

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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

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

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

RESULTS

The board of directors (the “Board”) of Chaoda Modern Agriculture (Holdings) Limited (the “Company”) presents the interim results of the Company and its subsidiaries (collectively referred to as the “Group” or “Chaoda”) for the six months ended 31 December 2016. The consolidated statement of profit or loss and other comprehensive income of the Group for the six months ended 31 December 2016 and the consolidated statement of financial position of the Group as at 31 December 2016, together with the selected explanatory notes, are unaudited and condensed, which have been reviewed by the Company’s Audit Committee and the Company’s auditors, Elite Partners CPA Limited.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016 – Unaudited**

		Six months ended 31 December	
	Notes	2016	2015
		RMB'000	RMB'000
			(Restated)
Revenue	3	519,796	692,518
Cost of sales		<u>(713,703)</u>	<u>(1,024,404)</u>
Gross loss		(193,907)	(331,886)
Other revenues		30,084	38,050
(Loss)/Gain arising from changes in fair value less costs to sell of biological assets		(78,374)	35,078
Selling and distribution expenses		(108,204)	(176,957)
General and administrative expenses		(60,218)	(62,106)
Research expenses		(3,819)	(2,762)
Other operating expenses	5	<u>(1,327,267)</u>	<u>(258,101)</u>
Loss from operations		(1,741,705)	(758,684)
Finance costs	6(a)	(35)	(59)
Gain on disposal of available-for-sale investments		-	326
Share of results of associates		<u>(147)</u>	<u>232</u>
Loss before income tax	6	(1,741,887)	(758,185)
Income tax expense	7	-	-
Loss for the period		<u>(1,741,887)</u>	<u>(758,185)</u>
Other comprehensive income/(expense), including reclassification adjustments and net of income tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange gain on translation of financial statements of foreign operations		3,650	6,104
Release upon disposals of available-for-sale investments		<u>-</u>	<u>(1,184)</u>
Other comprehensive income for the period, including reclassification adjustments and net of income tax		<u>3,650</u>	<u>4,920</u>
Total comprehensive expense for the period		<u>(1,738,237)</u>	<u>(753,265)</u>
Loss for the period attributable to:			
Owners of the Company		(1,743,207)	(759,621)
Non-controlling interests		<u>1,320</u>	<u>1,436</u>
		<u>(1,741,887)</u>	<u>(758,185)</u>
Total comprehensive expense for the period attributable to:			
Owners of the Company		(1,738,775)	(753,568)
Non-controlling interests		<u>538</u>	<u>303</u>
		<u>(1,738,237)</u>	<u>(753,265)</u>
Loss per share for loss attributable to the owners of the Company during the period			
- Basic	9(a)	<u>RMB(0.53)</u>	<u>RMB(0.23)</u>
- Diluted	9(b)	<u>RMB(0.53)</u>	<u>RMB(0.23)</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016 - Unaudited**

	Notes	31 December 2016 RMB'000	30 June 2016 RMB'000 (Audited) (Restated)	1 July 2015 RMB'000 (Audited) (Restated)
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	10	1,164,583	2,108,972	3,622,913
Investment properties		80,586	82,569	56,686
Construction-in-progress		12,106	12,387	16,399
Prepaid premium for land leases	11	753,406	1,038,582	3,546,243
Biological assets	12	15,914	22,094	27,453
Available-for-sale investments		-	-	2,408
Deferred expenditure		165,084	270,403	373,173
Interests in associates		5,595	7,362	7,536
		<u>2,197,274</u>	<u>3,542,369</u>	<u>7,652,811</u>
Current assets				
Prepaid premium for land leases	11	34,432	56,921	107,135
Biological assets	12	73,336	284,326	397,954
Inventories		35,626	10,955	21,984
Trade receivables	13	32,281	32,895	35,965
Other receivables, deposits and prepayments		271,535	474,435	446,837
Cash and cash equivalents		222,753	204,443	239,342
		<u>669,963</u>	<u>1,063,975</u>	<u>1,249,217</u>
Current liabilities				
Trade payables	14	23,847	39,126	20,507
Other payables and accruals		290,037	287,891	358,528
Bank loans		-	-	4,170
		<u>313,884</u>	<u>327,017</u>	<u>383,205</u>
Net current assets		<u>356,079</u>	<u>736,958</u>	<u>866,012</u>
Total assets less current liabilities		<u>2,553,353</u>	<u>4,279,327</u>	<u>8,518,823</u>
Non-current liabilities				
Deferred tax liabilities		20,655	20,655	20,655
Net assets		<u>2,532,698</u>	<u>4,258,672</u>	<u>8,498,168</u>
EQUITY				
Equity attributable to the owners of the Company				
Share capital		332,926	332,787	332,787
Reserves		2,197,512	3,924,163	8,163,652
		<u>2,530,438</u>	<u>4,256,950</u>	<u>8,496,439</u>
Non-controlling interests		2,260	1,722	1,729
Total equity		<u>2,532,698</u>	<u>4,258,672</u>	<u>8,498,168</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2016 - Unaudited

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 31 December 2016 (the “Interim Financial Report”) have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Interim Financial Report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 30 June 2016 (the “2016 Annual Financial Statements”).

The Interim Financial Report has been prepared in accordance with the same accounting policies adopted in the 2016 Annual Financial Statements, except for the adoption of the new, amended or revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which collectively include all applicable individual Hong Kong Financial Reporting Standard (“HKFRS”), Hong Kong Accounting Standard (“HKAS”) and Interpretation issued by the HKICPA) as disclosed in Note 2.

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

2. ADOPTION OF NEW, AMENDED OR REVISED HKFRSs

In the current interim period, the Group has applied, for the first time, all the new standards, amendments and interpretations (the “new HKFRSs”) issued by the HKICPA, which are relevant to and effective for the Group’s condensed consolidated financial statements for the annual period beginning on 1 July 2016. Except as described below, the application of the new HKFRSs in the current interim period has had no material effect on the amounts reported in the Interim Financial Report and/or disclosures set out in the Interim Financial Report.

Amendments to HKAS 16 and HKAS 41 “Agriculture: Bearer Plants”

The Group has applied the Amendments to HKAS 16 and HKAS 41 “Agriculture: Bearer Plants” for the first time in the current interim period. The Amendments to HKAS 16 “Property, Plant and Equipment” and HKAS 41 “Agriculture” define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with HKAS 16, instead of HKAS 41. The agricultural produce growing on bearer plants continue to be accounted for in accordance with HKAS 41. The fruit trees of the Group have met the definition of bearer plant and shall be accounted for under property, plant and equipment since 1 July 2015.

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

Amendments to HKAS 16 and HKAS 41 “Agriculture: Bearer Plants” (Continued)

The effects of the change in Amendments to HKAS 16 and HKAS 41 described above on the unaudited condensed consolidated statement of profit or loss and other comprehensive income of the Group for the six months ended 31 December 2015, are as follow:

	For the six months ended 31 December 2015 (Originally stated) RMB'000	Adjustment RMB'000	For the six months ended 31 December 2015 (Restated) RMB'000
Gain arising from changes in fair value less costs to sell of biological assets	143,166	(108,088)	35,078
Total effect on loss for the period attributable to the owners of the Company	<u>143,166</u>	<u>(108,088)</u>	<u>35,078</u>
Effect on basic loss per share	<u>RMB(0.20)</u>	<u>RMB(0.03)</u>	<u>RMB(0.23)</u>

The effects of the change in Amendments to HKAS 16 and HKAS 41 described above on the consolidated statement of financial position of the Group as at the end of the immediately preceding financial year, 30 June 2016, are as follow:

	As at 30 June 2016 (Originally stated) RMB'000	Adjustment RMB'000	As at 30 June 2016 (Restated) RMB'000
Construction in progress	1,952	10,435	12,387
Biological assets – non-current portion	203,163	(181,069)	22,094
Biological assets – current portion	284,326	-	284,326
Total effect on net assets	<u>489,441</u>	<u>(170,634)</u>	<u>318,807</u>
Accumulated losses and total effect on equity	<u>(2,639,656)</u>	<u>(170,634)</u>	<u>(2,810,290)</u>

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

Amendments to HKAS 16 and HKAS 41 “Agriculture: Bearer Plants” (Continued)

The effects of the change in Amendments to HKAS 16 and HKAS 41 described above on the consolidated statement of financial position of the Group as at the beginning of the comparative period, 1 July 2015, are as follow:

	As at 1 July 2015 (Originally stated) RMB'000	Adjustment RMB'000	As at 1 July 2015 (Restated) RMB'000
Property, plant and equipment	3,082,171	540,742	3,622,913
Construction in progress	7,553	8,846	16,399
Biological assets – non-current portion	682,521	(655,068)	27,453
Biological assets – current portion	283,624	114,330	397,954
Total effect on net assets	<u>4,055,869</u>	<u>8,850</u>	<u>4,064,719</u>
Accumulated losses and total effect on equity	<u>1,424,793</u>	<u>8,850</u>	<u>1,433,643</u>

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

3. REVENUE

The principal activities of the Group are the growing and sales of crops, and the 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 period is as follows:

	Six months ended 31 December	
	2016	2015
	RMB'000	RMB'000
Sales of crops	517,132	690,032
Sales of livestock	2,664	2,486
	<u>519,796</u>	<u>692,518</u>

4. SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major operations. The Group's operating business are organised and managed separately according to the nature of products, which each segment representing a strategic business segment that offers different products in the People's Republic of China ("PRC") market. However, the Group's executive directors considered that over 90% of the Group's revenue, operating results and assets during the six months ended 31 December 2016 and 2015 were mainly derived from its growing and sales of crops. Consequently, no operating segment analysis is presented.

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

5. OTHER OPERATING EXPENSES

	Six months ended 31 December	
	2016	2015
	RMB'000	RMB'000
Impairment loss on prepaid premium for land leases	279,164	-
Impairment loss on property, plant and equipment	808,267	-
Natural crop losses	1,750	76,772
Loss on disposals and write off of property, plant and equipment	-	8,483
Impairment loss on biological assets	76,821	-
Deferred expenditure written off	57,955	39,783
Others	103,310	133,063
	<u>1,327,267</u>	<u>258,101</u>

6. LOSS BEFORE INCOME TAX

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

(a) Finance costs

	Six months ended 31 December 2016 RMB'000	2015 RMB'000
Bank and finance charges	18	18
Interest on bank loans wholly repayable within five years	17	41
	<u>35</u>	<u>59</u>

(b) Staff costs

	Six months ended 31 December 2016 RMB'000	2015 RMB'000
Salaries, wages and other benefits	286,232	361,443
Employee share option benefits	12,003	-
Retirement benefit costs	2,444	2,332
	<u>300,679</u>	<u>363,775</u>

(c) Other items

	Six months ended 31 December 2016 RMB'000	2015 RMB'000
Interest income	(1,021)	(480)
Amortisation of deferred expenditure, net of amount capitalised	49,636	84,697
Amortisation of prepaid premium for land leases, net of amount capitalised	31,804	50,180
Cost of inventories sold	713,703	1,024,404
Depreciation of property, plant and equipment, net of amount capitalised	178,694	191,309
Depreciation of investment properties	1,982	1,196
Operating lease expense in respect of land and buildings	<u>65,071</u>	<u>104,412</u>

7. INCOME TAX EXPENSE

- (a) No provision for the PRC enterprise income tax has been made in the condensed consolidated financial statements for the six months ended 31 December 2016 and 2015 as the PRC companies within the Group either has no assessable profits arising from the PRC or exempt from the enterprise income tax.

According to the PRC tax law and its interpretation rules (the “PRC Tax Law”), enterprises that engage in qualifying agricultural business are eligible for certain tax benefits, including full enterprise income tax exemption or half reduction of enterprise income tax on profits derived from such business. Fuzhou Chaoda Modern Agriculture Development Company Limited, the Company’s principal subsidiary, and other PRC subsidiaries engaged in qualifying agricultural business, which include the growing and sales of crops and the breeding and sales of livestock, are entitled to full exemption of the enterprise income tax. The enterprise income tax rate of other PRC subsidiaries of the Company not engaged in qualifying agricultural business is 25% for the six months ended 31 December 2016 and 2015.

- (b) No provision for Hong Kong profits tax has been made as the Company and its subsidiaries operating in Hong Kong either do not derive material estimated assessable profits or have unused tax losses brought forward to offset against the current period’s estimated assessable profits for the six months ended 31 December 2016 and 2015.

8. DIVIDENDS

The Directors do not recommend the payment of interim dividend for the six months ended 31 December 2016 and 2015.

9. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to the owners of the Company of RMB1,743,207,000 (Six months ended 31 December 2015: RMB759,621,000) and the weighted average number of 3,291,798,000 (Six months ended 31 December 2015: 3,291,302,000) ordinary shares in issue during the period.

(b) Diluted loss per share

The calculation of diluted loss per share is based on the loss attributable to the owners of the Company of RMB1,743,207,000 (Six months ended 31 December 2015: RMB759,621,000) and the weighted average number of 3,291,798,000 (Six months ended 31 December 2015: 3,291,302,000) ordinary shares. The computation of diluted loss per share does not assume the conversion of the Company’s share options outstanding since their exercise would result in a decrease in loss per share for the six months ended 31 December 2016 and 2015.

10. PROPERTY, PLANT AND EQUIPMENT

	31 December 2016 RMB'000	30 June 2016 RMB'000
Net book value at 1 July 2016/ 1 July 2015 (Audited)	2,108,972	3,082,171
Retrospective effect of adoption of HKAS 16 and HKAS 41 (amendments)	<u>-</u>	<u>540,742</u>
Net book value at 1 July 2016/ 1 July 2015, as restated	2,108,972	3,622,913
Additions	17,506	34,729
Transfer from construction-in-progress	27,545	67,153
Transfer to investment properties	-	(29,846)
Written off / Disposals	-	(509,311)
Depreciation charges	(181,307)	(484,133)
Impairment loss (<i>Note</i>)	(808,267)	(592,674)
Exchange realignment	<u>134</u>	<u>141</u>
Net book value at 31 December 2016/ 30 June 2016	<u>1,164,583</u>	<u>2,108,972</u>

Note:

As at the period ended 31 December 2016, an impairment loss of approximately RMB808,267,000 was recognised to impair the carrying amount of certain farmland infrastructures of subsidiaries engaged in the growing and sales of crops.

As at the year ended 30 June 2016, an impairment loss of approximately RMB592,674,000, of which approximately RMB540,210,000 was related to the impairment of bearer plants resulting from the retrospective effect of the adoption of HKAS as stated in Note 2, was recognised to impair the carrying amount of certain furniture, fixtures and equipment, farmland infrastructures and bearer plants of subsidiaries engaged in the growing and sales of fruits.

11. PREPAID PREMIUM FOR LAND LEASES

	Long-term prepaid rentals RMB'000	Land use rights RMB'000	Total RMB'000
Cost			
At 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)
At 30 June 2016 and 1 July 2016	1,979,801	127,970	2,107,771
Early termination of leases	(391,676)	-	(391,676)
Exchange realignment	10,620	-	10,620
At 31 December 2016	1,598,745	127,970	1,726,715
Accumulated amortisation and impairment loss			
At 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</i>)	341,393	1,771	343,164
Exchange realignment	(8,316)	-	(8,316)
At 30 June 2016 and 1 July 2016	952,364	59,904	1,012,268
Amortisation for the period	26,080	2,421	28,501
Early termination of leases	(391,676)	-	(391,676)
Impairment loss (<i>Note</i>)	279,164	-	279,164
Exchange realignment	10,620	-	10,620
At 31 December 2016	876,552	62,325	938,877
Net carrying value			
At 31 December 2016	722,193	65,645	787,838
At 30 June 2016	1,027,437	68,066	1,095,503
		31 December 2016 RMB'000	30 June 2016 RMB'000
Non-current portion		753,406	1,038,582
Current portion		34,432	56,921
Net carrying value		787,838	1,095,503

Note:

As at the period ended 31 December 2016, an impairment loss of approximately RMB279,164,000 was recognised to impair the carrying amount of certain long-term prepaid rentals of subsidiaries engaged in the growing and sales of crops.

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 sales of fruits.

12. BIOLOGICAL ASSETS

	Fruit RMB'000	Livestock RMB'000	Vegetables RMB'000	Total RMB'000
At 1 July 2015 (Audited)	655,068	27,453	283,624	966,145
Retrospective effect of adoption of HKAS 16 and HKAS 41 (amendments)	<u>(540,738)</u>	<u>-</u>	<u>-</u>	<u>(540,738)</u>
At 1 July 2015, as restated	114,330	27,453	283,624	425,407
Additions, as restated	389,982	54,697	1,225,283	1,669,962
Decrease due to harvest or sales	(289,292)	(26,991)	(1,306,386)	(1,622,669)
Written off / Impairment loss, as restated	(215,020)	-	-	(215,020)
(Loss)/Gain arising from changes in fair value less costs to sell, as restated	<u>-</u>	<u>(33,065)</u>	<u>81,805</u>	<u>48,740</u>
At 30 June 2016, as restated	<u>-</u>	<u>22,094</u>	<u>284,326</u>	<u>306,420</u>
At 1 July 2016 (Audited)	181,069	22,094	284,326	487,489
Retrospective effect of adoption of HKAS 16 and HKAS 41 (amendments)	<u>(181,069)</u>	<u>-</u>	<u>-</u>	<u>(181,069)</u>
At 1 July 2016, as restated	-	22,094	284,326	306,420
Additions	131,318	27,960	450,692	609,970
Decrease due to harvest or sales	(54,497)	(20,511)	(596,937)	(671,945)
Impairment loss	(76,821)	-	-	(76,821)
Loss arising from changes in fair value less costs to sell	<u>-</u>	<u>(13,629)</u>	<u>(64,745)</u>	<u>(78,374)</u>
At 31 December 2016	<u>-</u>	<u>15,914</u>	<u>73,336</u>	<u>89,250</u>

Biological assets as at 31 December 2016 and 30 June 2016 are stated at fair values less costs to sell and are analysed as follows:

	Fruit RMB'000	Livestock RMB'000	Vegetables RMB'000	31 December 2016 Total RMB'000	30 June 2016 Total RMB'000 (Restated)
Non-current portion	-	15,914	-	15,914	22,094
Current portion	<u>-</u>	<u>-</u>	<u>73,336</u>	<u>73,336</u>	284,326
	<u>-</u>	<u>15,914</u>	<u>73,336</u>	<u>89,250</u>	<u>306,420</u>

The fair values of livestock and vegetables are determined by the Directors with reference to the methodologies and assumptions adopted in the valuation for the year ended 30 June 2016.

13. TRADE RECEIVABLES

The Group's trading terms for its local wholesale and retail sales are mainly cash on delivery whereas local sales to institutional customers and export trading companies are mainly on credit. The credit period is generally for a period from one month to three months depending on the customers' creditworthiness.

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

	31 December 2016 RMB'000	30 June 2016 RMB'000
0 – 1 month	15,990	18,277
1 – 3 months	9,967	8,692
Over 3 months	6,324	5,926
	<u>32,281</u>	<u>32,895</u>

14. TRADE PAYABLES

Ageing analysis of trade payables is as follows:

	31 December 2016 RMB'000	30 June 2016 RMB'000
0 – 1 month	5,662	13,511
1 – 3 months	2,523	10,171
Over 3 months	15,662	15,444
	<u>23,847</u>	<u>39,126</u>

15. APPROVAL OF INTERIM FINANCIAL REPORT

The Interim Financial Report was approved by the Board on 27 February 2017.

FINANCIAL REVIEW

During the financial period under review, the Group recorded a revenue of RMB520 million, representing a drop of approximately 25% as compared to RMB693 million for the same period ended last year. The sales volume of produce was 238,362 tonnes (31 December 2015: 349,118 tonnes). The drop in revenue was mainly due to the decrease in the production base areas. The average selling price of the produce sold in the China markets slightly increased from RMB1.84 per kilogram to RMB1.99 per kilogram. The gross loss was decreased by approximately 42% to RMB194 million as compared to the same period ended last year.

During the financial period under review, selling and distribution expenses decreased from RMB177 million to RMB108 million as a result of dropped in revenue. General and administrative expenses reduced by 3% from RMB62 million to RMB60 million. Other operating expenses increased to RMB1,327 million, as compared to RMB258 million for the same period ended last year. Such an increase in other operating expenses was mainly due to the recognition of impairment loss on property, plant and equipment of RMB808 million and impairment loss on prepaid premium for land leases of RMB279 million. As a result, the loss from operations of the Group for the financial period under review increased to RMB1,742 million (31 December 2015: RMB759 million, as restated).

AGRICULTURAL LAND

As at 31 December 2016, the production area of the Group's core business, including vegetable land and fruit garden, amounted to 333,559 mu (22,237 hectares) (31 December 2015: 470,817 mu (31,388 hectares)), while 400,482 mu (26,699 hectares) was recorded as at 30 June 2016.

As at 31 December 2016, the weighted average production area for vegetables amounted to 225,685 mu (15,046 hectares) (31 December 2015: 296,020 mu (19,735 hectares)), while 285,367 mu (19,024 hectares) was recorded as at 30 June 2016.

BUSINESS OVERVIEW

In early 2016, the Central Committee of the Communist Party of China and the State Council released the "Number One Document", which highlights "the implementation of supply-side structural reform in agriculture" where production is based on market demand and allocation of agricultural resources is optimised so as to better meet the consumers' demand in terms of quantity, product portfolio and quality of produce, with the aim to achieving effective supply of produce. Following the development of the industrial trend and making efforts to place innovative development strategy, Chaoda set up "Chaoda Innovation Think Tank" and organised a strategic seminar for supply-side structural reform in December 2016 to facilitate the exchange of ideas with experts from different fields. The "Chaoda Innovation Think Tank" is a platform founded by Chaoda with each of topmost scientific research institutions and experts which has an advantage to intensify the communications amongst the experts in various fields of agriculture and collectively explore ways that under the background of "Internet + ", how the newly agricultural think tank accelerates measures in smoothing the progress of the comprehensive implementation of supply-side structural reform in the agricultural sector of the real economy.

In addition to promoting the supply-side structural reform in agriculture, Chaoda also shoulders the heavy responsibility of pushing forward eco-agriculture. Accordingly, Chaoda adheres to the principle of sustainable development in the production process through measures like biophysics control, organic fertilisation and ecological cultivation etc., so as to minimise the impact on the environment. Paddy-upland rotation, crop rotation, soil physics improvement are scientifically implemented for conserving soil in order to ensure soil fertility and sustainable crop production. Chaoda conforms to natural and eco-friendly production for the purpose of achieving sustainable development of the agricultural industry.

OUTLOOK

The State has all along attached great importance to agricultural development and offered protection as well as support by persistent implementing favorable policies and providing available resources. Under such favourable conditions with strong support to the development in the agricultural sector from the Chinese government, we believe that Chaoda will enjoy much benefit in its future business development. Looking ahead, Chaoda would seize opportunities and take initiatives to promote reform and innovation, so as to accommodate to the new economic and industrial development trends.

In order to follow the development of industrial trend and better utilise the resources of the Group to maximise return to the shareholders, the Company is taking steps to evaluate the viability of certain operational strategies for the development of its business, which includes attracting participants who carry on agricultural production to form alliance with the Group to engage in efficient and effective agricultural activities and allow them to share the fruit of the efforts. The strategies, if successfully implemented, will create a win-win situation as they are expected to create value for the participants as well as for the Group, which are the Group's continuing quest for a more effective and sustainable development and operation of its agricultural business.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, cash and cash equivalents of the Group amounted to RMB223 million (30 June 2016: RMB204 million). In addition, the Group has unsecured banking facilities totaling RMB400 million which has not been utilised (30 June 2016: RMB400 million).

As at 31 December 2016, the total equity of the Group (including non-controlling interests) amounted to RMB2,533 million (30 June 2016: RMB4,259 million, as restated). Since the Group did not have any outstanding bank loans or long term debts due to third party as at 31 December 2016 and 30 June 2016, the debt to equity ratio (bank loans over total equity) of the Group was nil. The current ratio (dividing total current assets by total current liabilities) was 2 times (30 June 2016: 3 times).

As at 31 December 2016, the Group did not have a concrete plan for material investments or acquisition of capital assets. The Group continues to exercise prudent financial management disciplines and to maintain conservative cash flow management so as to keep its debt-to-equity ratio at low level. The Group believes such measures will be able to meet the future working capital requirements.

The Group did not have any material contingent liabilities as at 31 December 2016 and 30 June 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 December 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

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. During the financial period under review, the Company has applied the principles and complied with all 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 on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for the deviation stated below:

Code provision A.2.1 of the CG Code

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be segregated 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 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.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the Interim Financial Report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules. All Directors, after specific enquiries made by the Company, confirmed that they had complied with the Model Code throughout the financial period under review.

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

Hong Kong, 27 February 2017

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

Executive directors : *Mr. Kwok Ho, Mr. Kuang Qiao, Mr. Yang Gang and Mr. Zhang Chang Man*

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

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