,963	2,392
At 30 June	35,402	29,868
<b>Net book value</b>		
At 30 June	82,569	56,686

As at 30 June 2016, all investment properties of the Group are located in the PRC. The fair value of the investment properties as at 30 June 2016 is approximately RMB123,900,000 (2015: RMB87,500,000). The fair value of investment properties disclosed at the end of the reporting period is measured on a recurring basis and categorised as level 2 fair value measurement. The fair value of investment properties is determined by the Directors at each reporting date using market comparison approach by reference to recent sales price of comparable properties on a price per square feet basis using market data which is publicly available.

### 18. CONSTRUCTION-IN-PROGRESS

	2016 RMB'000	2015 RMB'000
At 1 July	7,553	607
Additions	61,552	148,166
Transferred to property, plant and equipment ( <i>Note 16</i> )	(67,153)	(141,220)
At 30 June	1,952	7,553

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

for the year ended 30 June 2016

### 19. PREPAID PREMIUM FOR LAND LEASES

	Long-term prepaid rentals RMB'000	Land use rights RMB'000	Total RMB'000
<b>Cost</b>			
At 1 July 2014	5,534,272	127,970	5,662,242
Early termination of leases	(1,065,381)	–	(1,065,381)
Exchange realignment	(15,372)	–	(15,372)
At 30 June 2015 and 1 July 2015	4,453,519	127,970	4,581,489
Early termination of leases	(2,465,402)	–	(2,465,402)
Exchange realignment	(8,316)	–	(8,316)
<b>At 30 June 2016</b>	<b>1,979,801</b>	<b>127,970</b>	<b>2,107,771</b>
<b>Accumulated amortisation and impairment loss</b>			
At 1 July 2014	971,966	48,356	1,020,322
Amortisation for the year	121,227	4,888	126,115
Early termination of leases	(202,954)	–	(202,954)
Exchange realignment	(15,372)	–	(15,372)
At 30 June 2015 and 1 July 2015	874,867	53,244	928,111
Amortisation for the year	100,120	4,889	105,009
Early termination of leases	(355,700)	–	(355,700)
Impairment loss ( <i>Note (a)</i> )	341,393	1,771	343,164
Exchange realignment	(8,316)	–	(8,316)
<b>At 30 June 2016</b>	<b>952,364</b>	<b>59,904</b>	<b>1,012,268</b>
<b>Net carrying value</b>			
<b>At 30 June 2016</b>	<b>1,027,437</b>	<b>68,066</b>	<b>1,095,503</b>
At 30 June 2015	3,578,652	74,726	3,653,378

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

for the year ended 30 June 2016

### 19. PREPAID PREMIUM FOR LAND LEASES (*continued*)

	<b>2016</b> <b>RMB'000</b>	2015 RMB'000
Non-current portion	<b>1,038,582</b>	3,546,243
Current portion	<b>56,921</b>	107,135
Net carrying value at 30 June	<b>1,095,503</b>	3,653,378

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:

	<b>2016</b> <b>RMB'000</b>	2015 RMB'000
Outside Hong Kong held on:		
Leases of over 50 years	<b>6,585</b>	356,469
Leases of between 10 to 50 years	<b>1,088,918</b>	3,296,909
	<b>1,095,503</b>	3,653,378

Notes:

- (a) During the year ended 30 June 2016, an impairment loss of approximately RMB343,164,000 was recognised to impair the carrying amount of certain long-term prepaid rentals and the land use rights of a subsidiary engaged in the growing and the sales of fruits.
- (b) As at 30 June 2016, no long-term prepaid rentals for the farmlands which have not yet been occupied by the Group (2015: RMB568,500,000).

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

for the year ended 30 June 2016

### 20. BIOLOGICAL ASSETS

	Fruit trees RMB'000	Livestock RMB'000	Vegetables RMB'000	Trees in plantation forest RMB'000 <i>(Note (a))</i>	Total RMB'000
At 1 July 2014	859,678	39,968	494,260	1,334,606	2,728,512
Additions	390,070	39,717	1,349,612	253,139	2,032,538
Decrease due to harvest or sales	(245,629)	(24,450)	(1,392,147)	–	(1,662,226)
Written off	(41,047)	–	–	(1,587,745)	(1,628,792)
Loss arising from changes in fair value less costs to sell	(308,004)	(27,782)	(168,101)	–	(503,887)
At 30 June 2015 and 1 July 2015	655,068	27,453	283,624	–	966,145
Additions	391,042	54,697	1,225,283	–	1,671,022
Decrease due to harvest or sales	(289,292)	(26,991)	(1,306,386)	–	(1,622,669)
Written off	(246,174)	–	–	–	(246,174)
(Loss)/Gain arising from changes in fair value less costs to sell	(329,575)	(33,065)	81,805	–	(280,835)
<b>At 30 June 2016</b>	<b>181,069</b>	<b>22,094</b>	<b>284,326</b>	<b>–</b>	<b>487,489</b>

Biological assets as at 30 June 2016 and 2015 are stated at fair value less costs to sell and are analysed as follows:

	Fruit trees RMB'000	Livestock RMB'000	Vegetables RMB'000	2016 Total RMB'000	2015 Total RMB'000
Non-current portion	181,069	22,094	–	203,163	682,521
Current portion	–	–	284,326	284,326	283,624
	<b>181,069</b>	<b>22,094</b>	<b>284,326</b>	<b>487,489</b>	966,145



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

for the year ended 30 June 2016

## 20. BIOLOGICAL ASSETS (*continued*)

Notes:

(a) The trees in plantation forest represented the growing of eucalyptus. 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 for the year ended 30 June 2015. As a result, the Group was restricted to carrying out any commercial operation on those trees in plantation forest as ecological forest. Accordingly, the trees in plantation forest held by the Group as at 30 June 2015 have been written off in full.

(b) Measurement of fair value

(i) Fair value hierarchy

The fair value less costs to sell of the Group's biological assets measured at the end of the reporting period on a recurring basis, categorised as level 3 fair value measurement based on the inputs to the valuation techniques used. The valuation of fruit trees, livestock and vegetables would be performed annually.

During the year ended 30 June 2016, there were no transfers between levels in the hierarchy.

(ii) Level 3 fair value

The following table shows the valuation techniques used in measuring fair values less costs to sell, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Fruit trees	Multi period excess earnings method, which is a derivative of the discounted cash flow method	Expected net cash flows	The higher of expected net cash flows, the higher of the fair value less costs to sell determined
		Current market-determined pre-tax rate	The lower of current market-determined pre-tax rate, the higher of the fair value less costs to sell determined
Livestock	Market comparison approach with reference to market-determined prices with similar size, species and age	Market-determined price	The higher of market-determined price, the higher of the fair value less costs to sell determined
Vegetables	Market comparison approach with reference to market-determined prices, cultivation areas, species, growing conditions, growing process and expected yield of the crops	Market-determined price	The higher of market-determined price, the higher of the fair value less costs to sell determined
		Growing progress	The higher of growing progress rate, the higher of the fair value less costs to sell determined

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

for the year ended 30 June 2016

### 20. BIOLOGICAL ASSETS (*continued*)

Notes: (*continued*)

(c) The quantity of biological assets at the end of each reporting period was as follows:

	2016 Number ('000)	2015 Number ('000)
Fruit trees	4,924	7,112
Livestock	3	3

(d) The quantity and amount of agricultural produce harvested measured at fair value less costs to sell during the year were as follows:

	2016		2015	
	Quantity Tonnes	Amount RMB'000	Quantity Tonnes	Amount RMB'000
Fruit	47,816	97,651	55,374	118,714
Vegetables	471,520	886,444	552,778	1,046,827
	<b>519,336</b>	<b>984,095</b>	608,152	1,165,541

### 21. AVAILABLE-FOR-SALE INVESTMENTS

	2016 RMB'000	2015 RMB'000
Listed equity investment in Hong Kong, at fair value	–	2,408

The fair value of the listed equity investments is based on the quoted market bid prices available on the Stock Exchange. All listed investments has been disposed during the year ended 30 June 2016 and the relevant carrying amount of investment revaluation reserve of approximately RMB1,184,000 has been released accordingly. During the year ended 30 June 2015, the fair value loss recognised directly in investment revaluation reserve amounted to approximately RMB50,236,000 and impairment loss of approximately RMB51,420,000 has been recognised in the profit or loss.

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

for the year ended 30 June 2016

### 22. DEFERRED DEVELOPMENT COSTS

	2016 RMB'000	2015 RMB'000
<b>Cost</b>		
At 1 July and 30 June	55,239	55,239
<b>Accumulated amortisation</b>		
At 1 July	55,239	54,779
Amortisation for the year	–	460
At 30 June	55,239	55,239
<b>Net carrying value</b>		
At 30 June	–	–

### 23. DEFERRED EXPENDITURE

	2016 RMB'000	2015 RMB'000
<b>Cost</b>		
At 1 July	609,835	741,535
Additions	124,761	348,684
Written off	(376,795)	(480,384)
At 30 June	357,801	609,835
<b>Accumulated amortisation</b>		
At 1 July	236,662	371,467
Amortisation for the year	121,736	104,555
Written off	(271,000)	(239,360)
At 30 June	87,398	236,662
<b>Net carrying value</b>		
At 30 June	270,403	373,173

Deferred expenditure includes soil activation expenditure and land improvement and maintenance expenditure.

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

for the year ended 30 June 2016

### 24. INTANGIBLE ASSETS

	2016 RMB'000	2015 RMB'000
<b>Cost</b>		
At 1 July	793,253	802,040
Exchange realignment	71,609	(8,787)
At 30 June	864,862	793,253
<b>Accumulated impairment loss</b>		
At 1 July	793,253	334,340
Impairment loss	–	462,576
Exchange realignment	71,609	(3,663)
At 30 June	864,862	793,253
<b>Net carrying value</b>		
At 30 June	–	–

Intangible assets include the patent application rights in relation to the patents which represent novel vaccine compositions and methods of vaccine preparation for veterinary and human diseases and oral vaccines produced and administered using edible micro-organism.

During the year ended 30 June 2015, due to the continuing operating loss, the Directors determined to impair the entire intangible assets of RMB462,576,000.



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

for the year ended 30 June 2016

### 25. INTERESTS IN ASSOCIATES

	Note	2016 RMB'000	2015 RMB'000
Share of net assets		<b>7,003</b>	7,207
Amount due from an associate	(c)	<b>359</b>	329
		<b>7,362</b>	7,536

Notes:

- (a) Particulars of the principal associate of the Group at 30 June 2016 are as follows:

Name of company	Country of establishment	Principal activity and place of operation	Particulars of issued and paid up capital	Interests held indirectly by the Company	
				2016	2015
福州超大永輝商業發展有限公司	PRC	Supermarket chain operations in PRC	RMB10,000,000	<b>40%</b>	40%

The Directors are of the opinion that a complete list of the particulars of all associates of the Group is of excessive length and therefore the above list contains only the particulars of the principal associate which principally affect the results or financial position of the Group.

- (b) The following table illustrates the summarised financial information of the Group's associates, as extracted from those associates' financial statements:

	2016 RMB'000	2015 RMB'000
Non-current assets	<b>15,683</b>	17,198
Current assets	<b>23,982</b>	37,423
Current liabilities	<b>(40,276)</b>	(49,401)
Revenue	<b>53,796</b>	141,527
Loss for the year	<b>(3,583)</b>	(4,055)

- (c) 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 Consolidated Financial Statements (*continued*)

for the year ended 30 June 2016

### 26. INVENTORIES

	2016 RMB'000	2015 RMB'000
Agricultural materials	10,640	21,984
Merchandise for resale	315	–
	<b>10,955</b>	21,984

Agricultural materials mainly include seeds, fertilisers, pesticides and processing materials not yet utilised at the end of the reporting period. All inventories at the reporting dates were stated at cost.

### 27. TRADE RECEIVABLES

	2016 RMB'000	2015 RMB'000
Trade receivables	38,201	38,657
Less: Allowance for doubtful debts ( <i>Note (b)</i> )	(5,306)	(2,692)
	<b>32,895</b>	35,965

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.

The Group seeks to maintain strict control over its outstanding receivables to minimise the credit risk. Overdue balances are reviewed regularly by management. As the Group's trade receivables relate to a wide range of customers, there is no significant concentration of credit risk.

#### (a) Ageing analysis

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

	2016 RMB'000	2015 RMB'000
0 – 1 month	18,277	17,846
1 – 3 months	8,692	5,977
Over 3 months	5,926	12,142
	<b>32,895</b>	35,965

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

for the year ended 30 June 2016

### 27. TRADE RECEIVABLES (*continued*)

#### (b) Impairment of trade receivables

Impairment losses on trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of amount is remote, in which case the impairment loss is written off against trade receivables directly.

Movements in the allowance for doubtful debts during the year are as follows:

	2016 RMB'000	2015 RMB'000
At 1 July	2,692	6,560
Additions	2,885	–
Written off	(271)	(3,868)
At 30 June	5,306	2,692

The aggregate carrying amount of the individually impaired trade receivables included in the allowance for doubtful debts are RMB5,306,000 (2015: RMB2,692,000). The individually impaired trade receivables related to customers that were in default or delinquency in payments.

Ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	2016 RMB'000	2015 RMB'000
Neither past due nor impaired	22,843	22,474
0 – 60 days past due	4,215	1,417
Over 60 days past due	5,837	12,074
	32,895	35,965

Trade receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to a wide range of customers that have a good track record with the Group. Based on past experience, the Directors believe that no impairment loss is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

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

for the year ended 30 June 2016

### 28. CASH AND CASH EQUIVALENTS

	2016 RMB'000	2015 RMB'000
Cash at banks and on hand	94,781	122,957
Short-term bank deposits	109,662	116,385
	<b>204,443</b>	239,342
Denominated in:		
RMB	62,774	74,514
HK\$	128,010	151,525
Others	13,659	13,303
	<b>204,443</b>	239,342

The conversion of RMB denominated balances kept in the PRC into foreign currencies and the transfer of these balances out of the PRC are subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

Cash at banks earn interest at floating rates based on the daily bank deposit rates. Short-term bank deposits are placed with the banks and earn interests at the respective short-term bank deposit rates. Short-term bank deposits as at 30 June 2016 and 2015 have a maturity within three months.

### 29. TRADE PAYABLES

Ageing analysis of trade payables is as follows:

	2016 RMB'000	2015 RMB'000
0 – 1 month	13,511	3,086
1 – 3 months	10,171	9,127
Over 3 months	15,444	8,294
	<b>39,126</b>	20,507



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

for the year ended 30 June 2016

### 30. BANK LOANS

As at 30 June 2016, the Group has unsecured banking facilities totalling RMB400,000,000, of which has not been utilised.

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

### 31. DEFERRED TAX

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 withholding tax.

At 30 June 2016 and 2015, deferred tax liabilities of approximately RMB20,655,000 were recognised in respect of the undistributed retained earnings of the PRC subsidiaries. The aggregate amount of temporary differences associated with the PRC subsidiaries' undistributed retained earnings for which deferred tax liabilities have not been recognised are approximately RMB433,714,000 (2015: RMB433,708,000). No deferred tax liabilities have been recognised in respect of these differences because the Group is in a position to control the dividend policies of these PRC subsidiaries and it is probable that such differences will not be reversed in the foreseeable future.

At the end of the reporting period, the Group had unrecognised deferred tax assets as follows:

	2016 RMB'000	2015 RMB'000
Tax losses available to set off future assessable profits*	99,618	95,683
Accelerated tax depreciation	162	2,729
	<b>99,780</b>	98,412

\* Deferred tax assets have not been recognised in respect of the tax losses as it is not certain that they can be utilised in the foreseeable future.

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

for the year ended 30 June 2016

### 32. SHARE CAPITAL

#### Authorised ordinary shares of HK\$0.1 each

	Number of shares ('000)	HK\$'000	RMB'000
At 1 July 2014, 30 June 2015 and <b>30 June 2016</b>	5,000,000	500,000	527,515

#### Issued and fully paid ordinary shares of HK\$0.1 each

	Number of shares ('000)	HK\$'000	RMB'000
At 1 July 2014, 30 June 2015 and <b>30 June 2016</b>	3,291,302	329,130	332,787

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

### 33. SHARE OPTION SCHEME

#### (a) Old Share Option Scheme

A share option scheme (the "Old Scheme") was adopted pursuant to a resolution passed at the extraordinary general meeting of the Company held on 19 June 2002 for the primary purpose of providing incentives or rewards to selected participants, and expired on 18 June 2012. Under the Old Scheme, the Company may grant options to any participant of certain defined categories. Saved as determined by the Directors and provided in the offer of the grant of the relevant option, there is no performance target requirement which must be achieved before the option can be exercised but the participant must remain in the categories upon exercise.

The total number of shares in respect of which options may be granted under the Old Scheme must not exceed 10% of the shares of the Company in issue as at the adoption date ("Scheme Mandate"). Pursuant to a resolution passed at the extraordinary general meeting of the Company held on 14 February 2006, a refreshment of the Scheme Mandate was approved. The total number of shares to be allotted and issued pursuant to the grant or exercise of the options under the Old Scheme shall not exceed 10% of the total number of shares in issue as at 14 February 2006. The total number of shares issued and to be issued upon exercise of the options granted to a participant in any 12-month period must not exceed 1% of the shares of the Company in issue. Any further grant of options in excess of the individual limit must be subject to shareholders' approval.

The option price is determined by the Board of Directors in its absolute discretion which, in any event, shall be at least the higher of (a) the closing price of the shares on the offer date; (b) the average closing price of the shares for the five business days immediately preceding the offer date; and (c) the nominal amount for the time being of each share.

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

for the year ended 30 June 2016

### 33. SHARE OPTION SCHEME (*continued*)

#### (a) Old Share Option Scheme (*continued*)

The number of share options and their weighted average exercise price for the reporting periods under the Old Scheme presented are as follows:

	2016		2015	
	Number of share options	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$
Outstanding at 1 July	94,008,348	5.661	99,351,428	5.636
Lapsed during the year	(2,224,858)	4.682	(4,675,880)	5.113
Cancelled during the year	–	–	(667,200)	5.780
Outstanding at 30 June	91,783,490	5.685	94,008,348	5.661
Exercisable at 30 June	91,783,490	5.685	94,008,348	5.661

The exercisable periods of share options under the Old Scheme of the Company are as follows:

Exercisable period:	2016		2015	
	Number	Weighted average exercise price HK\$	Number	Weighted average exercise price HK\$
1-4-2007 to 30-8-2016	315,900	3.837	315,900	3.837
1-11-2007 to 31-10-2015	–	–	75,816	2.802
1-4-2008 to 30-8-2016	421,200	3.837	421,200	3.837
24-10-2008 to 23-10-2018	2,244,800	3.846	2,244,800	3.846
1-11-2008 to 31-10-2015	–	–	118,216	2.802
1-4-2009 to 30-8-2016	421,200	3.837	421,200	3.837
24-10-2009 to 23-10-2018	124,800	3.846	125,170	3.846
1-11-2009 to 31-10-2015	–	–	497,256	2.802
1-4-2010 to 30-8-2016	760,230	3.837	770,830	3.837
24-10-2010 to 23-10-2018	332,800	3.846	436,800	3.846
26-11-2010 to 25-11-2020	64,500,000	6.430	65,125,000	6.430
1-4-2011 to 30-8-2016	21,096,960	3.837	21,307,560	3.837
24-10-2011 to 23-10-2018	332,800	3.846	436,800	3.846
26-11-2011 to 25-11-2020	300,000	6.430	425,000	6.430
24-10-2012 to 23-10-2018	332,800	3.846	436,800	3.846
26-11-2012 to 25-11-2020	300,000	6.430	425,000	6.430
26-11-2013 to 25-11-2020	300,000	6.430	425,000	6.430
	91,783,490	5.685	94,008,348	5.661

The Company's share options outstanding under the Old Scheme at 30 June 2016 had a weighted average remaining contractual life of 3.27 years (2015: 4.19 years).

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

for the year ended 30 June 2016

### 33. SHARE OPTION SCHEME (*continued*)

#### (a) Old Share Option Scheme (*continued*)

The fair value of share options is determined at the date of grant under Binominal Option Pricing Model by an independent valuer and the following assumptions were used to calculate the fair value of share options:

Date of grant	Option value	Exercise price	Risk-free interest rate	Expected volatility	Dividend yield	Life of options
1 November 2005	HK\$1.47 – HK\$1.60	HK\$2.802	4.46%	64%	2.6%	10 years
31 August 2006	HK\$1.91 – HK\$2.10	HK\$3.837	4.21%	61%	2.3%	10 years
24 October 2008	HK\$2.08 – HK\$2.19	HK\$3.846	2.42%	56%	0.3%	10 years
26 November 2010	HK\$2.61 – HK\$2.79	HK\$6.430	2.49%	42%	1.0%	10 years

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

#### (b) New Share Option Scheme

A new share option scheme (the “New Scheme”) was adopted pursuant to a resolution passed at the extraordinary general meeting of the Company held on 17 December 2015 for the primary purpose of providing incentives or rewards to eligible participants. There is no fundamental difference in terms of the rules between, or the rationale behind the adoption of, the Old Scheme and the New Scheme. Both of them were or are designed primarily to generate greater drive and effectiveness to contribute to the Group and create a sense of belongings or more favourable relations towards the Group.

During the year ended 30 June 2016, no share option has been granted under the New Scheme.

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

for the year ended 30 June 2016

### 34. RESERVES

	Notes	2016 RMB'000	2015 RMB'000
Share premium		<b>5,968,860</b>	5,968,860
Capital reserve	(a)	<b>94,894</b>	94,894
Employee share-based compensation reserve		<b>203,780</b>	207,817
Capital redemption reserve		<b>5,247</b>	5,247
Exchange reserve		<b>(226,387)</b>	(236,052)
Investment revaluation reserve		–	1,184
Statutory reserve	(b)	<b>688,059</b>	688,059
(Accumulated loss)/Retained profits		<b>(2,639,656)</b>	1,424,793
		<b>4,094,797</b>	8,154,802

Movements of the Group's reserves for the current and prior years are presented in the consolidated statement of changes in equity on pages 45 to 46.

Notes:

- (a) Capital reserve represents the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the Group reorganisation prior to the listing of the Company's shares in December 2000 over the nominal value of the share capital of the Company issued in exchange thereafter.
- (b) In accordance with the relevant PRC rules and regulations, certain subsidiaries of the Company are required to appropriate not less than 10% of their profits after tax to the respective statutory reserves, until the respective balances of the fund reach 50% of the respective registered capitals. Subject to certain restrictions as set out in the relevant PRC regulations, these statutory reserves may be used to offset against their respective accumulated losses, if any.



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

for the year ended 30 June 2016

### 35. COMMITMENTS

#### (a) Capital commitments

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

	2016 RMB'000	2015 RMB'000
Contracted but not provided for:		
– Purchases of property, plant and equipment	1,044	20,333

At the end of the reporting period, the Company had no significant capital commitment.

#### (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:

	2016 RMB'000	2015 RMB'000
Within one year	150,028	162,164
In the second to fifth years, inclusive	593,312	636,131
After five years	1,405,605	1,805,475
Total	2,148,945	2,603,770

##### *As lessor*

At the end of the reporting period, the Group had total future minimum lease receivable, in respect of land and buildings, under non-cancellable operating leases with its tenants falling due as follows:

	2016 RMB'000	2015 RMB'000
Within one year	9,887	6,635
In the second to fifth years, inclusive	21,729	11,158
After five years	1,295	2,600
Total	32,911	20,393

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

for the year ended 30 June 2016

### 36. RELATED PARTY TRANSACTIONS

#### Compensation of key management personnel of the Group

The Directors are of the opinion that the key management personnel were the executive directors of the Company, details of whose emoluments are set out in Note 14 and certain highest paid employees whose remunerations are set out in Note 15.

### 37. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries at 30 June 2016 are as follows:

Name of company	Place of incorporation	Principal activity and place of operation	Particulars of issued/registered and paid up capital	Interests held
<b>Held directly by the Company:</b>				
Timor Enterprise Limited	British Virgin Islands	Investment holding in Hong Kong	60,000 ordinary shares of US\$1 each	100%
Insight Decision Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US\$1	100%
Huge Market Investments Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US\$1	100%
Worthy Year Investments Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US\$1	100%
Great Challenge Developments Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US\$1	100%
Good Add Holdings Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US\$1	100%
Lead Rich Enterprises Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US\$1	100%
Chaoda Vegetable & Fruits Trading Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US\$1	100%

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

for the year ended 30 June 2016

### 37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (*continued*)

Name of company	Place of incorporation	Principal activity and place of operation	Particulars of issued/registered and paid up capital	Interests held
<b>Held indirectly by the Company:</b>				
Fuzhou Chaoda Modern Agriculture Development Company Limited**	PRC	Growing and sales of crops, breeding and sales of livestock in the PRC	HK\$1,300,000,000	100%
Fujian Chaoda Green Agriculture Development Company Limited*	PRC	Breeding and sales of livestock in the PRC	RMB80,000,000	100%
福建超大畜牧業有限公司***	PRC	Provision of agency service in the PRC	RMB80,000,000	100%
Chaoda Vegetable & Fruits Limited	Hong Kong	Distribution and trading of crops in Hong Kong	100,000 ordinary shares	100%
Chaoda Vegetable & Fruits (Wholesale & Logistics) Limited	Hong Kong	Wholesale and logistics of vegetables and fruits in Hong Kong	2,500,000 ordinary shares	60%
Desire Star (Fujian) Development Company Limited*	PRC	Property holding in the PRC	US\$9,860,000	100%
Jiangxi Nanfeng Chaoda Fruits Company Limited*	PRC	Growing and sales of fruits in the PRC	RMB10,000,000	100%
雲霄超大木業有限公司***	PRC	Growing and sales of timbers in the PRC	RMB6,000,000	100%
Inner Mongolia Chaoda Stockbreeding Co., Ltd*	PRC	Breeding and sales of livestock in the PRC	RMB100,000,000	100%
超大(上海)食用菌有限公司**	PRC	Sales of ancillary food products in the PRC	HK\$77,800,000	100%
福州超大貿易有限公司***	PRC	Sales of crops in the PRC	RMB30,000,000	100%

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

for the year ended 30 June 2016

### 37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (*continued*)

Name of company	Place of incorporation	Principal activity and place of operation	Particulars of issued/registered and paid up capital	Interests held
<b>Held indirectly by the Company:</b> ( <i>continued</i> )				
福州傑志環球生物科技有限公司**	PRC	Research and development of organism technologies in the PRC	HK\$90,000,000	70%
Keen Spirit Global Limited	British Virgin Islands	Investment holding in Hong Kong	100 ordinary shares of US\$1 each	70%
VaxGene Corporation	British Virgin Islands	Research and development of organism technologies in Hong Kong	50,000 ordinary shares of US\$1 each	70%

The Directors are of the opinion that a complete list of the particulars of all subsidiaries of the Company is of excessive length and therefore the above list contains only the particulars of subsidiaries which principally affect the results or financial position of the Group.

\* Sino-foreign owned equity joint ventures

\*\* Wholly foreign owned enterprises

\*\*\* Private limited liability companies

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

for the year ended 30 June 2016

## 38. RISK MANAGEMENT OBJECTIVES AND POLICIES

### (a) Financial risk factors

The Group's activities expose it to a variety of financial risks: currency risk, equity price risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial market and seeks to minimise potential adverse effects on the Group's financial performance.

#### (i) *Currency risk*

As the Group's sales and purchases are mainly in RMB, the currency risk resulting from daily operations is considered not significant. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

#### (ii) *Equity price risk*

At 30 June 2016, the Group is not exposed to any equity price and commodity price risk as all of the available-for-sale investments has been disposed during the year ended 30 June 2016.

At 30 June 2015, the Group is exposed to equity price risk through its investments in listed equity securities in Hong Kong which are classified as available-for-sale investments. The management would consider hedging the risk exposure should the need arise.

At 30 June 2015, if equity prices had increased/(decreased) by 10% and all other variables were held constant, the Group's investment revaluation reserve (i.e. equity) would increase/(decrease) by approximately RMB241,000 as a result of the changes in fair value of listed equity investments included in the Group's available-for-sale investments.

This sensitivity analysis has been determined assuming that the price change had occurred at the end of the reporting period and has been applied to the Group's available-for-sale investments on that date.

#### (iii) *Credit risk*

Most of the Group's sales are cash on delivery which significantly reduces the Group's exposure on customers' default in repayment. In respect of the credit sales, the Group also has policies in place to ensure trading with customers with appropriate credit history and performs periodic credit evaluations of its customers. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances.

The credit risk on cash and cash equivalents is limited because the major counterparties are reputable banks operating in Hong Kong and in the PRC. Other than the concentration of cash and cash equivalents which are deposited with several reputable banks in Hong Kong and in the PRC, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in Note 27.



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

for the year ended 30 June 2016

## 38. RISK MANAGEMENT OBJECTIVES AND POLICIES (*continued*)

### (a) Financial risk factors (*continued*)

#### (iv) Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate to finance the Group's operations, investment opportunities, expected expansion and to meet its debt obligations as they fall due. The Group finances its working capital requirements mainly by the funds generated from its operations.

The following tables detail the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on the contractual undiscounted payments (including interest payments computed using contractual rates) and the earliest date the Group can be required to pay:

	Carrying amount RMB'000	Total contractual undiscounted payments RMB'000	Within 1 year or on demand RMB'000
<b>As at 30 June 2016</b>			
Trade payables	39,126	39,126	39,126
Other payables and accruals	287,891	287,891	287,891
	<b>327,017</b>	<b>327,017</b>	<b>327,017</b>
	Carrying amount RMB'000	Total contractual undiscounted payments RMB'000	Within 1 year or on demand RMB'000
<b>As at 30 June 2015</b>			
Trade payables	20,507	20,507	20,507
Other payables and accruals	358,528	358,528	358,528
Bank loans	4,170	4,170	4,170
	<b>383,205</b>	<b>383,205</b>	<b>383,205</b>

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

for the year ended 30 June 2016

## 38. RISK MANAGEMENT OBJECTIVES AND POLICIES (*continued*)

### (a) Financial risk factors (*continued*)

#### (v) Interest rate risk

The Group does not have any borrowings which bears floating interest rates. The Group's interest rate risk primarily relates to the interest bearing bank balances. 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.

The Directors are of the opinion that the impact of the Group's sensitivity to the change in interest rate is insignificant.

### (b) Fair value estimation

The estimate of fair values of biological assets and available-for-sale investments is disclosed in Note 20 and Note 21 respectively. The fair values of current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short-term maturity.

The Group's financial instruments carried at fair value represent the Group's available-for-sale investments as detailed in Note 21. The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All of the Group's available-for-sale investments were classified as Level 1 as at 30 June 2016 and 2015. There were no transfers between level 1 and 2 in both years.

### (c) Business risk

The Group is exposed to financial risks arising from changes in prices of agricultural produce and livestock which are determined by constantly changing market forces of supply and demand, and other factors. The other factors include weather conditions and livestock diseases. The Group has little or no control over these conditions and factors.

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

for the year ended 30 June 2016

### 39. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, raise new debt financing or issue new shares. No changes were made in the capital management objectives, policies or processes during the years ended 30 June 2016 and 2015. The Group monitors its capital using net debt to adjusted capital ratio. Net debt includes borrowings less cash and cash equivalents as shown in the consolidated statement of financial position. Adjusted capital represents equity attributable to the owners of the Company plus net debt.

The Group's excess of cash and cash equivalents over total borrowings as at the end of the reporting period were presented as follows:

	<b>2016</b> <b>RMB'000</b>	2015 RMB'000
Total borrowings	–	4,170
Less: Cash and cash equivalents	<b>(204,443)</b>	(239,342)
Excess of cash and cash equivalents over total borrowings	<b>(204,443)</b>	(235,172)
Equity attributable to the owners of the Company	<b>4,427,584</b>	8,487,589
Adjusted capital	<b>N/A</b>	N/A
<b>Net debt to adjusted capital ratio</b>	<b>N/A</b>	N/A

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

for the year ended 30 June 2016

### 40. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and liabilities recognised at the end of the reporting period may also be categorised as follows. See Note 2.19 for explanations on how the category of financial instruments affects their subsequent measurement.

#### Financial assets

	2016 RMB'000	2015 RMB'000
Available-for-sale investments	–	2,408
Loan and receivables:		
– Trade receivables	32,895	35,965
– Other receivables and deposits	458,968	424,684
– Cash and cash equivalents	204,443	239,342
	<b>696,306</b>	702,399

#### Financial liabilities

	2016 RMB'000	2015 RMB'000
Financial liabilities measured at amortised cost:		
– Trade payables	39,126	20,507
– Other payables and accruals	287,891	358,528
– Bank loans	–	4,170
	<b>327,017</b>	383,205

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

for the year ended 30 June 2016

### 41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016 RMB'000	2015 RMB'000
<b>ASSETS AND LIABILITIES</b>		
<b>Non-current assets</b>		
Property, plant and equipment	30	51
Interests in subsidiaries	3,702,319	4,725,706
	<b>3,702,349</b>	4,725,757
<b>Current assets</b>		
Other receivables, deposits and prepayments	567	544
Loan to a subsidiary	8,598	9,464
Cash and cash equivalents	23,627	37,157
	<b>32,792</b>	47,165
<b>Current liabilities</b>		
Amounts due to subsidiaries	758,658	694,085
Other payables and accruals	4,793	5,373
	<b>763,451</b>	699,458
<b>Net current liabilities</b>	<b>(730,659)</b>	(652,293)
<b>Net assets</b>	<b>2,971,690</b>	4,073,464
<b>EQUITY</b>		
Share capital	332,787	332,787
Reserves	2,638,903	3,740,677
	Note	
<b>Total equity</b>	<b>2,971,690</b>	4,073,464

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 23 September 2016 and are signed on its behalf by:

**Kwok Ho**  
Director

**Ip Chi Ming**  
Director



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

for the year ended 30 June 2016

### 41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (*continued*)

Note:

Movement in the Company's reserves

	Share premium RMB'000	Employee share-based compensation reserve RMB'000	Capital redemption reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 July 2014	6,169,525	217,818	5,247	(1,290,195)	(1,292,936)	3,809,459
Loss for the year ( <i>Note 11</i> )	–	–	–	–	(23,552)	(23,552)
Other comprehensive expense						
– Currency translation differences	–	–	–	(45,230)	–	(45,230)
Total comprehensive expense for the year	–	–	–	(45,230)	(23,552)	(68,782)
Lapsed of share options	–	(10,001)	–	–	10,001	–
At 30 June 2015 and 1 July 2015	6,169,525	207,817	5,247	(1,335,425)	(1,306,487)	3,740,677
Loss for the year ( <i>Note 11</i> )	–	–	–	–	(1,422,475)	(1,422,475)
Other comprehensive income						
– Currency translation differences	–	–	–	320,701	–	320,701
Total comprehensive income/(expense) for the year	–	–	–	320,701	(1,422,475)	(1,101,774)
Lapsed of share options	–	(4,037)	–	–	4,037	–
<b>At 30 June 2016</b>	<b>6,169,525</b>	<b>203,780</b>	<b>5,247</b>	<b>(1,014,724)</b>	<b>(2,724,925)</b>	<b>2,638,903</b>

### 42. EVENT AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in the consolidated financial statements, the following significant event took place subsequent to 30 June 2016.

#### Grant of share options

On 13 July 2016, the Company has granted share options to certain individuals to subscribe for a total of 329,130,000 ordinary shares of HK\$0.10 each in the share capital of the Company at the subscription price of HK\$0.187 per share under the New Scheme. Details of the grant of share options has been disclosed in the announcement of the Company dated 13 July 2016.

# Five Year Financial Summary

For the year ended 30 June 2016

A summary of the consolidated results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below. This summary does not form part of the audited financial statements.

## RESULTS

	Year ended 30 June				
	2012 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000
Revenue	3,160,019	2,281,882	1,459,321	1,316,855	<b>1,119,599</b>
Loss before income tax	(4,934,625)	(3,218,943)	(1,938,910)	(6,764,637)	<b>(4,066,551)</b>
Income tax expense	(273)	(1,081)	(756)	(774)	<b>(416)</b>
Loss for the year	(4,934,898)	(3,220,024)	(1,939,666)	(6,765,411)	<b>(4,066,967)</b>
Loss for the year, attributable to:					
Owners of the Company	(4,933,847)	(3,220,015)	(1,940,728)	(6,627,411)	<b>(4,068,486)</b>
Non-controlling interests	(1,051)	(9)	1,062	(138,000)	<b>1,519</b>
	(4,934,898)	(3,220,024)	(1,939,666)	(6,765,411)	<b>(4,066,967)</b>

## ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 30 June				
	2012 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000
Total assets	20,611,783	17,436,108	15,617,485	8,893,178	<b>4,776,978</b>
Total liabilities	(156,150)	(240,232)	(359,032)	(403,860)	<b>(347,672)</b>
Non-controlling interests	(143,376)	(139,552)	(140,996)	(1,729)	<b>(1,722)</b>
Total equity attributable to the owners of the Company	20,312,257	17,056,324	15,117,457	8,487,589	<b>4,427,584</b>