



# CHAODA MODERN AGRICULTURE (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

( Stock Code: 682 )

Interim  
Report  
2016/17





The report is printed on FSC™ certified paper and is fully recyclable. The FSC™ logo identifies products which contain wood from responsible sources certified in accordance with the rules of the Forest Stewardship Council®.

# Contents

---

## Chaoda Modern Agriculture (Holdings) Limited Interim Report 2016/2017



Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	2
Condensed Consolidated Statement of Financial Position	4
Condensed Consolidated Statement of Cash Flows	6
Condensed Consolidated Statement of Changes in Equity	7
Notes to the Condensed Consolidated Financial Statements	9
Management Discussion and Analysis	24
Other Information	28

---

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 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

	Notes	Six months ended 31 December	
		2016 RMB'000	2015 RMB'000 (Restated)
<b>Revenue</b>	3	<b>519,796</b>	692,518
Cost of sales		<b>(713,703)</b>	(1,024,404)
Gross loss		<b>(193,907)</b>	(331,886)
Other revenues		<b>30,084</b>	38,050
(Loss)/Gain arising from changes in fair value less costs to sell of biological assets		<b>(78,374)</b>	35,078
Selling and distribution expenses		<b>(108,204)</b>	(176,957)
General and administrative expenses		<b>(60,218)</b>	(62,106)
Research expenses		<b>(3,819)</b>	(2,762)
Other operating expenses	5	<b>(1,327,267)</b>	(258,101)
<b>Loss from operations</b>		<b>(1,741,705)</b>	(758,684)
Finance costs	6(a)	<b>(35)</b>	(59)
Gain on disposal of available-for-sale investments		–	326
Share of results of associates		<b>(147)</b>	232
<b>Loss before income tax</b>	6	<b>(1,741,887)</b>	(758,185)
Income tax expense	7	–	–
<b>Loss for the period</b>		<b>(1,741,887)</b>	(758,185)
<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 on translation of financial statements of foreign operations		<b>3,650</b>	6,104
Release upon disposals of available-for-sale investments		–	(1,184)
<b>Other comprehensive income for the period, including reclassification adjustments and net of income tax</b>		<b>3,650</b>	4,920
<b>Total comprehensive expense for the period</b>		<b>(1,738,237)</b>	(753,265)

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

For the six months ended 31 December 2016 – Unaudited

	Notes	Six months ended 31 December	
		2016 RMB'000	2015 RMB'000 (Restated)
<b>Loss for the period attributable to:</b>			
Owners of the Company		<b>(1,743,207)</b>	(759,621)
Non-controlling interests		<b>1,320</b>	1,436
		<b>(1,741,887)</b>	(758,185)
<b>Total comprehensive expense for the period attributable to:</b>			
Owners of the Company		<b>(1,738,775)</b>	(753,568)
Non-controlling interests		<b>538</b>	303
		<b>(1,738,237)</b>	(753,265)
<b>Loss per share for loss attributable to the owners of the Company during the period</b>			
– Basic	9(a)	<b>RMB(0.53)</b>	RMB(0.23)
– Diluted	9(b)	<b>RMB(0.53)</b>	RMB(0.23)

# 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)
<b>ASSETS AND LIABILITIES</b>				
<b>Non-current assets</b>				
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	13	5,595	7,362	7,536
		<b>2,197,274</b>	<b>3,542,369</b>	<b>7,652,811</b>
<b>Current assets</b>				
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	14	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
		<b>669,963</b>	<b>1,063,975</b>	<b>1,249,217</b>
<b>Current liabilities</b>				
Trade payables	15	23,847	39,126	20,507
Other payables and accruals		290,037	287,891	358,528
Bank loans	16	–	–	4,170
		<b>313,884</b>	<b>327,017</b>	<b>383,205</b>
<b>Net current assets</b>		<b>356,079</b>	<b>736,958</b>	<b>866,012</b>
<b>Total assets less current liabilities</b>		<b>2,553,353</b>	<b>4,279,327</b>	<b>8,518,823</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities	17	20,655	20,655	20,655
<b>Net assets</b>		<b>2,532,698</b>	<b>4,258,672</b>	<b>8,498,168</b>

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

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)
<b>EQUITY</b>				
<b>Equity attributable to the owners of the Company</b>				
Share capital	18	<b>332,926</b>	332,787	332,787
Reserves		<b>2,197,512</b>	3,924,163	8,163,652
		<b>2,530,438</b>	4,256,950	8,496,439
<b>Non-controlling interests</b>		<b>2,260</b>	1,722	1,729
<b>Total equity</b>		<b>2,532,698</b>	4,258,672	8,498,168

# Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2016 – Unaudited

	Six months ended 31 December	
	2016 RMB'000	2015 RMB'000
Net cash generated from operating activities	57,763	3,229
Net cash used in investing activities	(43,133)	(5,383)
Net cash generated from/(used in) financing activities	260	(4,170)
Net increase/(decrease) in cash and cash equivalents	14,890	(6,324)
Cash and cash equivalents at beginning of the period	204,443	239,342
Effect of foreign exchange rate changes, net	3,420	5,493
<b>Cash and cash equivalents at end of the period</b>	<b>222,753</b>	238,511

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2016 – Unaudited

	Attributable to the owners of the Company											Total
	Share capital	Share premium	Capital reserve	Employee share-based compensation reserve	Capital redemption reserve	Investment revaluation reserve	Exchange reserve	Statutory reserve	Retained profits	Total	Non-controlling interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Six months ended 31 December 2015</b>												
<b>At 1 July 2015 (Audited)</b>	332,787	5,968,860	94,894	207,817	5,247	1,184	(236,052)	688,059	1,424,793	8,487,589	1,729	8,489,318
Retrospective effect of adoption of HKAS 16 and HKAS 41 (amendments)	-	-	-	-	-	-	-	-	8,850	8,850	-	8,850
<b>At 1 July 2015, as restated</b>	332,787	5,968,860	94,894	207,817	5,247	1,184	(236,052)	688,059	1,433,643	8,496,439	1,729	8,498,168
Loss for the period, as restated	-	-	-	-	-	-	-	-	(759,621)	(759,621)	1,436	(758,185)
<b>Other comprehensive (expense)/ income for the period</b>												
- Currency translation differences	-	-	-	-	-	-	7,237	-	-	7,237	(1,133)	6,104
- Release upon disposal of available-for-sale investments	-	-	-	-	-	(1,184)	-	-	-	(1,184)	-	(1,184)
<b>Total comprehensive (expense)/ income for the period</b>	-	-	-	-	-	(1,184)	7,237	-	(759,621)	(753,568)	303	(753,265)
Lapse of share options	-	-	-	(2,913)	-	-	-	-	2,913	-	-	-
<b>At 31 December 2015 (Unaudited)</b>	332,787	5,968,860	94,894	204,904	5,247	-	(228,815)	688,059	676,935	7,742,871	2,032	7,744,903

## Condensed Consolidated Statement of Changes in Equity (continued)

For the six months ended 31 December 2016 – Unaudited

	Attributable to the owners of the Company											
	Share capital	Share premium	Capital reserve	Employee share-based compensation reserve	Capital redemption reserve	Exchange reserve	Statutory reserve	Accumulated losses	Total	Non-controlling interests	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Six months ended 31 December 2016</b>												
At 1 July 2016 (Audited)	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	
Retrospective effect of adoption of HKAS 16 and HKAS 41 (amendments)	-	-	-	-	-	-	-	(170,634)	(170,634)	-	(170,634)	
<b>At 1 July 2016, as restated</b>	<b>332,787</b>	<b>5,968,860</b>	<b>94,894</b>	<b>203,780</b>	<b>5,247</b>	<b>(226,387)</b>	<b>688,059</b>	<b>(2,810,290)</b>	<b>4,256,950</b>	<b>1,722</b>	<b>4,258,672</b>	
Employee share option benefits	-	-	-	12,003	-	-	-	-	12,003	-	12,003	
Shares issued under share option scheme	139	268	-	(147)	-	-	-	-	260	-	260	
Transactions with owners	139	268	-	11,856	-	-	-	-	12,263	-	12,263	
Loss for the period	-	-	-	-	-	-	-	(1,743,207)	(1,743,207)	1,320	(1,741,887)	
<b>Other comprehensive (expense)/ income for the period</b>												
- Currency translation differences	-	-	-	-	-	4,432	-	-	4,432	(782)	3,650	
<b>Total comprehensive (expense)/ income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,432</b>	<b>-</b>	<b>(1,743,207)</b>	<b>(1,738,775)</b>	<b>538</b>	<b>(1,738,237)</b>	
Lapse of share options	-	-	-	(41,872)	-	-	-	41,872	-	-	-	
<b>At 31 December 2016 (Unaudited)</b>	<b>332,926</b>	<b>5,969,128</b>	<b>94,894</b>	<b>173,764</b>	<b>5,247</b>	<b>(221,955)</b>	<b>688,059</b>	<b>(4,511,625)</b>	<b>2,530,438</b>	<b>2,260</b>	<b>2,532,698</b>	

# 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 Chaoda Modern Agriculture (Holdings) Limited (the “Company”) and its subsidiaries (collectively, 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 to the Interim Financial Report.

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

## 2. ADOPTION OF NEW, AMENDED OR REVISED HKFRSs

In the current interim period, the Group has applied, for the first time, all the new standards, amendments and interpretations (the “new HKFRSs”) issued by the HKICPA, which are relevant to and effective for the Group’s 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.

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

For the six months ended 31 December 2016 – Unaudited

### 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:

	<b>For the six months ended 31 December 2015 (Originally stated)</b> RMB'000	<b>Adjustment</b> RMB'000	<b>For the six months ended 31 December 2015 (Restated)</b> 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	143,166	(108,088)	35,078
Effect on basic loss per share	RMB(0.20)	RMB(0.03)	RMB(0.23)

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:

	<b>As at 30 June 2016 (Originally stated)</b> RMB'000	<b>Adjustment</b> RMB'000	<b>As at 30 June 2016 (Restated)</b> 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	489,441	(170,634)	318,807
Accumulated losses and total effect on equity	(2,639,656)	(170,634)	(2,810,290)

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

For the six months ended 31 December 2016 – Unaudited

### 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:

	<b>As at 1 July 2015 (Originally stated)</b> RMB'000	<b>Adjustment</b> RMB'000	<b>As at 1 July 2015 (Restated)</b> 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
<b>Total effect on net assets</b>	<b>4,055,869</b>	<b>8,850</b>	<b>4,064,719</b>
<b>Accumulated losses and total effect on equity</b>	<b>1,424,793</b>	<b>8,850</b>	<b>1,433,643</b>

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.

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

For the six months ended 31 December 2016 – Unaudited

### 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 RMB'000	2015 RMB'000
Sales of crops	517,132	690,032
Sales of livestock	2,664	2,486
	<b>519,796</b>	692,518

### 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.

## Notes to the Condensed

### Consolidated Financial Statements (continued)

For the six months ended 31 December 2016 – Unaudited

#### 5. OTHER OPERATING EXPENSES

	Six months ended 31 December	
	2016 RMB'000	2015 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
	<b>1,327,267</b>	<b>258,101</b>

#### 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
	<b>35</b>	<b>59</b>

##### (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
	<b>300,679</b>	<b>363,775</b>

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

For the six months ended 31 December 2016 – Unaudited

### 6. LOSS BEFORE INCOME TAX *(Continued)*

#### (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	65,071	104,412

### 7. INCOME TAX EXPENSE

- (a) No provision for the PRC enterprise income tax has been made in the condensed consolidated financial statements for 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.

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

For the six months ended 31 December 2016 – Unaudited

### 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

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

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

For the six months ended 31 December 2016 – Unaudited

### 10. PROPERTY, PLANT AND EQUIPMENT (Continued)

Note:

As at the period ended 31 December 2016, due to the plan of early termination of certain land areas, an impairment loss of approximately RMB808,267,000 was then 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
<b>Cost</b>			
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
<b>At 31 December 2016</b>	<b>1,598,745</b>	<b>127,970</b>	<b>1,726,715</b>
<b>Accumulated amortisation and impairment loss</b>			
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 (Note)	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 (Note)	279,164	–	279,164
Exchange realignment	10,620	–	10,620
<b>At 31 December 2016</b>	<b>876,552</b>	<b>62,325</b>	<b>938,877</b>
<b>Net carrying value as at 31 December 2016</b>	<b>722,193</b>	<b>65,645</b>	<b>787,838</b>
Net carrying value as at 30 June 2016	1,027,437	68,066	1,095,503

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

For the six months ended 31 December 2016 – Unaudited

### 11. PREPAID PREMIUM FOR LAND LEASES *(Continued)*

	<b>31 December 2016 RMB'000</b>	30 June 2016 RMB'000
Non-current portion	<b>753,406</b>	1,038,582
Current portion	<b>34,432</b>	56,921
Net carrying value	<b>787,838</b>	1,095,503

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>31 December 2016 RMB'000</b>	30 June 2016 RMB'000
Outside Hong Kong held on:		
– Leases of over 50 years	<b>6,525</b>	6,585
– Leases of between 10 to 50 years	<b>781,313</b>	1,088,918
	<b>787,838</b>	1,095,503

Note:

As at the period ended 31 December 2016, due to the plan of early termination of certain land areas, an impairment loss of approximately RMB279,164,000 was then 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.

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

For the six months ended 31 December 2016 – Unaudited

### 12. BIOLOGICAL ASSETS

	Fruits 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)	(540,738)	–	–	(540,738)
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	–	(33,065)	81,805	48,740
At 30 June 2016, as restated	–	22,094	284,326	306,420
At 1 July 2016 (Audited)	181,069	22,094	284,326	487,489
Retrospective effect of adoption of HKAS 16 and HKAS 41 (amendments)	(181,069)	–	–	(181,069)
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 (Note)	(76,821)	–	–	(76,821)
Loss arising from changes in fair value less costs to sell	–	(13,629)	(64,745)	(78,374)
<b>At 31 December 2016</b>	<b>–</b>	<b>15,914</b>	<b>73,336</b>	<b>89,250</b>

Note:

As at the period ended 31 December 2016, an impairment loss of approximately RMB76,821,000 was recognised on the carrying amount of fruits with reference to its net realisable value assessment.

## Notes to the Condensed

### Consolidated Financial Statements *(continued)*

For the six months ended 31 December 2016 – Unaudited

#### 12. BIOLOGICAL ASSETS *(Continued)*

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:

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

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. INTERESTS IN ASSOCIATES

	31 December 2016 RMB'000	30 June 2016 RMB'000
Share of net assets	5,219	7,003
Amount due from an associate	376	359
	5,595	7,362

Amount due from an associate is unsecured, interest-free and has no fixed terms of repayment. In the opinion of the Directors, the balance due is considered as non-current as the settlement of the amount due is neither planned nor likely to occur in the foreseeable future.

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

For the six months ended 31 December 2016 – Unaudited

### 14. TRADE RECEIVABLES

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

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

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

### 15. TRADE PAYABLES

Ageing analysis of trade payables is as follows:

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

### 16. BANK LOANS

As at 31 December 2016 and 30 June 2016, the Group has unsecured banking facilities totaling RMB400,000,000 which has not been utilized.

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

For the six months ended 31 December 2016 – Unaudited

### 17. DEFERRED TAX LIABILITIES

Under the PRC Tax Law, 10% withholding tax is levied on the foreign investor in respect of dividend distributions arising from a foreign investment enterprise's profit earned after 1 January 2008. Pursuant to the grandfathering treatments of the PRC Tax Law, dividends receivable by the Group from its PRC subsidiaries in respect of its undistributed retained earnings prior to 31 December 2007 are exempt from the withholding tax.

At 31 December 2016 and 30 June 2016, deferred tax liabilities of approximately RMB20,655,000 were recognised in respect of the undistributed retained earnings of the PRC subsidiaries. No temporary differences associated with the PRC subsidiaries' undistributed retained earnings for which deferred tax liabilities have not been recognised (30 June 2016: RMB433,714,000). 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.

### 18. SHARE CAPITAL

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

	No. of shares (‘000)	HK\$'000	RMB'000
At 1 July 2015, 30 June 2016 and <b>31 December 2016</b>	5,000,000	500,000	527,515

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

	No. of shares (‘000)	HK\$'000	RMB'000
At 1 July 2015 and 30 June 2016	3,291,302	329,130	332,787
Shares issued under share option scheme	1,600	160	139
<b>At 31 December 2016</b>	<b>3,292,902</b>	<b>329,290</b>	<b>332,926</b>

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

For the six months ended 31 December 2016 – Unaudited

### 19. COMMITMENTS

#### (a) Capital commitments

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

	<b>31 December 2016 RMB'000</b>	30 June 2016 RMB'000
Contracted but not provided for:		
Purchases of property, plant and equipment	–	1,044

#### (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:

	<b>31 December 2016 RMB'000</b>	30 June 2016 RMB'000
Within one year	<b>136,134</b>	150,028
In the second to fifth years, inclusive	<b>536,001</b>	593,312
After five years	<b>1,234,982</b>	1,405,605
<b>Total</b>	<b>1,907,117</b>	2,148,945

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

For the six months ended 31 December 2016 – Unaudited

### 19. COMMITMENTS *(Continued)*

#### (b) Operating lease commitments and arrangements *(Continued)*

##### *As lessor*

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

	<b>31 December 2016 RMB'000</b>	30 June 2016 RMB'000
Within one year	<b>6,816</b>	9,887
In the second to fifth years, inclusive	<b>21,372</b>	21,729
After five years	–	1,295
Total	<b>28,188</b>	32,911

### 20. APPROVAL OF INTERIM FINANCIAL REPORT

The Interim Financial Report was approved by the board of Directors on 27 February 2017.

# Management Discussion and Analysis

## FINANCIAL REVIEW

In the past years, the demand for the Group's produces had remained at a low level. The farmland leased and available to the Group for crop production had not been utilised in full and economies of scale could not be effectively accomplished. The situation was aggravated by the drop in average selling price for crops in the China markets coupled with the continued rise in the overall production costs in recent years (including but not limited to labour and rental costs).

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 of the persisting challenges in the operating environment, the management of the Company considered it strategically and commercially desirable for the Group to take steps to gradually downsize the scale, and ultimately reduce the overall costs, of crop production by the plan of early termination of the leases of certain farmlands which were primarily in the Northern part location. Details of location in provinces of the PRC are as follow:

<b>Location of land</b>	<b>Approximate land area</b>	<b>Approximate amount of impairment loss</b>
Hebei Province	77,500 mu	RMB 141 million
Jilin Province	50,000 mu	RMB 93 million
Jiangsu Province	20,000 mu	RMB 45 million
<b>Total:</b>	<b>147,500 mu</b>	<b>RMB 279 million</b>

Accordingly, an impairment loss of approximately RMB808 million was recognised to impair the carrying amount of the property, plant and equipment, being the farmland infrastructure consisting mainly of:

- roads and ditches construction works of approximately RMB303 million;
- green house facilities of approximately RMB275 million;
- irrigation facilities system of approximately RMB180 million; and
- electricity and power facilities system of approximately RMB28 million.

## Management Discussion and Analysis

In addition, the carrying amount of biological assets (such as fruits) was under reviewed and was made with reference to their net realisable value assessable as at the period ended.

The recognition of impairment loss of approximately RMB76.8 million on the biological assets was mainly due to the circumstance that the estimated future costs to be incurred for the biological assets until harvest exceed its expected total revenue. Consequently, the costs that had already been incurred (being the carrying amount) of the biological assets as at the period ended under review were impaired accordingly.

As a result of the above, 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.

## Management Discussion and Analysis

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.

## Management Discussion and Analysis

### EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATE

The business operations of the Group's subsidiaries were mainly conducted in the PRC with revenues and expenses of the Group's subsidiaries denominated in Renminbi. As at the date of this report, the board of directors of the Company (the "Board") considers that the Group's risk exposure to foreign exchange rate fluctuation remained minimal. The Group would closely monitor the volatility of the currency exchange rate and adopt appropriate measures, should the needs arise.

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

### CHARGE ON ASSETS

As at 31 December 2016 and 30 June 2016, the Group did not charge any of its assets.

### CAPITAL STRUCTURE

The capital structure of the Group includes issued share capital and reserves.

As at 31 December 2016, the Company has issued ordinary share capital of 3,292,902,491 shares. During the financial period under review, the grantee of the share options exercised 1,600,000 share options pursuant to the 2015 Share Option Scheme (as defined below under the section headed "Share Option Scheme") and the underlying shares were allotted on 4 November 2016.

### HUMAN RESOURCES

As at 31 December 2016, the Group employed approximately 8,933 employees, of which 8,342 were farmlands workers.

Remuneration of employees is reviewed annually to maintain at a competitive level. The Group also makes reference to the labour market and economic condition. Other benefits including but not limited to pension, insurance, education, subsidies and training programmes are provided to the employees as well.

# Other Information

## DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2016, the interests and short position of the directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or otherwise as notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in the Rules Governing the Listing of Securities on the Stock Exchange (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	2,028,000	645,092,644	19.60%
	Corporate interests (Note)	643,064,644		

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\$	Number of share options			
		Starting	Ending		Balance as at 01/07/2016	During the financial period under review	Balance as at 31/12/2016	
					Grant	Lapsed		
Mr. Kuang Qiao	26/11/2010	26/11/2010 to	25/11/2020	6.430	2,000,000	-	2,000,000	
		13/07/2016 to	12/07/2026	0.187	-	2,000,000	2,000,000	
	13/07/2016	13/07/2017 to	12/07/2026	0.187	-	2,000,000	-	2,000,000
		13/07/2018 to	12/07/2026	0.187	-	2,000,000	-	2,000,000
		13/07/2019 to	12/07/2026	0.187	-	2,000,000	-	2,000,000
		13/07/2020 to	12/07/2026	0.187	-	2,000,000	-	2,000,000
Mr. Yang Gang	31/08/2006	01/04/2011 to	30/08/2016	3.837	105,300	-	-	
		26/11/2010 to	25/11/2020	6.430	200,000	(105,300)	200,000	
	13/07/2016	13/07/2016 to	12/07/2026	0.187	-	800,000	-	800,000
		13/07/2017 to	12/07/2026	0.187	-	800,000	-	800,000
		13/07/2018 to	12/07/2026	0.187	-	800,000	-	800,000
		13/07/2019 to	12/07/2026	0.187	-	800,000	-	800,000
13/07/2016	13/07/2020 to	12/07/2026	0.187	-	800,000	-	800,000	
	Mr. Zhang Chang Man	13/07/2016 to	12/07/2026	0.187	-	1,200,000	-	1,200,000
13/07/2017 to		12/07/2026	0.187	-	1,200,000	-	1,200,000	
13/07/2018 to		12/07/2026	0.187	-	1,200,000	-	1,200,000	
13/07/2019 to		12/07/2026	0.187	-	1,200,000	-	1,200,000	
13/07/2020 to		12/07/2026	0.187	-	1,200,000	-	1,200,000	

## Other Information

Name of directors	Grant date	Exercisable period		Exercise price HK\$	Number of share options			
		Starting	Ending		Balance as at 01/07/2016	During the financial period under review		Balance as at 31/12/2016
						Grant	Lapsed	
Mr. Ip Chi Ming	26/11/2010	26/11/2010	to 25/11/2020	6.430	2,000,000	–	–	2,000,000
	13/07/2016	13/07/2016	to 12/07/2026	0.187	–	1,200,000	–	1,200,000
		13/07/2017	to 12/07/2026	0.187	–	1,200,000	–	1,200,000
		13/07/2018	to 12/07/2026	0.187	–	1,200,000	–	1,200,000
		13/07/2019	to 12/07/2026	0.187	–	1,200,000	–	1,200,000
13/07/2020	to 12/07/2026	0.187	–	1,200,000	–	1,200,000		
Mr. Fung Chi Kin	26/11/2010	26/11/2010	to 25/11/2020	6.430	750,000	–	–	750,000
	13/07/2016	13/07/2016	to 12/07/2026	0.187	–	600,000	–	600,000
		13/07/2017	to 12/07/2026	0.187	–	600,000	–	600,000
		13/07/2018	to 12/07/2026	0.187	–	600,000	–	600,000
		13/07/2019	to 12/07/2026	0.187	–	600,000	–	600,000
13/07/2020	to 12/07/2026	0.187	–	600,000	–	600,000		
Mr. Tam Ching Ho	26/11/2010	26/11/2010	to 25/11/2020	6.430	750,000	–	–	750,000
	13/07/2016	13/07/2016	to 12/07/2026	0.187	–	600,000	–	600,000
		13/07/2017	to 12/07/2026	0.187	–	600,000	–	600,000
		13/07/2018	to 12/07/2026	0.187	–	600,000	–	600,000
		13/07/2019	to 12/07/2026	0.187	–	600,000	–	600,000
13/07/2020	to 12/07/2026	0.187	–	600,000	–	600,000		
Professor Lin Shun Quan	13/07/2016	13/07/2016	to 12/07/2026	0.187	–	100,000	–	100,000
		13/07/2017	to 12/07/2026	0.187	–	100,000	–	100,000
		13/07/2018	to 12/07/2026	0.187	–	100,000	–	100,000
		13/07/2019	to 12/07/2026	0.187	–	100,000	–	100,000
		13/07/2020	to 12/07/2026	0.187	–	100,000	–	100,000
Mr. Chan Yik Pun	13/07/2016	13/07/2016	to 12/07/2026	0.187	–	400,000	–	400,000
		13/07/2017	to 12/07/2026	0.187	–	400,000	–	400,000
		13/07/2018	to 12/07/2026	0.187	–	400,000	–	400,000
		13/07/2019	to 12/07/2026	0.187	–	400,000	–	400,000
		13/07/2020	to 12/07/2026	0.187	–	400,000	–	400,000

Save as disclosed above, as at 31 December 2016, none of the directors, 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 or any of 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 period 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 the acquisition of shares in, or debentures of the Company or any other body corporate.

## Other Information

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2016, the following party (not being directors or chief executives of the Company) was 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 shareholder	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%

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.

### 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 were set out in the 2015/2016 annual report of the Company.

During the financial period under review, details of 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 01/07/2016	Lapsed during the financial period under review	Balance as at 31/12/2016
<b>Directors</b>							
Mr. Kuang Qiao	26/11/2010	26/11/2010	to 25/11/2020	6.430	2,000,000	—	2,000,000
Mr. Yang Gang	31/08/2006	01/04/2011	to 30/08/2016	3.837	105,300	(105,300)	—
	26/11/2010	26/11/2010	to 25/11/2020	6.430	200,000	—	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

## Other Information

Category of participants	Grant date	Exercisable period		Exercise price HK\$	Number of share options		
		Starting	Ending		Balance as at 01/07/2016	Lapsed during the financial period under review	Balance as at 31/12/2016
Employees in aggregate	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	636,430	(636,430)	—
	31/08/2006	01/04/2011	to 30/08/2016	3.837	20,043,960	(20,043,960)	—
	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	124,800	—	124,800
	24/10/2008	24/10/2010	to 23/10/2018	3.846	332,800	—	332,800
	24/10/2008	24/10/2011	to 23/10/2018	3.846	332,800	—	332,800
	24/10/2008	24/10/2012	to 23/10/2018	3.846	332,800	—	332,800
	26/11/2010	26/11/2010	to 25/11/2020	6.430	56,300,000	—	56,300,000
	26/11/2010	26/11/2011	to 25/11/2020	6.430	300,000	—	300,000
	26/11/2010	26/11/2012	to 25/11/2020	6.430	300,000	—	300,000
	26/11/2010	26/11/2013	to 25/11/2020	6.430	300,000	—	300,000
Other Participants 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	2,500,000 (Note 1)	—	2,500,000
Total					91,783,490	(23,015,490)	68,768,000

### Notes:

- Share options held by the retired director were re-classified to the category of other participants upon her retirement which was to take effect on 16 December 2016.
- No share options have been granted or exercised or cancelled under the 2002 Share Option Scheme during the six months ended 31 December 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 were set out in the 2015/2016 annual report of the Company.

## Other Information

During the financial period under review, details of the share options granted and exercised under the 2015 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 01/07/2016	During the financial period under review	Balance as at 31/12/2016	
					Granted (Note 1)	Exercised (Note 2)		
<b>Directors</b>								
Mr. Kuang Qiao	13/07/2016	13/07/2016 to	12/07/2026	0.187	–	2,000,000	–	2,000,000
		13/07/2017 to	12/07/2026	0.187	–	2,000,000	–	2,000,000
		13/07/2018 to	12/07/2026	0.187	–	2,000,000	–	2,000,000
		13/07/2019 to	12/07/2026	0.187	–	2,000,000	–	2,000,000
		13/07/2020 to	12/07/2026	0.187	–	2,000,000	–	2,000,000
Mr. Yang Gang	13/07/2016	13/07/2016 to	12/07/2026	0.187	–	800,000	–	800,000
		13/07/2017 to	12/07/2026	0.187	–	800,000	–	800,000
		13/07/2018 to	12/07/2026	0.187	–	800,000	–	800,000
		13/07/2019 to	12/07/2026	0.187	–	800,000	–	800,000
		13/07/2020 to	12/07/2026	0.187	–	800,000	–	800,000
Mr. Zhang Chang Man	13/07/2016	13/07/2016 to	12/07/2026	0.187	–	1,200,000	–	1,200,000
		13/07/2017 to	12/07/2026	0.187	–	1,200,000	–	1,200,000
		13/07/2018 to	12/07/2026	0.187	–	1,200,000	–	1,200,000
		13/07/2019 to	12/07/2026	0.187	–	1,200,000	–	1,200,000
		13/07/2020 to	12/07/2026	0.187	–	1,200,000	–	1,200,000
Mr. Ip Chi Ming	13/07/2016	13/07/2016 to	12/07/2026	0.187	–	1,200,000	–	1,200,000
		13/07/2017 to	12/07/2026	0.187	–	1,200,000	–	1,200,000
		13/07/2018 to	12/07/2026	0.187	–	1,200,000	–	1,200,000
		13/07/2019 to	12/07/2026	0.187	–	1,200,000	–	1,200,000
		13/07/2020 to	12/07/2026	0.187	–	1,200,000	–	1,200,000
Mr. Fung Chi Kin	13/07/2016	13/07/2016 to	12/07/2026	0.187	–	600,000	–	600,000
		13/07/2017 to	12/07/2026	0.187	–	600,000	–	600,000
		13/07/2018 to	12/07/2026	0.187	–	600,000	–	600,000
		13/07/2019 to	12/07/2026	0.187	–	600,000	–	600,000
		13/07/2020 to	12/07/2026	0.187	–	600,000	–	600,000
Mr. Tam Ching Ho	13/07/2016	13/07/2016 to	12/07/2026	0.187	–	600,000	–	600,000
		13/07/2017 to	12/07/2026	0.187	–	600,000	–	600,000
		13/07/2018 to	12/07/2026	0.187	–	600,000	–	600,000
		13/07/2019 to	12/07/2026	0.187	–	600,000	–	600,000
		13/07/2020 to	12/07/2026	0.187	–	600,000	–	600,000
Professor Lin Shun Quan	13/07/2016	13/07/2016 to	12/07/2026	0.187	–	100,000	–	100,000
		13/07/2017 to	12/07/2026	0.187	–	100,000	–	100,000
		13/07/2018 to	12/07/2026	0.187	–	100,000	–	100,000
		13/07/2019 to	12/07/2026	0.187	–	100,000	–	100,000
		13/07/2020 to	12/07/2026	0.187	–	100,000	–	100,000
Mr. Chan Yik Pun	13/07/2016	13/07/2016 to	12/07/2026	0.187	–	400,000	–	400,000
		13/07/2017 to	12/07/2026	0.187	–	400,000	–	400,000
		13/07/2018 to	12/07/2026	0.187	–	400,000	–	400,000
		13/07/2019 to	12/07/2026	0.187	–	400,000	–	400,000
		13/07/2020 to	12/07/2026	0.187	–	400,000	–	400,000

## Other Information

Category of participants	Grant date	Exercisable period		Exercise price HK\$	Number of share options			
		Starting	Ending		Balance as at 01/07/2016	During the financial period under review	Balance as at 31/12/2016	
					Granted (Note 1)	Exercised (Note 2)		
<b>Employees</b> in aggregate	13/07/2016	13/07/2016	to 12/07/2026	0.187	–	49,926,000	(1,600,000) (Note 3)	48,326,000
		13/07/2017	to 12/07/2026	0.187	–	49,926,000	–	49,926,000
		13/07/2018	to 12/07/2026	0.187	–	49,926,000	–	49,926,000
		13/07/2019	to 12/07/2026	0.187	–	49,926,000	–	49,926,000
		13/07/2020	to 12/07/2026	0.187	–	49,926,000	–	49,926,000
<b>Other Participants</b> in aggregate (Note 4)	13/07/2016	13/07/2016	to 12/07/2026	0.187	–	9,000,000	–	9,000,000
		13/07/2017	to 12/07/2026	0.187	–	9,000,000	–	9,000,000
		13/07/2018	to 12/07/2026	0.187	–	9,000,000	–	9,000,000
		13/07/2019	to 12/07/2026	0.187	–	9,000,000	–	9,000,000
		13/07/2020	to 12/07/2026	0.187	–	9,000,000	–	9,000,000
<b>Total</b>					–	329,130,000	(1,600,000)	327,530,000

### Notes:

1. The closing price immediately before the date of share options granted on 13 July 2016 was HK\$0.182.
2. Shares for 1,600,000 exercised share options were allotted during the financial period under review (31 December 2015: Nil).
3. The weighted average closing price of the share immediately before the date on which the share options were exercised was HK\$0.244.
4. Share options held by the retired director were re-classified to the category of other participants upon her retirement which was to take effect on 16 December 2016.
5. No share options have been cancelled or lapsed under the 2015 Share Option Scheme during the six months ended 31 December 2016.
6. The above share options granted are recognised as expenses in the accounts in accordance with the Company's accounting policy. The fair values of the share options granted are estimated using the Binomial Option Pricing Model. The Binomial Option Pricing Model required input of subjective assumptions such as the expected stock price volatility. Changes in the subjective input may materially affect the fair value estimates.

## 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.

## Other Information

### 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.

### 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 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.

### MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted 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.

On behalf of the Board

**Kwok Ho**

*Chairman*

Hong Kong, 27 February 2017