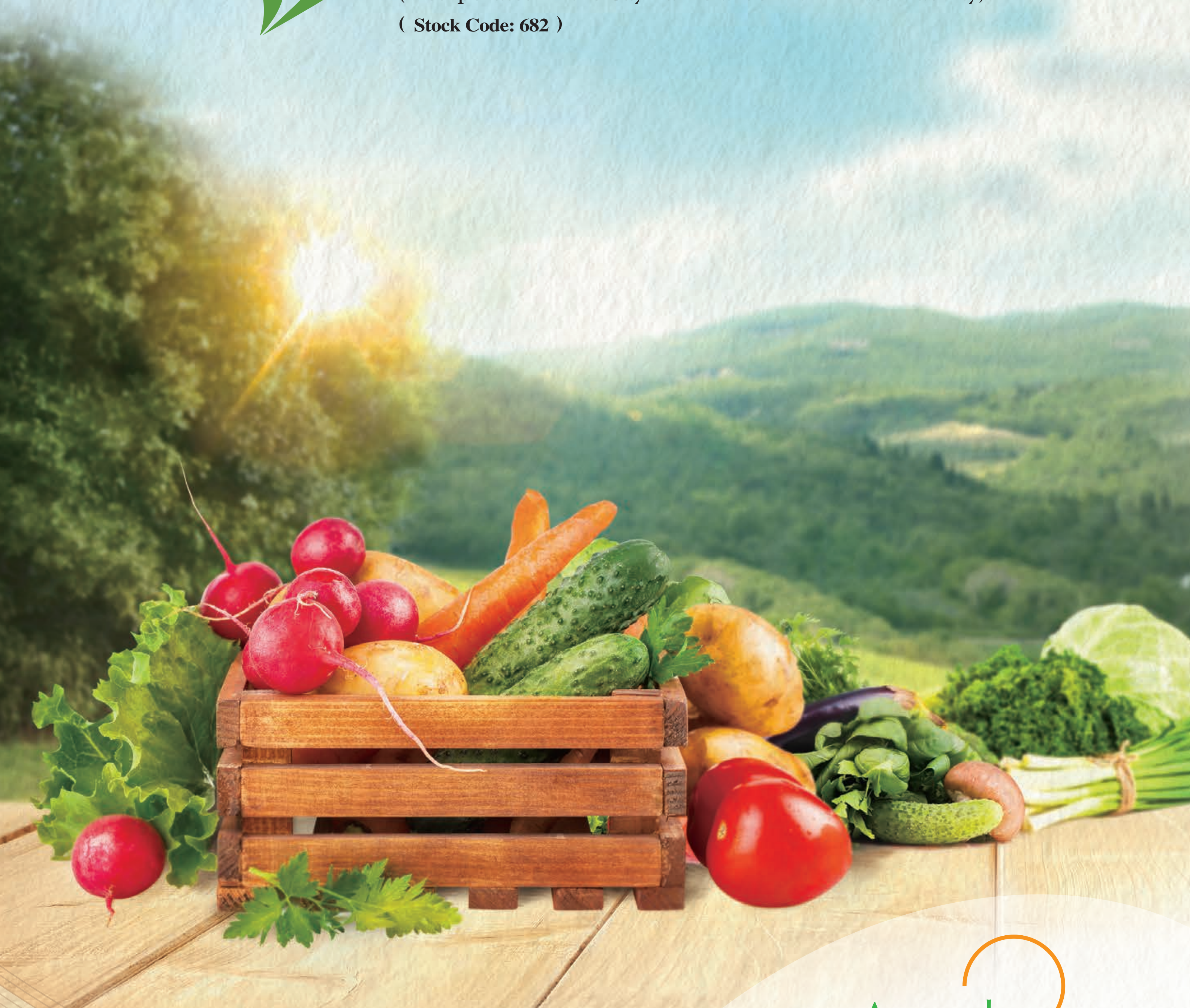
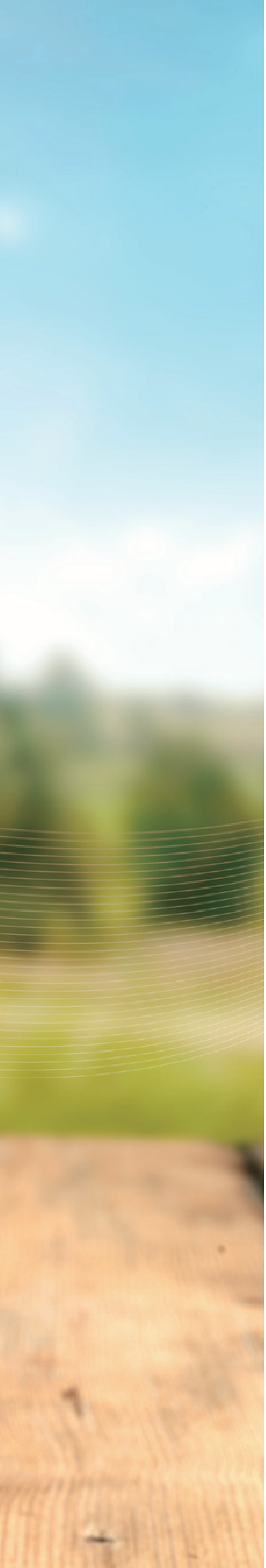
CHAODA MODERN AGRICULTURE (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 682)



Annual Report 2016/17



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BOARD OF DIRECTORS

Executive Directors

Mr. Kwok Ho *(Chairman)*
Ms. Huang Xie Ying (retired on 16 December 2016)
Mr. Kuang Qiao
Mr. Yang Gang
Mr. Zhang Chang Man (resigned on 23 May 2017)

Non-executive Director

Mr. Ip Chi Ming

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Fung Chi Kin *(Chairman)*
Mr. Tam Ching Ho
Mr. Chan Yik Pun
Mr. Zhang Chang Man (resigned on 23 May 2017)

NOMINATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

Mr. Kwok Ho
Mr. Ip Chi Ming

CHIEF FINANCIAL OFFICER

Mr. Chan Chi Po Andy

COMPANY SECRETARY

Ms. Chong Suet Ming Alison

STOCK CODE

The Stock Exchange of Hong Kong Limited: 682

AUDITORS

Elite Partners CPA Limited
Certified Public Accountants

PRINCIPAL BANKS

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

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITES

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

Chairman's Statement

I hereby present the annual results of Chaoda Modern Agriculture (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group" or "Chaoda") for the financial year ended 30 June 2017 on behalf of the board of directors (the "Board") of the Company.

INDUSTRY AND BUSINESS REVIEW

In relation to the hot topic in agriculture, the 2017 No. 1 Document, the National People's Congress (NPC) and the National Committee of the Chinese People's Political Consultative Conference (CPPC) have carried out in-depth promotion of the supply-side structural reform in agriculture, which became the focal point in agricultural development. In the direction of reform, green production methods and agricultural sustainability were highlighted with the aims of reducing damages to the ecology and ensuring food safety.

Chaoda is committed to green development, which is in line with the national development goal of promoting agricultural reform. During the financial year under review, the Group has persisted in taking the path of green development and modern agriculture by adopting production methods that followed the rules of nature and preserved the environment. It also implemented scientific planting so as to promote the sustainable development of the agricultural industry. Therefore, in the course of agricultural production, Chaoda launched agricultural water-saving projects, where it made use of sprinkler irrigation device and equipment to improve the utilisation rate of water, thereby achieving high efficiency and energy saving. Meanwhile, by applying fallow farming, rotation, intercropping and other farming methods and technology, it effectively improved soil fertility and moisture while facilitating sustainable production. Chaoda also adopted physical control and biological control measures, such as the yellow board, insecticidal lights, insect nets and other device and equipment, together with the advanced technology of professional plant protection staff for comprehensive protection of food safety. On the other hand, Chaoda put into practice strict quality and safety standards, and constantly improved and upgraded the "quality and safety traceability management system" with the intention of achieving information traceability in a transparent and open manner, so as to guarantee food safety. Chaoda has integrated economic interests with environmental protection, hence it not only protects scarce and high-quality land resources, but also ensures the sustainable development of the ecological environment.

Following the industry development trend, Chaoda made efforts for its innovative development strategy. In December 2016, Chaoda joined hands with top-notch scientific research institutions and experts to set up the "Chaoda Innovation Think Tank". Through cooperation in the new agricultural think tank, it pushed forward the agricultural supply-side structural reform for the real economy. The goal of enhancing agricultural efficiency, increasing income of farmers and developing rural areas could be achieved.

In addition, Chaoda strengthened brand reputation through the eco-friendly approach, resources-focused development and industrialisation. In June 2017, Chaoda was continuously recognised as "China's 500 Most Valuable Brand" by the World Brand Laboratory ranking 83th with a brand value of RMB38.035 billion.

Greater efforts in agricultural technology research have helped boost overall profitability and competitiveness of the sector. Chaoda seized opportunities and signed a comprehensive cooperation strategic agreement with the Fujian Academy of Agricultural Sciences in June 2017. Pursuant to which, all parties will leverage their respective intellectual capacity, technology, capital and industrial advantages to achieve close collaboration and mutual benefit, and lead by example in a joint effort for promoting the agriculture development in the People's Republic of China (the "PRC" or "China").

FUTURE OUTLOOK

With over 20 years of practices, Chaoda has proved that its development path of modern agriculture is in line with the national goal of agricultural development. Chaoda has also demonstrated its commitment to push forward the modernisation of China's agriculture industry with concrete actions. Looking ahead, Chaoda will capture opportunities and take initiatives to promote reform and innovation, so as to accommodate to the new economic and industrial trends.

In order to follow the industry development trend and better utilise the resources of the Group to maximise return to our shareholders, the Company actively evaluates the viability of certain operational strategies for the development of its business. These include forming alliances with various counties under the "win-win cooperation" mechanism through the new business model comprising "companies + agricultural corporates + cooperatives + farmers + impoverished households", in order to promote the agricultural development of rural areas in regions of cooperation and to motivate farmers to participate in development and production with the aim of increasing their income. The strategies, if successfully implemented, will create a win-win situation as they are expected to create higher 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.

APPRECIATION

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

Kwok Ho
Chairman

Hong Kong, 22 September 2017

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 (including but not limited to labour and rental costs) in recent years.

During the financial year under review, the Group recorded a revenue of RMB826 million representing a drop of approximately 26% as compared to RMB1,120 million for the previous financial year. Revenue derived from the PRC, excluding Hong Kong, was about 90% of total revenue of the Group (2016: 92%). The sales volume of produce was 387,943 tonnes (2016: 519,336 tonnes). The drop in revenue was mainly attributable to decrease in sales volume which was the results of decrease in production base areas. The average selling price of the produce sold in the China markets slightly decreased from RMB1.97 per kilogram to RMB1.90 per kilogram. The gross loss decreased by approximately 42% to RMB300 million, as compared to that in previous financial year.

During the financial year under review, selling and distribution expenses decreased from RMB259 million to RMB153 million as a result of the drop in revenue. General and administrative expenses increased by 38% to RMB160 million. Other operating expenses amounted to RMB2,611 million (2016: RMB3,466 million, as restated) consisting mainly of:

(i) impairment loss and loss on early termination of prepaid premium for land leases amounted to RMB692 million;

(ii) impairment loss and loss on disposals/written off of property, plant and equipment amounted to RMB1,326 million; and

(iii) a written off of biological assets amounted to RMB171 million.

Such losses and written off were mainly due to the early termination of the leases of certain farmlands as a result of the integration of resources of the Group and 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 downsize the scale, and ultimately reduce the overall costs, of crop production by early termination of the leases of certain farmlands. The below table sets forth the location of land, approximate land area, approximate impairment loss and loss on early termination of prepaid premium for land leases:

Location of land	**Nature**	**Land area in mu**	**RMB in millions**
Hebei Province	Crops	77,500	89
Jilin Province	Crops	50,000	26
Jiangsu Province	Crops	20,000	32
Tianjin City	Crops	14,365	6
Fujian Province	Crops	106,047	334
Inner Mongolia	Livestock (grass land)	520,000	205
Total:			692

Accordingly, an impairment loss and loss on disposals/written off of property, plant and equipment amounted to RMB1,326 million, being the farmland infrastructure, consisting mainly of:

- roads, ditches and land construction works of approximately RMB580 million;
- green house facilities of approximately RMB275 million;
- irrigation facilities system of approximately RMB296 million; and
- electricity and power facilities of approximately RMB31 million.

As a result of the above, during the financial year under review, the loss from operations of the Group amounted to RMB3,244 million (2016: RMB4,247 million, as restated) as well as loss for the year attributable to owners of the Company amounted to RMB3,246 million (2016: RMB4,248 million, as restated).

AGRICULTURAL LAND

As at 30 June 2017, the Group's production bases amounted to 8 in 5 different provinces and city in China, with a total production area of 65,647 mu (4,376 hectares) (2016: 400,482 mu (26,699 hectares)). Such decrease was mainly attributable to the early termination of leasehold farmlands.

As at 30 June 2017, the weighted average production area for vegetables was 188,530 mu (12,569 hectares) (2016: 285,367 mu (19,024 hectares)).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2017 and 2016, the Group has unsecured banking facilities of totalling RMB400 million which has not been utilised.

As at 30 June 2017, cash and cash equivalents of the Group amounted to RMB186 million (2016: RMB204 million). The total equity of the Group (including non-controlling interests) amounted to RMB1,034 million (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 30 June 2017 and 2016, the debt to equity ratio (total of bank loans over total equity) of the Group was nil. The current ratio (dividing total current assets by total current liabilities) was 2 times (2016: 3 times).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATE

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

During the financial year under review, the Group did not take part in any derivatives activities and did not enter into any hedging activities in respect of foreign exchange risk.

SIGNIFICANT INVESTMENTS

As at 30 June 2017 and 2016, the Group did not have any significant investments.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

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

CHARGE ON ASSETS

As at 30 June 2017 and 2016, the Group did not charge any of its assets to any bank or other financial institutions.

CONTINGENT LIABILITIES

As at 30 June 2017 and 2016, the Group did not have any significant contingent liabilities.

CAPITAL STRUCTURE

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

As at 30 June 2017, the Company has issued ordinary share capital of 3,292,902,491 shares. During the financial year under review, the grantee of the share options exercised 1,600,000 share options pursuant to the 2015 Share Option Scheme (as defined under the section headed "Share Option Schemes" in the Directors' Report) and the underlying shares were allotted on 4 November 2016.

HUMAN RESOURCES

As at 30 June 2017, the Group employed 5,322 employees, of which 4,832 were farmland workers.

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

Corporate Governance Report

The Board recognises that good corporate governance will not only safeguard the interests and assets of the Company and deliver long-term return to our shareholders, but will also lay a good foundation for sustainable growth of the Company. The key corporate governance principles and practices of Chaoda during the financial year ended 30 June 2017 are set out in this report.

CORPORATE GOVERNANCE PRACTICES

During the financial year ended 30 June 2017, the Company has applied the principles and complied with the applicable code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except for the deviation set out below under the section headed "Chairman and Chief Executive Officer" in this report. The current corporate governance practices will be reviewed and assessed from time to time for the compliance with latest statutory requirements.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

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 as its code of conduct regarding securities transactions by the directors. All directors, after specific enquiries by the Company, confirmed that they had complied with the required standard set out in the Model Code throughout the financial year ended 30 June 2017. The directors' interests as at 30 June 2017 in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) are set out in the Directors' Report under the section headed "Directors' Interests in Securities".

BOARD OF DIRECTORS

Composition

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

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

Executive directors
Mr. Kwok Ho *(Chairman)*
Mr. Kuang Qiao
Mr. Yang Gang

Non-executive director
Mr. Ip Chi Ming

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

On 16 December 2016, Ms. Huang Xie Ying retired as the executive director of the Company and Mr. Zhang Chang Man resigned as the executive director of the Company on 23 May 2017.

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

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

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

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

Responsibilities

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

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

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

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

Board Meetings

During the financial year ended 30 June 2017, the Board convened a total of four Board meetings. The agenda and accompanying Board papers are served to all members of the Board in advance of each meeting to facilitate informed discussion and decision-making. Senior management and professional advisers are invited to attend the meeting(s) to give a presentation on issues considered and/or answer the Board's enquiries when necessary. All proceedings of the Board meetings are duly recorded, approved and signed by the chairman of the meeting. Upon request, minutes of Board meetings are open for inspection by any director.

Attendance of each director, by name, at the Board meetings held during the financial year ended 30 June 2017 is set out below:

Name of directors	**Attendance**
Executive directors:	
Mr. Kwok Ho *(Chairman)*	4/4
Ms. Huang Xie Ying (retired on 16 December 2016)	1/2
Mr. Kuang Qiao	4/4
Mr. Yang Gang	4/4
Mr. Zhang Chang Man (resigned on 23 May 2017)	4/4
Non-executive director:	
Mr. Ip Chi Ming	4/4
Independent non-executive directors:	
Mr. Fung Chi Kin	4/4
Mr. Tam Ching Ho	4/4
Professor Lin Shun Quan	3/4
Mr. Chan Yik Pun	4/4

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT

According to the records maintained by the Company, the directors' participation in various continuous professional programs relevant to regulatory updates; industry-specific; business management; accounting or finance for the financial year ended 30 June 2017 were as follows:

Name of directors	**Attending Training Course/ Seminar/ Conference/ Forum/Workshop**	**Reading Materials**
Executive directors:		
Mr. Kwok Ho *(Chairman)*	✓	✓
Mr. Kuang Qiao	✓	✓
Mr. Yang Gang	✓	✓
Non-executive director:		
Mr. Ip Chi Ming	✓	✓
Independent non-executive directors:		
Mr. Fung Chi Kin	✓	✓
Mr. Tam Ching Ho	✓	✓
Professor Lin Shun Quan	✓	
Mr. Chan Yik Pun		✓

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

REMUNERATION COMMITTEE

On 23 May 2017, Mr. Zhang Chang Man resigned as a member of the Remuneration Committee. As at the date of this report, the Remuneration Committee comprises three members, all of whom are independent non-executive directors. Members of the Remuneration Committee are:

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

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

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

Meeting of the Remuneration Committee shall be held at least once a year and at such other times as the Chairman of the Remuneration Committee shall require. During the financial year ended 30 June 2017, the Remuneration Committee met twice.

The individual members' attendance records are set out below:

Members of the Remuneration Committee	**Attendance**
Independent non-executive directors:	
Mr. Fung Chi Kin *(Chairman)*	2/2
Mr. Tam Ching Ho	2/2
Mr. Chan Yik Pun	2/2
Executive director:	
Mr. Zhang Chang Man (resigned on 23 May 2017)	2/2

During the financial year ended 30 June 2017, the Remuneration Committee (i) made recommendations to the Board on the grant of share options to eligible participants; (ii) discussed and reviewed the remuneration policy adopted by the Group; and (iii) reviewed and recommended to the Board the overall level of increment applicable to the employees of the Group for the following calendar year.

NOMINATION COMMITTEE

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

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

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

In respect of the policy concerning the Board diversity, the Nomination Committee will take into account of the Group's business model and specific needs, and consider a range of perspectives, including but not limited to gender, age, cultural and educational background, skills, experience and professional qualifications. The Nomination Committee is responsible for reviewing the policy and the measurable objectives for implementing such policy from time to time to ensure its effectiveness.

During the financial year ended 30 June 2017, the Nomination Committee had convened one meeting to review the structure, size, composition and diversity of the Board.

The individual members' attendance records are set out below:

Members of the Nomination Committee	**Attendance**
Independent non-executive directors:	
Mr. Fung Chi Kin *(Chairman)*	1/1
Mr. Tam Ching Ho	1/1
Mr. Chan Yik Pun	1/1
Executive directors:	
Mr. Kwok Ho	1/1
Mr. Kuang Qiao	0/1

AUDIT COMMITTEE

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

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

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

During the financial year ended 30 June 2017, the Audit Committee held four meetings to perform the following works, including but not limited to:

(i) reviewed and discussed with the external auditors the general scope of their review works for reviewing the interim results for the six-month period ended 31 December 2016;

(ii) reviewed the audited financial statements for the financial year ended 30 June 2016 as well as the financial statements for the six-month period ended 31 December 2016; and

(iii) reviewed and discussed with internal control consultant the internal control review report on the Group's operations.

The audited financial statements of the Group for the financial year ended 30 June 2017 have been reviewed by the Audit Committee.

The individual members' attendance records are set out below:

Members of the Audit Committee	**Attendance**
Independent non-executive directors:	
Mr. Tam Ching Ho *(Chairman)*	4/4
Mr. Fung Chi Kin	4/4
Mr. Chan Yik Pun	4/4

CORPORATE GOVERNANCE FUNCTIONS

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

During the financial year ended 30 June 2017, the Board performed the corporate governance duties which include: (i) reviewed and discussed the policies and practices on corporate governance; (ii) reviewed the training and continuous professional development of directors and senior management; and (iii) reviewed the disclosure in this report.

AUDITORS' REMUNERATION

The fees paid or payable to external auditors of the Group for the financial year ended 30 June 2017 in respect of audit and non-audit services were as follows:

Services rendered	**Fees paid/payable HK$'000**
Audit services	1,700
Non-audit services (interim review)	500

DIRECTORS' RESPONSIBILITY FOR PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements of the Group for the financial year ended 30 June 2017, the Board adopted appropriate accounting policies consistently, made prudent, fair and reasonable judgments and estimates, as well as based on a going concern basis.

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

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for overseeing the Group's risk management and internal control systems, and reviewing their effectiveness at least annually through the Audit Committee. The Audit Committee assists the Board in fulfilling its oversight roles over the Group's financial, operational compliance, risk management and internal controls activities, while senior management is responsible to design, implement and monitor the risk management and internal control systems, and report to the Board and the Audit Committee on the effectiveness of these systems. Systems and internal controls can only provide reasonable but not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure to achieve the Group's business objectives.

Risk Management

The Group has established a formal risk assessment system, including risk assessment criteria for the Group. Senior management identifies the risks that potentially impact the key business processes of their operations on an annual basis. Risks are identified based on their likelihood of occurring and the impact on business should they occur. Senior management assesses the effectiveness of existing controls and develops risk mitigating activities accordingly. Results of the annual risk assessment are reported to the Board and Audit Committee, including the significant risks of the Group and the controls activities to mitigate or transfer the identified risks.

Internal Control

The Group has established levels of responsibilities and reporting procedures. Controls have been designed and established to ensure that assets are safeguarded against improper use or disposal, financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Group's performance are identified and assessed.

The internal audit department is led by the internal audit manager, who reports directly to the Audit Committee. The internal audit department is primarily responsible for performing independent reviews of the key business operations of the Group and assisting in the continual development of internal control policies and procedures. For the financial year ended 30 June 2017, the Company has engaged RSM Consulting (Hong Kong) Limited ("RSM"), an external consultant, to conduct a review of the Group's risk management and internal control systems. Results of the review were communicated to the Audit Committee. For any issues identified, they will be followed up for proper implementation and the progress will be reported to the Audit Committee periodically.

Review of Risk Management and Internal Control Systems

The Board, through the Audit Committee, has conducted a review of the effectiveness of the internal control system of the Group covering all material controls, including but not limited to financial, operational and compliance as well as risk management. The Board expects that a review of the risk management and internal control review will be performed annually. For the financial year ended 30 June 2017, the Board considers that the Group's risk management and internal control systems are adequate and effective. The Audit Committee has also reviewed and is satisfied with the adequacy of resources, qualifications, experience and the training programs of the Group's internal audit, accounting and financial reporting functions.

INSIDE INFORMATION

The Company is fully cognisant of its disclosure obligations under the SFO and the Listing Rules. The Board regulates the handling and dissemination of inside information to ensure inside information is truthfulness, accuracy, completeness and timeliness as well as remains confidential until the disclosure of such information is appropriately approved. The inside information should be disseminated to the public in equal and timely manner pursuant to the applicable laws and regulations. The Company's code of conduct regarding securities transaction by its directors is set out in the "Model Code for Securities Transactions by the Directors" section of this report.

COMPANY SECRETARY

The Board is supported by the Company Secretary who has day-to-day knowledge of the Company's affairs and is responsible for, among other matters, assisting in the effective operation of the Board and the Board committees, ensuring the Board policy and procedures are followed, and also facilitating the overall compliance with the Listing Rules and other laws and regulations applicable to the Company. During the financial year ended 30 June 2017, the Company Secretary had complied with the professional training requirements under Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

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

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

The same procedure also applies to any proposal to be put forward at general meetings.

CONSTITUTIONAL DOCUMENTS

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

ANNUAL GENERAL MEETING

The attendance of individual directors at the annual general meeting of the Company held on 16 December 2016 is set out as follows:

Name of directors	**Attendance**
Executive directors:	
Mr. Kwok Ho *(Chairman)*	✓
Ms. Huang Xie Ying (retired on 16 December 2016)	✓
Mr. Kuang Qiao	✓
Mr. Yang Gang	✓
Mr. Zhang Chang Man (resigned on 23 May 2017)	✓
Non-executive director:	
Mr. Ip Chi Ming	✓
Independent non-executive directors:	
Mr. Fung Chi Kin	✓
Mr. Tam Ching Ho	✗
Professor Lin Shun Quan	✗
Mr. Chan Yik Pun	✓

COMMUNICATION

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

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

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

The Company		Christensen China Limited	
By telephone:	(852) 2845 0168	By telephone:	(852) 2117 0861
By fax:	(852) 2827 0278	By fax:	(852) 2117 0869
By email:	investor@chaoda.com.hk	By email:	khui@ChristensenIR.com

Environmental, Social and Governance Report

INTRODUCTION

Sustainability, harmony and mutual prosperity are the core values of Chaoda. This is why we strongly believe that social, economic and environmental development are interdependent and require coordination to achieve progress. The Company strives to "Follow the Green Way and Create Ecological Civilisation" as its operating philosophy. It fulfils social responsibility while pursuing economic benefits, so as to promote harmonious business, social and environmental development and deliver sustainable and positive gain to our business partners in all aspects.

Chaoda is pleased to present its first environmental, social and governance report (this "Report") for the purpose of elaborating the measures adopted by the Group for environmental protection as well as fulfillment of its responsibility as a good corporate citizen during the financial year ended 30 June 2017 (the "Reporting Period"). This allows our shareholders, investors (including potential investors) and the public to better understand our corporate philosophy in terms of sustainable development and social responsibility.

This Report mainly covers the policies and practices of the Group's principal activities, namely, growing and sales of crops in the PRC, from the environmental and social perspectives. It has been prepared in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Listing Rules.

Unless otherwise stated, all information in this Report is derived from the Company's subsidiaries in China and are unaudited.

ENVIRONMENTAL

Environmental protection

Agriculture is one of the major components of environmental issues. The healthy development of agriculture is beneficial to land conservation and greening. It can also prevent soil deterioration and desertification, and improve the State's ecological environment. To avoid putting pressure on the environment in agricultural production, scientific and eco-friendly production practices should be adopted to preserve farmlands.

Favorable soil conditions and environment is the root of sustainability of Chaoda. We cherish the land and make it our mission to contribute to environmental protection. Therefore, Chaoda applies green and healthy ecological planting ways to protect the production bases and surrounding environment from pollution. In the course of agricultural production, the Group takes various measures to conserve and make the most of the natural resources.

Given that water is scarce resources in China, we implemented agricultural water-saving projects by building irrigation and drainage facilities while promoting the use of automatic sprinkler irrigation and drip irrigation system. These projects aimed to enhance the efficiency of irrigation and achieve water conservation with modern drip irrigation equipment. Meanwhile, we implemented irrigation and fertiliser integration for the purposes of boosting the effectiveness of fertiliser application and diminishing the impact of soil-borne diseases. In addition, Chaoda adheres to green plantation and green control. Through fallowing, rotation, inter-cropping and the use of organic fertilisers made of natural ingredients as well as bio-organic fertiliser, these not only improve soil nutrients and fertility, but also prevent water loss. For pests and diseases, Chaoda implements integrated prevention and control through physical and biological means to reduce the impact of pesticides on food, which ensure the safety of agricultural produce and protect the ecological environment, thereby achieving the sustainable development of agriculture.

Facility is an important part of modern agriculture. Each production base of Chaoda is equipped with basic infrastructure, including greenhouse, cultivation net, intelligent nursery shed, insect net, solar insecticidal lamp and weather observation system, which facilitate the Group's agricultural production with low energy consumption and high efficiency.

Chaoda participates in large-scale cultivation of vegetables, which is in line with the direction of China's agricultural development. The ecological farming method adopted by us has a promising outlook in the long term as it is a natural and sustainable development model that not only protects and improves the environment, but also satisfies the need for quality and healthy lifestyles.

The Group maintains strict compliance with applicable PRC laws and regulations regarding environmental protection in the course of operation, including the Environmental Protection Law of the PRC and the Agricultural Products Safety Law of the PRC, etc. During the Reporting Period, the Group abided by applicable laws and regulations and no incident of material non-compliance with laws and regulations that had a significant impact on the Group was identified.

SOCIAL

Employment and Labour Practices

Human resources are the cornerstone of corporate development as employees are the key to sustainable development and long-term success. Upholding the people-oriented approach, the Group undertakes the responsibilities of protecting the basic rights and interests of employees, paying attention to their needs and providing a fair, healthy and safe working environment for them. At the same time, it also has a set of corporate training mechanism in place for employees to improve performance and live up to their full potential at work, so that they can explore more opportunities for growth. As a result, the Group is set to achieve success brought by its talents.

Since the Group engages its employees mainly in the PRC, it abides by relevant national laws and regulations, inter alia, the Labour Law of the PRC and the Labour Contract Law of PRC, to safeguard the legal rights of employees. It also takes reference with relevant guidelines and implements the following measures:

Legal Employment and Labour Standards

The Group upholds the principles of fairness and openness to recruitment under relevant national and local laws and regulations, and enters into labor contracts with employees on a voluntary and reciprocal basis. The Group shall proceed with the signing, renewal, termination or dismissal of labor contracts in accordance with the legal procedures. In addition, the Group provides a number of benefits to employees, such as social insurance, medical insurance, housing provident fund, year-end bonuses, statutory paid holidays, on-the-job training etc.

In the recruitment and selection process, the Group strives to offer equal opportunities for all candidates via various channels, regardless of their age, gender, religion, race, skin color, disability or marital status. It adopts the principle of meritocracy to attract talents. The Group also provides appropriate training and opportunities for promotion after employees' induction.

The Group did not experience major difficulties in recruitment nor did it have material labor disputes. During the Reporting Period, all employees of Chaoda were above the minimum working age stipulated in laws and regulations, and there were no incidents of child labour or forced labour.

Remuneration Policy

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

Health and Safety

The Group is committed to providing a safe and healthy working environment for all employees in accordance with relevant laws and regulations, such as the Production Safety Law of the PRC and the Social Insurance Law of the PRC. It also strives to achieve full coverage of safety management in order to safeguard employees' personal safety and health at works.

Moreover, the Group has taken various measures to safeguard the health and safety of our employees, such as training, different forms of promotion activities, emergency drills and regular safety checks, etc. From time to time, the Group has also organised a series of theme talks and provided professional counselling to raise employees' awareness about mental health, which allow them to enjoy a healthier and happier life both at work and at home. The Group invites fire brigade experts to promote fire-fighting knowledge annually and regularly carries out fire drills in the building of the Group so as to enhance employees' awareness of fire safety. Besides, it occasionally invites healthcare specialists to hold various healthcare seminars for employees and gives lectures on how to improve their physical and mental fitness. Chaoda concerns about employees' health, hence it not only offers annual medical check-ups for them, but also attaches great importance to their spiritual and cultural life. The Group organises a variety of recreational and sports activities such as green cycling, badminton competition, outward bound and so on. Through which, employees recognise the importance of work-life balance, build team cohesion, enhance understanding and communication amongst colleagues, and boost efficiency at work.

Development and Training

Staff training is a crucial part of talent nurture. As business development requires not only technical talents but also management talents, employees of all departments and job positions must make active contribution for the grooming of talent. The Human Resources Department of the Group is committed to training new hires. It publishes corporate training materials that highlight and introduce the corporate culture, policies, systems and structure of manpower for staff. On top of the targeted training for the new hires, the Human Resources Department also proactively rolls out various training for our staff and technical experts, where it invites external experts to give lectures and sends employees to external training.

The Group pays attention to training technicians who can operate efficiently. The Human Resources Department has designed a "mentorship" scheme for the recruitment and training of technical staff with planning. The Group capitalises on existing technical resources to help new hires get familiarised with production practices and achieve personal growth.

OPERATING PRACTICES

Supply Chain Management and Product Tracing

Quality traceability system is the implementation of real-time management of agricultural inputs, planting, processing, sales and inspection and testing records, where the planting process of each product type is subject to monitoring. Before launching in the market, products will be assigned a source code, allowing consumers to check the planting and testing records via the source code any time, hence achieving traceability for quality and safety. Chaoda has established a complete set of quality traceability system comprising the product "identity card" at the first, the traceability bar code and today's QR Code. It keeps on exploring innovative safety guarantee for consumers to see with their own eyes. The Group also relies on a sound management system in achieving full record and traceability throughout the entire process of production, so as to achieve refined management, that is, traceability in terms of people and product from seed, fertiliser, and pesticide to production planning and arrangement. Consumers can access to relevant traceability information on mobile phones via QR Codes in a convenient manner.

Product Testing

Safety is the most basic prerequisite for high-quality fruits and vegetables. It is also a promise made by Chaoda to every consumer. High-quality fruits and vegetable production is inseparable from due care and attention paid in planting. Chaoda applies strict safety testing for agricultural produce from the pre-planting stage to the post-harvest stage. Our corporate production standards are in line with international standards and cover soil, water, seed selection, fertiliser to field management, pest control and harvest, thereby eliminating pollution along the entire process from cultivation to consumption.

Chaoda's testing laboratory was accredited for provincial-level qualification. It regularly inspects soil and water and other aspects of the production bases. In the meanwhile, it conducts a variety of safety tests on various types of agricultural produce to ensure safety. Each production base of Chaoda is equipped with rapid testing device for pesticide residues, which is used to carry out rapid test on each batch of harvest to ascertain food safety. This helps set up safety barriers in the front line of production.

Product certification

Chaoda strictly adheres to the standards of green food production in the entire process of production. Its produce is accredited as green food and organic food by relevant domestic and global authorities.

PREVENTING CORRUPTION

The Group attaches importance to anti-corruption and advocates integrity. It does not tolerate any form of corruption and bribery. In view of such, we require our directors, management and staff to perform their duties with honesty and loyalty, and prohibit them from abusing their power for any undue advantages. For any employees who cause harm to the Company's gain and reputation as a result of dereliction of duty, we will deal with them in a serious manner.

The Group did not find any significant risks associated with corruption and bribery, nor was it or its employees the subject of any settled legal actions regarding corrupt practices during the Reporting Period.

COMMUNITY INVOLVEMENT

As a corporate citizen, we believe that an enterprise should undertake social responsibility while pursuing profit. Our core value is to align corporate development with social development to gain public support and achieve sustainability. Thus, Chaoda cares about the difficulties and needs of the community and the vulnerable groups. We take initiatives to give back and contribute to society and promote social harmony. Each year, Chaoda organises the "Month of Farmers" and puts our philosophy of "contributing to society and poverty alleviation" into practice. From time to time, it offers assistance and console to employees and their children in difficulties, and extends warmth and care to the elderly who are without home-help or care from family in the local communities.

Farmers are the most valuable asset for Chaoda. Under the unified production arrangement, farmers are recruited by us to cultivate the farmland in large-scale production. Hence, farmers become professional farm workers with far better skills and income. The development of Chaoda provides abundant job positions to the local areas, which maintains the stability of the rural community, increases farmers' income, boosts economic growth and promotes the prosperity of rural areas. Moreover, Chaoda organises a wide range of content-rich skills training, visits to the poor and farmers' gatherings, thereby demonstrating its respect and care for farmers.

Chaoda launches the first-of-its-kind "Month of Farmers", a collective event that shows our help and care to farmers. In order to encourage farmers to enhance their levels of professionalism and technical performance, Chaoda held agricultural skills competitions and professional knowledge seminars during the event. At the same time, it extended warmth and assistance to farmers whose families have difficulties so as to boost their confidence on work and living.

In addition, Chaoda also encourages its employees to actively participate in volunteer activities and social services, which not only promotes the public welfare culture, but also strengthens team spirit and their sense of belonging to the Group.

Over the years, Chaoda has established different forms of award and subsidy schemes, such as scholarships, grants, etc. Such schemes aim at motivating underprivileged students with good academic performance and conduct to devote to becoming an eco-agriculture professional.

Profiles of Directors and Senior Executives

EXECUTIVE DIRECTORS

Mr. KWOK Ho, aged 62, is the founder of the Group and is also the Chairman of the Board, the Chief Executive Officer (the "CEO") and a member of the Nomination Committee of the Company. Mr. Kwok is also a director and the legal representative of some of the subsidiaries of the Company. Mr. Kwok is primarily responsible for the formulation and deployment of the overall strategy of the Group. He holds an Honorary Doctor of Business Administration and has over 35 years of experience in commercial trading in the PRC, particularly in the areas of strategic planning, management, development, product strategy, sales and marketing. Mr. Kwok was granted by the Fujian Provincial Committee and People's Government of Fujian Province the award of Outstanding Contribution Entrepreneur of Fujian Province for two consecutive terms. Mr. Kwok is a member of the Ninth and the Tenth Fujian Provincial Committee of the Chinese People's Political Consultative Conference ("CPPCC"), a member of the Eleventh National Committee of CPPCC, the first, second and third term of President of the Fujian Agricultural Industrialisation Leading Enterprises Association, the Vice President of China Association of Agricultural Leading Enterprises, the Executive Chairman of the Alliance of Integrated Development of Primary, Secondary and Tertiary Industries in rural areas of China, and Branch President of Integrated Development of Primary, Secondary and Tertiary Industries of China Vegetable Marketing Association.

Mr. KUANG Qiao, aged 46, joined the Group in 1996 and was appointed as an executive director of the Company on 1 September 2003. He is also a member of the Nomination Committee of the Board and the Vice President of the Group. Mr. Kuang is primarily responsible for the new business development and new project research management of the Group. He graduated from the Faculty of Horticulture of Nanjing Agricultural University in July 1992 with a bachelor's degree in agriculture (majoring in vegetables). Mr. Kuang has more than 22 years of experience in the agricultural industry.

Mr. YANG Gang, aged 43, joined the Group in 1998 and was appointed as an executive director of the Company on 8 June 2016. Mr. Yang is an assistant to the CEO and the Head of Construction Department of the Group, who is primarily responsible for the Group's assets management and construction projects. Mr. Yang graduated from West Anhui United University, as one of the predecessors of West Anhui University (majoring in industrial and civil architecture), and Dongbei University of Finance and Economics (majoring in construction management), and is qualified as an intermediate engineer. Prior to joining the Group, he had served in construction management of government departments and schools. Mr. Yang has over 21 years of extensive assets management and construction projects experience in the PRC.

NON-EXECUTIVE DIRECTOR

Mr. IP Chi Ming, aged 56, was formerly an executive director of the Company until 8 January 2010 when he was re-designated as a non-executive director of the Company. Mr. Ip is a director of some of the subsidiaries of the Company. Mr. Ip has over 30 years of experience in trading and marketing in the food products industry as well as extensive experience in corporate strategic planning, overall management, business development, sales and marketing. Mr. Ip served as an executive director of Suncorp Technologies Limited (stock code: 1063) from February 2010 to April 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. FUNG Chi Kin, aged 68, has been an independent non-executive director of the Company since September 2003. He is also the Chairman of the Remuneration Committee and Nomination Committee as well as a member of the Audit Committee of the Board. Mr. Fung is the Honorary Permanent President of The Chinese Gold & Silver Exchange Society, and the director of Fung Chi Kin Consulting Limited. He was conferred on an Honorary Senior Fellowship by Asian College of Knowledge Management. Mr. Fung has over 40 years of experience in banking and finance. Prior to his retirement, he was the director and the Deputy General Manager of Po Sang Bank Limited (merged into Bank of China (Hong Kong) Limited in 2001), the Managing Director of BOCI Securities Limited and the Chief Administration Officer of BOC International Holdings Limited. From October 1998 to June 2000, Mr. Fung served as a Council Member of the First Legislative Council of the HKSAR. He also held offices in various public organisations and was the Vice Chairman of The Stock Exchange of Hong Kong Limited, the director of Hong Kong Futures Exchange Limited, the director of Hong Kong Securities Clearing Company Limited and Hong Kong Affairs Advisor. Mr. Fung has also acted as an independent non-executive director of Kenford Group Holdings Limited (stock code: 464) since August 2017. From September 2014 to May 2017, Mr. Fung acted as an executive director of China Trustful Group Limited (formerly known as Powerwell Pacific Holdings Limited) (stock code: 8265).

Mr. TAM Ching Ho, aged 46, has been an independent non-executive director of the Company since September 2003. He is also the Chairman of the Audit Committee as well as a member of the Remuneration Committee and Nomination Committee of the Board. Mr. Tam is a certified public accountant (practicing) registered with Hong Kong Institute of Certified Public Accountants (the "HKICPA"). He has previously worked in a reputable international accounting firm for about eight years and specialised in providing assurance services for pre-listing, listed and multinational companies. He has also held senior positions in several companies, including mainly the financial controller of a company listed on the Main Board of The Stock Exchange of Hong Kong Limited and another company listed on the Main Board of the Singapore Exchange Securities Trading Limited for a total of about seven years. Mr. Tam has accumulated extensive experience in corporate finance and administration, listing compliance, investor relations, accounting and auditing. Mr. Tam holds a bachelor's degree of arts with honours in accountancy. He is an associate member of the HKICPA and a fellow member of The Association of Chartered Certified Accountants. Mr. Tam is currently an independent non-executive director of China Zenith Chemical Group Limited, which is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Professor LIN Shun Quan, aged 62, has been an independent non-executive director of the Company since November 2000. Professor Lin received his doctorate degree in agriculture from Fujian Agricultural and Forestry University and had further studies at Saga University in Japan in 1988 and 1996. He was appointed as professor and head of the College of Horticulture at South China Agricultural University. He has extensive experience in the agricultural industry in the PRC.

Mr. CHAN Yik Pun, aged 35, has been an independent non-executive director of the Company since January 2015. He is also a member of the Audit, Remuneration and Nomination Committees of the Board. Mr. Chan obtained a Bachelor's degree in Business (Accounting) from the Monash University, Australia in 2004. He is a member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Company, Mr. Chan has accumulated over 10 years of accounting and auditing experience from working in various international accounting firms, as well as various companies listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Chan is an independent non-executive director of Unity Investments Holdings Limited (stock code: 913).

SENIOR EXECUTIVES

Mr. CHEN Jun Hua, aged 49, joined the Group in October 2002 and was appointed as an executive director of the Company on 17 August 2005 until he retired from his office on 17 December 2015. He is the Vice President of General Affairs of the Group. Mr. Chen is mainly responsible for assisting the CEO in administrative management of the Group. In July 1989, Mr. Chen graduated from China Agricultural University with a bachelor's degree in agriculture (majoring in protection of agricultural environment). Thereafter, he received a master's degree in agricultural extension from Chinese Academy of Agricultural Sciences (majoring in rural and regional development). Mr. Chen is a Senior Economist and has over 25 years of experience in agricultural and administrative management.

Mr. CHAN Chi Po Andy, aged 50, joined the Group in 2003 and was appointed as an executive director of the Company on 17 August 2005 until he retired from his office on 30 December 2014. He has also been the Chief Financial Officer of the Company for many years and is also a director of certain subsidiaries of the Company. Mr. Chan is primarily responsible for financial management and financial information analysis of the Group. Mr. Chan graduated from The University of Sheffield in the United Kingdom with an honors degree in accounting, financial management and economics. Mr. Chan is a fellow member of the Association of Chartered Certified Accountants, a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Institute of Chartered Accountants in England and Wales. Prior to joining the Group in 2003, Mr. Chan served as senior corporate auditor responsible for the Asia Pacific region of a company listed on the New York Stock Exchange for approximately three years. Mr. Chan had also held office in an international accounting firm and The Stock Exchange of Hong Kong Limited for a total of approximately eight years before joining the Group.

Ms. CHONG Suet Ming Alison, aged 37, joined the Company in January 2008 as the Finance Manager and was appointed as the Company Secretary in January 2012. Ms. Chong holds a bachelor's degree in commerce in accounting from Macquarie University in Australia and is a member of each of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. Ms. Chong has over 13 years of experience in accounting, finance, compliance and auditing in Hong Kong and the PRC. Prior to joining the Company, Ms. Chong had served in an international accounting firm.

Mr. YANG Jin Fa, aged 41, joined the Group in 1999. Mr. Yang is a Vice President and the General Affairs Vice President of the strategic planning department of the Group. Mr. Yang is primarily responsible for the strategic planning, corporate planning and promotion, management of production and product sales of the Group. Mr. Yang graduated from Fujian Agricultural and Forestry University (majoring in economics and management) and is a Senior Economist. He has extensive experience in policy planning, media management, marketing, and production base management.

Mr. WANG Zhi Qun, aged 61, joined the Group in February 2000. Mr. Wang is a Vice President of the Group. Mr. Wang is primarily responsible for the management of the administration and logistics matters of the Group. Mr. Wang graduated from San Ming Teachers School, and received local and overseas senior managerial training. Prior to joining the Group, he was a senior executive of a state-owned enterprise and has over 29 years of extensive experience in integrated corporate management.

Mr. SONG Li Feng, aged 42, joined the Group in January 2000 and held position in financial accounting. He was the Finance Manager of the Group from 2004 to 2013, and thereafter, he was promoted to be an assistant of Vice President of Finance of the Group. On 13 May 2017, he was appointed as Vice President of Finance Department of the Group. Mr. Song graduated from Fuzhou University (majoring in finance) and has over 18 years of extensive experience in accounting.

Mr. David Alfred SEALEY III, aged 54, joined the Group in August 2004. Mr. Sealey is the Deputy Chief Operation Officer. He is primarily responsible for business development of the Group in the international trade markets. He graduated from University of Kentucky in the USA with a bachelor's degree in marketing. Prior to joining the Group, Mr. Sealey worked in various companies in the USA and Japan, and was responsible for corporate operation, product planning and quality control and marketing. He has extensive experience in corporate operation and management.

Mr. HE Can De, aged 54, joined the Group in 2000. Mr. He is an assistant to the CEO. He is responsible for assisting the CEO in the planning and management of the production bases of the Group as well as relevant projects. Mr. He graduated from Fujian Zhang Zhou Health and Hygiene School. Mr. He has extensive experience in the management of production bases, construction and planning of investment projects, product development and sales.

Mr. WANG Jing Hai, aged 67, joined the Group in 2000. Mr. Wang is the head of the Internal Audit Department of the Group. He is primarily responsible for internal auditing and internal control of the Group. Mr. Wang graduated from Shanghai East China Normal University with a bachelor's degree in accounting and economics. Prior to joining the Group, he worked in a large state-owned enterprise in Shanghai and an American wholly-owned foreign enterprise, and was responsible for corporate management, internal control and auditing. Mr. Wang has over 37 years of experience in corporate management and internal auditing.

Mr. WANG Long Wang, aged 52, joined the Group in 2000. Mr. Wang is the head of the Production Base Department and General Manager of the Trading Department of the Group. He is primarily responsible for production management, technology research, demonstration and promotion work, as well as in charge of coordinating in product sales and marketing management of the production bases of the Group. Mr. Wang graduated from the College of Horticulture, Nanjing Agricultural University with a bachelor's degree in agriculture in 1985. Prior to joining the Group, he worked in the Vegetables Office of Fujian Province, Fuzhou Institute of Vegetable Science and was responsible for the management, research and development of vegetable production. He has also been to Thailand, Jamaica and other countries for further studies and work, and has over 27 years of experience in the agricultural industry.

Directors' Report

The directors of the Company present their report together with the audited consolidated financial statements of the Group for the financial year ended 30 June 2017.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities and other particulars of the Company's principal subsidiaries are set out in note 33 to the consolidated financial statements.

An analysis of the Group's revenue for the financial year ended 30 June 2017 is set out in note 5 to the consolidated financial statements.

FINANCIAL RESULTS

The results of Group for the financial year ended 30 June 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 50 to 51.

BUSINESS REVIEW

A fair review of the business of the Group as well as discussion and analysis of the Group's performance during the financial year ended 30 June 2017 are set out in the "Chairman's Statement" and "Management Discussion and Analysis" sections respectively on pages 4 to 8 of this annual report.

Key risks and uncertainties

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

The financial risk factors are set out in note 35 to the consolidated financial statements.

Environmental policies and performance

The core values of Chaoda are sustainable development, harmony and win-win so as to establish green ecological industrial chain as "Chaoda Mode". Our motto is "Follow the Green Way and Create Ecological Civilisation". Agriculture generally represents a significant portion of environmental issue. Therefore, Chaoda endeavors to rely on a modern and scientific understanding of ecology and soil science, while also integrating traditional agricultural know-how.

Details of the Group's policies and performance in environmental area are set out in the "Environmental, Social and Governance Report" on pages 20 to 21 of this annual report.

Compliance with laws and regulations

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

Relationships with employees, customers, suppliers and others

An account of the Group's relationships with its employees are set out in the "Environmental, Social and Governance Report" on pages 21 to 24 of this annual report.

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

FIVE YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 116 of this annual report.

DIVIDENDS

The directors do not recommend the payment of dividend for the financial year ended 30 June 2017 (2016: Nil).

RESERVES

Movements in reserves of the Group and the Company during the financial year under review are set out in notes 30 and 38 to the consolidated financial statements and in the consolidated statement of changes in equity. The reserves of the Company available for distribution to shareholders as at 30 June 2017 amounted to RMB923,074,000 (2016: RMB3,444,600,000).

DONATIONS

Donations made by the Group during the financial year under review amounted to approximately RMB223,681.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the financial year under review are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

As at 30 June 2017, the Company has issued ordinary share capital of 3,292,902,491 shares. During the financial year 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 Schemes") and the underlying shares were allotted on 4 November 2016. Details of the share capital of the Company are set out in note 28 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

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

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

DIRECTORS

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

Executive Directors
Mr. Kwok Ho *(Chairman)*
Ms. Huang Xie Ying (retired on 16 December 2016)
Mr. Kuang Qiao
Mr. Yang Gang
Mr. Zhang Chang Man (resigned on 23 May 2017) (Note)

Non-executive Director
Mr. Ip Chi Ming

Independent Non-executive Directors
Mr. Fung Chi Kin
Mr. Tam Ching Ho
Professor Lin Shun Quan
Mr. Chan Yik Pun

Note: Mr. Zhang Chang Man tendered his resignation as an executive director of the Company due to his health condition.

Particulars of the directors' remuneration during the financial year under review are set out in note 13 to the consolidated financial statements.

In accordance with Article 116A of the Company's Articles of Association, Mr. Kuang Qiao and Professor Lin Shun Quan shall retire by rotation at the forthcoming annual general meeting of the Company (the "2017 AGM") and being eligible, offer themselves for re-election.

No retiring directors proposed for re-election at the 2017 AGM have an unexpired service agreement with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2017, the interests and short positions 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 SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code 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

						Number of share options			
		Exercisable period			Exercise price HK$	Balance as at 01/07/2016	During the financial year under review		Balance as at 30/06/2017
Name of directors	Grant date	Starting		Ending			Granted	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	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	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
	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. 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

							Number of share options			
							During the financial year under review			
		Exercisable period			Exercise price	Balance as at			Balance as at
Name of directors	**Grant date**	**Starting**		**Ending**	**HK$**	**01/07/2016**	**Granted**	**Lapsed**	**30/06/2017**
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 30 June 2017, none of the directors and chief executives of the Company nor their associates had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company 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 year under review, the Company, or any of its subsidiaries was a party to any arrangement to enable the directors of the Company, their respective spouses or children under 18 years of age, to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2017, the following party (not being directors or chief executives of the Company) were directly or indirectly interested in 5% or more of the issued share capital and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of substantial shareholder	**Capacity**	**Long/ short position**	**Number of shares held**	**Percentage of issued share capital recorded in the register**
Kailey Investment Ltd. (Note)	Beneficial owner	Long	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.

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

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

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association of the Company, every director of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a director of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

In addition, the Company has arranged appropriate insurance cover in respect of legal action arising from the business of the Group against the directors of the Company.

EQUITY-LINKED AGREEMENTS

Apart from the share option schemes as set out in the section headed "Share Option Schemes" in this report, the Company neither entered into nor had any equity-linked agreements during the financial year under review.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the financial year ended 30 June 2017, none of the directors were interested in any business which competes or was likely to compete, either directly or indirectly, with the Company's business.

CONNECTED TRANSACTIONS

The Company did not have significant continuing connected transaction or connected transaction during the financial year ended 30 June 2017.

None of the related party transactions set out in note 32 to the consolidated financial statements constitutes discloseable non-exempted connected transaction or non-exempted continuing connected transaction under the Listing Rules.

SHARE OPTION SCHEMES

The 2002 Share Option Scheme

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

Purpose

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

Participants

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

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

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

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

Maximum entitlement

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

Basis of determining exercise price

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

Other terms

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

Number of shares available for issue

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

As at 30 June 2017, 68,768,000 share options granted under the 2002 Share Option Scheme remained unexercised and outstanding, which represents approximately 2.09% of the issued share capital of the Company as at the date of this report.

Share options granted were recognised as expenses of the Company in accordance with the accounting policy as set out in note 2.15(ii) to the consolidated financial statements. The determination of the fair value of the share options is also set out in note 29(a) to the consolidated financial statements.

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

		Exercisable period				Number of share options		
Category of participants	**Grant date**	**Starting**		**Ending**	**Exercise price HK$**	**Balance as at 01/07/2016**	**Lapsed during the financial year under review**	**Balance as at 30/06/2017**
Directors								
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
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:

1. 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.

2. No share options have been granted or exercised or cancelled under the 2002 Share Option Scheme during the financial year ended 30 June 2017.

The 2015 Share Option Scheme

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

Purpose

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

Participants

(a) any employee (whether full time or part time, including any executive director but excluding any non-executive director) of the Company, any of its subsidiary, or any entity (the "Invested Entity") in which any member of the Group holds any equity interest;

(b) any non-executive directors (including independent non-executive directors) of the Company, any of its Subsidiary or any Invested Entity;

(c) any supplier of goods or services to any member of the Group or any Invested Entity;

(d) any customer of any member of the Group or any Invested Entity;

(e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

(f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and

(h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group,

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

The total number of shares available for issue

The total number of shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the 2015 Share Option Scheme and any other share option scheme of the Group) to be granted under the 2015 Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 329,130,249, representing approximately 10% of the issued share capital of the Company as at the date of this report. During the financial year ended 30 June 2017, a total of 329,130,000 share options were granted under the 2015 Share Option Scheme.

Maximum entitlement of each participant

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

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

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

Minimum period for options to be held

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

Period and payment on acceptance of options

An option may be accepted by a participant within 21 days from the date of offer for the grant of the option. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

Basis of determining subscription price

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

Remaining life

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

As at 30 June 2017, 327,530,000 share options granted under the 2015 Share Option Scheme remained unexercised and outstanding, which represents approximately 9.95% of the issued share capital of the Company as at the date of this report.

Share options granted were recognised as expenses of the Company in accordance with the accounting policy as set out in note 2.15(ii) to the consolidated financial statements. The determination of the fair value of the share options is also set out in note 29(b) to the consolidated financial statements.

During the financial year 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			
						Balance as at 01/07/2016	During the financial year under review		Balance as at 30/06/2017
		Starting		Ending			Granted (Note 1)	Exercised (Note 2)	
Directors									
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. 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

						Number of share options			
		Exercisable period			Exercise price HK$	Balance as at 01/07/2016	During the financial year under review		Balance as at 30/06/2017
Category of participants	**Grant date**	**Starting**		**Ending**			**Granted** (Note 1)	**Exercised** (Note 2)	
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
Employees									
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

						Number of share options			
		Exercisable period					During the financial year under review		
Category of participants	**Grant date**	**Starting**		**Ending**	**Exercise price HK$**	**Balance as at 01/07/2016**	**Granted** (Note 1)	**Exercised** (Note 2)	**Balance as at 30/06/2017**
Other Participants									
in aggregate	13/07/2016	13/07/2016	to	12/07/2026	0.187	–	10,200,000	–	10,200,000
(Note 4)		13/07/2017	to	12/07/2026	0.187	–	10,200,000	–	10,200,000
		13/07/2018	to	12/07/2026	0.187	–	10,200,000	–	10,200,000
		13/07/2019	to	12/07/2026	0.187	–	10,200,000	–	10,200,000
		13/07/2020	to	12/07/2026	0.187	–	10,200,000	–	10,200,000
Total						–	329,130,000	(1,600,000)	327,530,000

Notes:

1. The closing price immediately before the date of options granted on 13 July 2016 was HK$0.182.

2. Shares for 1,600,000 exercised share options were allotted during the financial year under review.

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. During the financial year under review, share options held by the retired director and the resigned director were re-classified to the category of other participants upon her retirement and his resignation.

5. No options have been cancelled or lapsed under the 2015 Share Option Scheme during the financial year under review.

RETIREMENT BENEFITS

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

MANAGEMENT CONTRACTS

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

MAJOR SUPPLIERS AND CUSTOMERS

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

	Percentage of total purchases
The largest supplier	22.1%
Five largest suppliers in aggregate	51.4%

	Percentage of total sales
The largest customer	7.8%
Five largest customers in aggregate	35.9%

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

CORPORATE GOVERNANCE

A report on the Company's corporate governance practices is set out on pages 9 to 19 of this annual report.

AUDITORS

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

The financial statements for the financial year ended 30 June 2017 have been audited by Elite Partners who will retire and, being eligible, offer themselves for re-appointment at the 2017 AGM.

On behalf of the Board

Kwok Ho
Chairman

Hong Kong, 22 September 2017

Independent Auditors' Report

elite
partners
CERTIFIED PUBLIC ACCOUNTANTS

TO THE SHAREHOLDERS OF
CHAODA MODERN AGRICULTURE (HOLDINGS) LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Chaoda Modern Agriculture (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 50 to 115, which comprise the consolidated statements of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 30 June 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	**How the matter was addressed in our audit**
Impairment assessment of property, plant and equipment, prepaid premium for land leases, deferred expenditure The Group has property, plant and equipment, prepaid premium for land leases and deferred expenditure of approximately RMB553,438,000, RMB172,121,000 and RMB30,227,000 as at 30 June 2017 respectively. Management performed impairment assessment and concluded that an impairment loss on property, plant and equipment, prepaid premium for land leases and deferred expenditure of approximately RMB955,450,000, RMB484,477,000 and RMB112,686,000 was recognised respectively. This conclusion was based on value in use model that required significant management judgement with respect to the discount rate and the underlying cashflows, in particular future revenue growth and capital expenditure.	Our procedures in relation to management's impairment assessment of property, plant and equipment, prepaid premium for land leases and deferred expenditure included: • Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the relevant industry; • Challenging the reasonableness of key assumptions based on our knowledge of the business and industry; and • Checking, on sampling basis, the accounting and relevance of the input data used.
Fair value of biological assets We identified the fair value of biological assets as a key audit matter due to the significance of the balance on the consolidated statement of financial position at 30 June 2017 and the significant degree of estimates made by the management in determining their fair value. The Group has biological assets of RMB73,878,000 as at 30 June 2017. These biological assets are measured at fair value less costs to sell at the end of each reporting period. Fair values of biological assets are determined by using the market approach. Management's estimation is primarily based on market-determined prices, with reference to cultivation areas, species, growing conditions, growing progress and expected yield of the crops.	Our procedures in relation to the fair value of biological assets included: • Testing the Group's internal controls over the fair value determination of biological assets; • Assessing the valuation methodologies and the key assumption of the valuation; and • Assessing, challenging and reconciling the reasonableness of key assumptions, such as the future market price of biological assets by comparing to historical and industry data.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yip Kai Yin with Practising Certificate number P05131.

Elite Partners CPA Limited
Certified Public Accountants

10/F, 8 Observatory Road
Tsim Sha Tsui, Kowloon
Hong Kong

Hong Kong, 22 September 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2017

	Notes	**2017** **RMB'000**	2016 RMB'000 (Restated)
Revenue	5	**826,317**	1,119,599
Cost of sales		**(1,126,478)**	(1,632,702)
Gross loss		**(300,161)**	(513,103)
Other revenues	6	**50,411**	63,549
(Loss)/Gain arising from changes in fair value less costs to sell of biological assets	19	**(63,949)**	48,740
Selling and distribution expenses		**(152,995)**	(259,042)
General and administrative expenses		**(160,262)**	(116,075)
Research expenses		**(5,936)**	(5,214)
Other operating expenses	8	**(2,611,122)**	(3,465,967)
Loss from operations		**(3,244,014)**	(4,247,112)
Finance costs	9(a)	**(59)**	(89)
Share of results of associates		**883**	836
Gain on disposal of available-for-sale investments		**–**	330
Loss on disposal of a subsidiary	34	**(722)**	–
Loss before income tax	9	**(3,243,912)**	(4,246,035)
Income tax expense	10	**(1,156)**	(416)
Loss for the year		**(3,245,068)**	(4,246,451)
Other comprehensive income, including reclassification adjustments and net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange gain on translation of financial statements of foreign operations		**1,657**	8,139
Release upon disposal of available-for-sale investments		**–**	(1,184)
Other comprehensive income for the year, including reclassification adjustments and net of income tax		**1,657**	6,955
Total comprehensive expense for the year		**(3,243,411)**	(4,239,496)

	Notes	2017 RMB'000	2016 RMB'000 (Restated)
Loss for the year attributable to:			
Owners of the Company		**(3,246,234)**	(4,247,970)
Non-controlling interests		**1,166**	1,519
		(3,245,068)	(4,246,451)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(3,244,305)**	(4,239,489)
Non-controlling interests		**894**	(7)
		(3,243,411)	(4,239,496)
Loss per share for loss attributable to the owners of the Company during the year			
– Basic	12(a)	**RMB(0.99)**	RMB(1.29)
– Diluted	12(b)	**RMB(0.99)**	RMB(1.29)

Consolidated Statement of Financial Position

As at 30 June 2017

	Notes	**30 June 2017 RMB'000**	30 June 2016 RMB'000 (Restated)	1 July 2015 RMB'000 (Restated)
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	15	**553,438**	2,108,972	3,622,913
Investment properties	16	**78,606**	82,569	56,686
Construction-in-progress	17	**–**	12,387	16,399
Prepaid premium for land leases	18	**159,937**	1,038,582	3,546,243
Biological assets	19	**15,606**	22,094	27,453
Available-for-sale investments		**–**	–	2,408
Deferred expenditure	20	**30,227**	270,403	373,173
Interests in associates	21	**6,122**	7,362	7,536
		843,936	3,542,369	7,652,811
Current assets				
Prepaid premium for land leases	18	**12,184**	56,921	107,135
Biological assets	19	**58,272**	284,326	397,954
Inventories	22	**1,050**	10,955	21,984
Trade receivables	23	**19,056**	32,895	35,965
Other receivables, deposits and prepayments		**162,795**	474,435	446,837
Cash and cash equivalents	24	**185,570**	204,443	239,342
		438,927	1,063,975	1,249,217
Current liabilities				
Trade payables	25	**1,674**	39,126	20,507
Other payables and accruals		**226,456**	287,891	358,528
Bank loans	26	**–**	–	4,170
		228,130	327,017	383,205
Net current assets		**210,797**	736,958	866,012
Total assets less current liabilities		**1,054,733**	4,279,327	8,518,823
Non-current liabilities				
Deferred tax liabilities	27	**20,655**	20,655	20,655
Net assets		**1,034,078**	4,258,672	8,498,168

Consolidated Statement of Financial Position *(continued)*

As at 30 June 2017

	Notes	**30 June 2017 RMB'000**	30 June 2016 RMB'000 (Restated)	1 July 2015 RMB'000 (Restated)
EQUITY				
Equity attributable to the owners of the Company				
Share capital	28	**332,926**	332,787	332,787
Reserves	30	**698,536**	3,924,163	8,163,652
		1,031,462	4,256,950	8,496,439
Non-controlling interests		**2,616**	1,722	1,729
Total equity		**1,034,078**	4,258,672	8,498,168

The consolidated financial statements on pages 50 to 115 were approved and authorised for issue by the Board of Directors on 22 September 2017 and are signed on its behalf by:

Kwok Ho
Director

Ip Chi Ming
Director

Consolidated Statement of Cash Flows

For the year ended 30 June 2017

	2017 **RMB'000**	2016 RMB'000 (Restated)
Cash flows from operating activities		
Loss before income tax	**(3,243,912)**	(4,246,035)
Adjustments for:		
Finance costs	**59**	89
Share of results of associates	**(883)**	(836)
Loss on disposal of a subsidiary	**722**	–
Interest income	**(1,490)**	(646)
Depreciation of property, plant and equipment	**266,607**	399,250
Depreciation of investment properties	**3,963**	3,963
Amortisation of prepaid premium for land leases	**39,900**	99,834
Amortisation of deferred expenditure	**58,831**	117,448
Loss on disposals/written off of property, plant and equipment	**371,019**	494,493
Gain on disposal of available-for-sale investments	**–**	(330)
Loss on early termination of prepaid premium for land leases	**207,794**	1,247,709
Deferred expenditure written off	**65,484**	105,795
Biological assets written off	**171,330**	244,371
Other receivables written off	**–**	74,310
Construction-in-progress written off	**11,999**	–
Impairment loss on property, plant and equipment	**955,450**	563,327
Impairment loss on prepaid premium for land leases	**484,477**	343,164
Impairment loss on deferred expenditure	**112,686**	–
Employee share option benefits	**18,557**	–
Loss/(Gain) arising from changes in fair value less costs to sell of biological assets	**63,949**	(48,740)
Operating loss before working capital changes	**(413,458)**	(602,834)
Decrease in trade receivables, other receivables, deposits and prepayments	**347,381**	318,030
Decrease in biological assets	**15,906**	47,049
Decrease in inventories	**2,781**	11,029
Increase in trade payables, other payables and accruals	**80,385**	23,479
Cash generated from/(used in) operations	**32,995**	(203,247)
Interest received	**1,490**	646
Finance costs paid	**(59)**	(89)
Income tax paid	**(1,415)**	(2,652)
Net cash generated from/(used in) operating activities	**33,011**	(205,342)

Consolidated Statement of Cash Flows *(continued)*

For the year ended 30 June 2017

	2017 **RMB'000**	2016 RMB'000 (Restated)
Cash flows from investing activities		
Purchases of property, plant and equipment	**(31,636)**	(34,729)
Proceeds from disposals of property, plant and equipment	**–**	14,818
Payments of construction-in-progress	**(28,083)**	(63,141)
Dividend received from an associate	**1,440**	–
Proceeds from capital reduction of an associate	**1,729**	–
Proceeds from disposal of a subsidiary	**3,107**	–
Refunds of prepaid premium of land leases	**–**	373,645
Proceeds from disposal of available-for-sale investments	**–**	1,687
Payments of deferred expenditure	**–**	(124,761)
Net cash (used in)/generated from investing activities	**(53,443)**	167,519
Cash flows from financing activities		
Proceeds from issuance of shares under share option scheme	**260**	–
Repayments of bank loans	**–**	(4,170)
Net cash generated from/(used in) financing activities	**260**	(4,170)
Net decrease in cash and cash equivalents	**(20,172)**	(41,993)
Cash and cash equivalents at beginning of the year	**204,443**	239,342
Effect of foreign exchange rate changes, net	**1,299**	7,094
Cash and cash equivalents at end of the year *(Note 24)*	**185,570**	204,443

Consolidated Statement of Changes in Equity

For the year ended 30 June 2017

	Attributable to the owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Employee share-based compensation reserve RMB'000	Capital redemption reserve RMB'000	Investment revaluation reserve RMB'000	Exchange reserve RMB'000	Statutory reserves RMB'000	(Accumulated losses)/ Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 July 2015	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
Restrospective effect of adoption of HKAS 16 and HKAS 41 (amendments)	–	–	–	–	–	–	–	–	8,850	8,850	–	8,850
At 1 July 2015, as restated	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 year	–	–	–	–	–	–	–	–	(4,247,970)	(4,247,970)	1,519	(4,246,451)
Other comprehensive (expense)/income												
– Currency translation differences	–	–	–	–	–	–	9,665	–	–	9,665	(1,526)	8,139
– Release upon disposal of available-for-sale investments	–	–	–	–	–	(1,184)	–	–	–	(1,184)	–	(1,184)
Total comprehensive (expense)/ income for the year	–	–	–	–	–	(1,184)	9,665	–	(4,247,970)	(4,239,489)	(7)	(4,239,496)
Lapse of share options	–	–	–	(4,037)	–	–	–	–	4,037	–	–	–
At 30 June 2016	332,787	5,968,860	94,894	203,780	5,247	–	(226,387)	688,059	(2,810,290)	4,256,950	1,722	4,258,672

Consolidated Statement of Changes in Equity *(continued)*

For the year ended 30 June 2017

	Attributable to the owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Employee share-based compensation reserve RMB'000	Capital redemption reserve RMB'000	Exchange reserve RMB'000	Statutory reserves RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 July 2016	332,787	5,968,860	94,894	203,780	5,247	(226,387)	688,059	(2,810,290)	4,256,950	1,722	4,258,672
Employee share option benefits	–	–	–	18,557	–	–	–	–	18,557	–	18,557
Shares issued under share option scheme	139	268	–	(147)	–	–	–	–	260	–	260
Transactions with owners	139	268	–	18,410	–	–	–	–	18,817	–	18,817
Loss for the year	–	–	–	–	–	–	–	(3,246,234)	(3,246,234)	1,166	(3,245,068)
Other comprehensive income											
– Currency translation differences	–	–	–	–	–	1,929	–	–	1,929	(272)	1,657
Total comprehensive income/ (expense) for the year	–	–	–	–	–	1,929	–	(3,246,234)	(3,244,305)	894	(3,243,411)
Lapse of share options	–	–	–	(41,872)	–	–	–	41,872	–	–	–
Transfer upon disposal of a subsidiary	–	–	–	–	–	–	(1,689)	1,689	–	–	–
At 30 June 2017	**332,926**	**5,969,128**	**94,894**	**180,318**	**5,247**	**(224,458)**	**686,370**	**(6,012,963)**	**1,031,462**	**2,616**	**1,034,078**

1. GENERAL INFORMATION

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

The principal activity of the Company is investment holding. The principal activities and other particulars of the principal subsidiaries are set out in Note 33. The Company and its subsidiaries are referred to as the "Group" hereafter. There were no significant changes in the Group's operations during the year.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

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

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

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

2.1 Basis of preparation *(continued)*

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

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

2.2 Basis of consolidation

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

2.3 Subsidiaries and non-controlling interests

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

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

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

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

2.3 Subsidiaries and non-controlling interests *(continued)*

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

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

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

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

2.4 Associates

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

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

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

2.4 Associates *(continued)*

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

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

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

2.5 Property, plant and equipment

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

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

Bearer plants are living plants that (i) are used in the production or supply of agricultural produce; (ii) is expected to bear produce for more than one period; and (iii) has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

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

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

2.5 Property, plant and equipment *(continued)*

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

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

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

2.6 Investment properties

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

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

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

2.7 Leases

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

(i) Prepaid premium for land leases

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

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

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

2.7 Leases *(continued)*

(ii) Operating leases charges as the lessee

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

2.8 Research and development activities

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

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

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

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

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

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

2.9 Impairment of tangible assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

2.10 Biological assets

Biological assets are living animals and/or plants managed by the Group which is involved in the agricultural activities of the transformation of biological assets for sale, into agricultural produce, or into additional biological assets. Biological assets except for bearer plants stated in Note 2.5, are measured at fair value less costs to sell at initial recognition and at the end of each reporting period. The fair value of biological assets is determined based on either the present value of expected net cash flows from the biological assets discounted at a current market-determined pre-tax rate or the market-determined prices with reference to the cultivation areas, species, growing conditions, growing progress and expected yield of the crops.

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

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

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

2.11 Deferred expenditure

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

2.12 Provisions and contingent liabilities

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

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

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

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

2.13 Revenue recognition

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

(i) Sales of crops, livestock and milk are recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has been passed; and

(ii) Interest income is recognised on a time-proportion basis using the effective interest method.

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

2.14 Foreign currencies

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

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

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

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

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

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

2.15 Employee benefits

(i) Retirement benefit obligations

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

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

(ii) Share-based employee compensation

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

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

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

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

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

2.16 Inventories

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

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

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

2.17 Cash and cash equivalents

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

2.18 Share capital

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

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

2.19 Financial instruments

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

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

Financial assets

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

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

2.19 Financial instruments *(continued)*

Financial assets *(continued)*

Effective interest method

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

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

(i) Loans and receivables

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

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

(ii) Available-for-sale financial assets

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

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

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

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

2.19 Financial instruments *(continued)*

Impairment of financial assets

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

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

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

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

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

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

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

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

2.19 Financial instruments *(continued)*

Impairment of financial assets *(continued)*

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

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

Other financial liabilities

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

Effective interest method

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

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

2.20 Borrowing costs

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

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

2.21 Accounting for income taxes

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

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

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

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

2.21 Accounting for income taxes *(continued)*

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

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

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

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

2.22 Segment reporting

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

2.23 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of the Company's parent.

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

2.23 Related parties *(continued)*

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) both entities are joint ventures of the same third entity;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of the employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

3. APPLICATION OF NEW, AMENDED OR REVISED HKFRSs

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

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 year. 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.

The effects of the change in Amendments to HKAS 16 and HKAS 41 described above on the consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 30 June 2016, are as follow:

	For the year ended 30 June 2016 (Originally stated)	**Adjustment**	**For the year ended 30 June 2016 (Restated)**
	RMB'000	RMB'000	RMB'000
Gain arising from changes in fair value less costs to sell of biological assets	(280,835)	329,575	48,740
Other operating expenses	(2,956,908)	(509,059)	(3,465,967)
Total effect on loss for the year attributable to the owners of the Company	(4,068,486)	(179,484)	(4,247,970)
Effect on basic loss per share	RMB(1.24)	RMB(0.05)	RMB(1.29)

3. APPLICATION 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 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	489,441	(170,634)	318,807
Accumulated losses and total effect on equity	(2,639,656)	(170,634)	(2,810,290)

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	4,055,869	8,850	4,064,719
Accumulated losses and total effect on equity	1,424,793	8,850	1,433,643

3. APPLICATION OF NEW, AMENDED OR REVISED HKFRSs *(continued)*

Amendments to HKAS 16 and HKAS 41 "Agriculture: Bearer Plants" *(continued)*

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

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

HKFRS 16 – Leases

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

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

(i) Depreciation and amortisation

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

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

The impairment loss for property, plant and equipment are recognised for the amounts by which the carrying amounts exceed their recoverable amounts, in accordance with the Group's accounting policy. The recoverable amounts of property, plant and equipment have been determined based on the higher of value-in-use calculations and fair value less costs to sell. These calculations require the use of estimates such as the future revenue and discount rates. As at 30 June 2017, the carrying amount of the property, plant and equipment was approximately RMB553,438,000 (2016: RMB2,108,972,000). During the year ended 30 June 2017, impairment loss of approximately RMB955,450,000 (2016, restated: RMB563,327,000) was recognised on property, plant and equipment.

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

(iii) Impairment of assets

The Group assesses whether there are any indicators of impairment for assets, including investment properties, prepaid premium for land leases and deferred expenditure, at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value-in-use calculations are undertaken, management estimates the expected future cash flows from the assets or cash-generating units ("CGUs") and determines a suitable discount rate in order to calculate the present value of those cash flows.

The Group assessed the impairment based on the performance on the Group's CGUs which are mainly engaged in growing and sales of crops. During the year ended 30 June 2017 and 2016, the value in use of the CGUs have been measured by using discounted cash flow projections based on the cash flows covering 5 years period with discount rate of 16.79% (2016: 19.16%). The calculation of the discount rate takes into consideration of current market assessment of the time value of money and the risk specific to the Group's CGUs. Major inputs used to determine the CGUs, including but not limited to, market price of the crops and the yield of the production.

As at 30 June 2017, the carrying amount of investment properties, prepaid premium for land leases and deferred expenditure was approximately RMB78,606,000, RMB172,121,000 and RMB30,227,000 (2016: RMB82,569,000, RMB1,095,503,000 and RMB270,403,000) respectively. During the years ended 30 June 2017, impairment loss of approximately RMB484,477,000 and RMB112,686,000 (2016: RMB343,164,000 and nil) was recognised on prepaid premium for land leases and deferred expenditure respectively.

(iv) Impairment of trade receivables, other receivables, deposits and prepayments

The Group estimates impairment loss on trade and other receivables, resulting from the inability of customers or debtors to make the required payments and when there is objective evidence that the Group will not able to collect full amounts due. These estimates were based on the payment history, customers' or debtors' creditworthiness, historical write off experience and default or delinquency in payments. If the financial condition of the customers or debtors were to deteriorate, actual write off would be higher than estimated. As at 30 June 2017, the carrying amount of the trade receivables were approximately RMB19,056,000 (2016: RMB32,895,000), net of allowance for doubtful debts of approximately RMB4,887,000 (2016: RMB5,306,000). During the year ended 30 June 2017, impairment loss of approximately RMB519,000 (2016: RMB2,885,000) in respect of trade receivables was recognised in profit or loss. As at 30 June 2017, the carrying amount of other receivables, deposits and prepayments were approximately RMB162,795,000 (2016: RMB474,435,000). During the year ended 30 June 2017, no impairment loss in respect of other receivable (2016: nil) was recognised in profit or loss.

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

(v) Fair value of biological assets

The Group's biological assets, other than bearer plants, are stated at fair value less costs to sell on initial recognition and at the end of each reporting period. The management of the Company determines the fair value less costs to sell with reference to the market-determined prices, cultivation areas, species, growing conditions, growing progress, expected yield of the crops and discount rates and/or the professional valuation. Any change in the estimates may affect the fair value of the biological assets significantly. The management reviews the assumptions and estimates periodically to identify any significant change in the fair value of the biological assets. The carrying amounts of the Group's biological assets, other than bearer plants, as at 30 June 2017 were approximately RMB73,878,000 (2016, restated: RMB306,420,000).

(vi) Provision for income tax

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

5. 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 year is as follows:

	2017 **RMB'000**	2016 RMB'000
Sales of crops	**820,336**	1,115,053
Sales of livestock	**5,981**	4,546
	826,317	1,119,599

6. OTHER REVENUES

	2017 **RMB'000**	2016 RMB'000
Interest income	**1,490**	646
Sales of milk	**29,720**	38,695
Rental income	**11,040**	11,698
Sundry income	**8,161**	12,510
	50,411	63,549

7. SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major operations. The Group's operating business are organised and managed separately according to the nature of products, which each segment representing a strategic business segment that offers different products in the PRC market. However, the Group's executive directors considered that over 90% of the Group's revenue, operating results and assets for both years ended 30 June 2017 and 2016 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 (excluding Hong Kong) as its country of domicile.

The Group's revenue from external customers by geographical location of customers is detailed below:

	2017 **RMB'000**	2016 RMB'000
The PRC (country of domicile)	**743,296**	1,028,118
Hong Kong	**82,747**	91,177
Other	**274**	304
	826,317	1,119,599

Over 90% of the Group's non-current assets are principally attributable to the PRC, being the single geographical region.

There was no single customer contributing over 10% of total revenue of the Group for the years ended 30 June 2017 and 2016.

8. OTHER OPERATING EXPENSES

	2017 **RMB'000**	2016 RMB'000 (Restated)
Expenses incurred for fallow farmlands	**176,554**	299,582
Impairment loss on prepaid premium for land leases *(Note 18)*	**484,477**	343,164
Impairment loss on property, plant and equipment *(Note 15)*	**955,450**	563,327
Impairment loss on deferred expenditure *(Note 20)*	**112,686**	–
Natural crop losses	**1,202**	86,799
Loss on disposals/written off of property, plant and equipment *(Note 15)*	**371,019**	494,493
Loss on early termination of prepaid premium for land leases	**207,794**	1,247,709
Biological assets written off *(Note 19)*	**171,330**	244,371
Deferred expenditure written off *(Note 20)*	**65,484**	105,795
Construction-in-progress written off	**11,999**	–
Other receivables written off	**–**	74,310
Others	**53,127**	6,417
	2,611,122	3,465,967

9. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

(a) Finance costs

	2017 **RMB'000**	2016 RMB'000
Bank and finance charges	**59**	31
Interest on bank loans wholly repayable within five years	**–**	58
	59	89

(b) Staff costs (including directors' remuneration – Note 13)

	2017 **RMB'000**	2016 RMB'000
Salaries, wages and other benefits	**565,417**	593,180
Employee share option benefits	**18,557**	–
Retirement benefit costs	**3,924**	4,522
	587,898	597,702

9. LOSS BEFORE INCOME TAX *(continued)*

(c) Other items

	2017 **RMB'000**	2016 RMB'000 (Restated)
Auditors' remuneration	**1,491**	1,741
Amortisation of prepaid premium for land leases, net of amount capitalised	**39,900**	99,834
Amortisation of deferred expenditure, net of amount capitalised	**58,831**	117,448
Cost of inventories sold	**1,126,478**	1,632,702
Depreciation of property, plant and equipment, net of amount capitalised	**266,607**	399,250
Depreciation of investment properties	**3,963**	3,963
Operating lease expense in respect of land and buildings	**137,389**	188,102

10. INCOME TAX EXPENSE

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

	2017 **RMB'000**	2016 RMB'000
Current tax		
– PRC income tax *(Note (a))*	**519**	–
– Hong Kong profits tax *(Note (b))*	**637**	416
	1,156	416

Notes:

(a) According to the PRC tax law and its interpretation rules (the "PRC Tax Law"), enterprises that engage in qualifying agricultural business are eligible for certain tax benefits, including full enterprise income tax exemption or half reduction of enterprise income tax on profits derived from such business. Fujian Chaoda Modern Agriculture Group Company Limited (Formerly known as 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 enterprise income tax.

The enterprise income tax rate of other PRC subsidiaries of the Company not engaged in qualifying agricultural business is 25% (2016: 25%).

(b) Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the years ended 30 June 2017 and 2016.

10. INCOME TAX EXPENSE *(continued)*

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

	2017 **RMB'000**	2016 RMB'000 (Restated)
Loss before income tax	**(3,243,912)**	(4,246,035)
Notional tax at the rate applicable to losses in the tax jurisdictions concerned	**(803,115)**	(1,060,163)
Net tax effect of expense and income that are not deductible and taxable in determining taxable profit and tax allowance	**803,943**	1,058,536
Tax effect of unrecognised tax losses	**1,298**	2,650
Tax effect of previous years' unrecognised tax losses utilised this year	**(970)**	(607)
Income tax expense	**1,156**	416

11. DIVIDENDS

The Directors do not recommend any payment of dividend for the year ended 30 June 2017 (2016: Nil).

12. 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 RMB3,246,234,000 (2016, restated: RMB4,247,970,000) and the weighted average number of 3,292,350,000 (2016: 3,291,302,000) ordinary shares in issue during the year.

(b) Diluted loss per share

The calculation of diluted loss per share is based on the loss attributable to the owners of the Company of RMB3,246,234,000 (2016, restated: RMB4,247,970,000) and the weighted average number of 3,292,350,000 (2016: 3,291,302,000) ordinary shares. The computation of diluted loss per share for both years does not assume the conversion of the Company's share options outstanding since their assumed exercise would result in a decrease in loss per share or the exercise price of those share options is higher than the average market price for the ordinary share.

13. DIRECTORS' REMUNERATION

Emoluments paid and payable to the Company's Directors for the year ended 30 June 2017 were as follows:

Name of Directors	**Fees** **RMB'000**	**Basic salaries and allowance** **RMB'000**	**Employee share option benefits** **RMB'000**	**Retirement benefit scheme contributions** **RMB'000**	**Total emoluments** **RMB'000**
Executive Directors					
Kwok Ho	–	1,995	–	16	2,011
Huang Xie Ying *(Note (a))*	–	227	169	–	396
Kuang Qiao	–	251	564	–	815
Yang Gang	–	132	226	–	358
Zhang Chang Man *(Note (b))*	–	99	338	–	437
Non-executive Director					
Ip Chi Ming	–	947	338	–	1,285
Independent Non-executive Directors					
Fung Chi Kin	400	–	169	–	569
Tam Ching Ho	400	–	169	–	569
Chan Yik Pun	158	–	113	–	271
Lin Shun Quan	66	–	28	–	94
	1,024	3,651	2,114	16	6,805

13. DIRECTORS' REMUNERATION *(continued)*

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

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

Salaries, allowance and benefits in kind paid to or for the executive directors are generally emoluments paid or receivable in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

None of the Directors waived or has agreed to waive emoluments in respect of the years ended 30 June 2017 and 2016.

During the years ended 30 June 2017 and 2016, no emoluments were paid or payable by the Group to the Directors as an inducement to join the Group or upon joining the Group or as compensation for loss of office.

Notes:

(a) Ms. Huang Xie Ying retired as an executive director of the Company upon conclusion of the annual general meeting held on 16 December 2016.

(b) Mr. Zhang Chang Man resigned as the executive director of the Company on 23 May 2017.

(c) Following the conclusion of the adjourned 2011 annual general meeting, which was held on 17 December 2015, Mr. Chen Jun Hua retired as the executive director of the Company since then.

(d) Dr. Li Yan resigned as the executive director of the Company on 8 June 2016.

(e) Mr. Yang Gang and Mr. Zhang Chang Man were appointed as the executive director of the Company on 8 June 2016.

14. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five individuals whose emoluments were the highest in the Group for the year include one (2016: two). Directors whose emoluments are reflected in the table presented in Note 13 above. The emoluments paid and payable to the remaining four (2016: three) highest paid individuals during the year are as follows:

	2017 **RMB'000**	2016 RMB'000
Salaries and other emoluments	**2,458**	3,292
Retirement benefit scheme contributions	**98**	45
Employee share option benefits	**5,300**	–
	7,856	3,337

The emoluments of four (2016: three) individuals with the highest emoluments are within the following bands:

Emoluments band	**2017 No. of Individuals**	2016 No. of Individuals
HK$500,000 to HK$999,999	**–**	1
HK$1,500,000 to HK$1,999,999	**1**	2
HK$2,000,000 to HK$2,499,999	**2**	–
HK$2,500,000 to HK$2,999,999	**1**	–

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Buildings RMB'000	Furniture, fixtures and equipments RMB'000	Motor vehicles RMB'000	Farmland infrastructure RMB'000 *(Note (a))*	Computer equipment RMB'000	Bearer plants RMB'000	Total RMB'000
Cost								
At 1 July 2015	64,303	33,898	106,318	22,194	7,389,349	22,000	–	7,638,062
Retrospective effect of adoption of HKAS 16 and HKAS 41 (amendments)	–	–	–	–	–	–	1,648,362	1,648,362
At 1 July 2015, as restated	64,303	33,898	106,318	22,194	7,389,349	22,000	1,648,362	9,286,424
Additions	1,044	–	313	1,633	31,739	–	–	34,729
Transferred from construction-in-progress *(Note 17)*	–	–	818	–	66,335	–	–	67,153
Transferred to investment properties *(Note 16)*	–	–	(22,338)	–	(9,079)	–	–	(31,417)
Disposals/Written off *(Note (b))*	–	–	(66)	(2,014)	(3,104,166)	–	–	(3,106,246)
Exchange realignment	375	–	77	569	(283)	–	–	738
At 30 June 2016 and 1 July 2016	65,722	33,898	85,122	22,382	4,373,895	22,000	1,648,362	6,251,381
Additions	–	–	170	270	31,196	–	–	31,636
Transferred from construction-in-progress *(Note 17)*	–	–	–	–	27,545	–	–	27,545
Disposals/Written off *(Note (b))*	–	–	(358)	(373)	(2,816,126)	–	(1,626,045)	(4,442,902)
Disposal of a subsidiary *(Note 34)*	–	–	(10,543)	(1,399)	(12,124)	–	–	(24,066)
Exchange realignment	77	–	72	211	428	–	–	788
At 30 June 2017	**65,799**	**33,898**	**74,463**	**21,091**	**1,604,814**	**22,000**	**22,317**	**1,844,382**
Accumulated depreciation and impairment loss								
At 1 July 2015	37,990	7,458	74,542	16,682	4,397,219	22,000	–	4,555,891
Retrospective effect of adoption of HKAS 16 and HKAS 41 (amendments)	–	–	–	–	–	–	1,107,620	1,107,620
At 1 July 2015, as restated	37,990	7,458	74,542	16,682	4,397,219	22,000	1,107,620	5,663,511
Charge for the year	4,362	727	1,574	2,158	474,780	–	29,879	513,480
Transferred to investment properties *(Note 16)*	–	–	(1,117)	–	(454)	–	–	(1,571)
Disposals/Written off *(Note (b))*	–	–	(66)	(1,704)	(2,595,165)	–	–	(2,596,935)
Impairment loss *(Note (c))*	–	–	253	–	52,211	–	510,863	563,327
Exchange realignment	350	–	60	449	(262)	–	–	597
At 30 June 2016 and 1 July 2016	42,702	8,185	75,246	17,585	2,328,329	22,000	1,648,362	4,142,409
Charge for the year	4,405	728	1,405	1,513	269,022	–	–	277,073
Disposals/Written off *(Note (b))*	–	–	(358)	(373)	(2,445,107)	–	(1,626,045)	(4,071,883)
Disposal of a subsidiary *(Note 34)*	–	–	(6,101)	(741)	(5,989)	–	–	(12,831)
Impairment loss *(Note (c))*	–	–	3	21	955,426	–	–	955,450
Exchange realignment	63	–	68	180	415	–	–	726
At 30 June 2017	**47,170**	**8,913**	**70,263**	**18,185**	**1,102,096**	**22,000**	**22,317**	**1,290,944**
Net book value								
At 30 June 2017	**18,629**	**24,985**	**4,200**	**2,906**	**502,718**	**–**	**–**	**553,438**
At 30 June 2016	23,020	25,713	9,876	4,797	2,045,566	–	–	2,108,972

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Notes:

(a) Farmland infrastructure includes films, green house facilities, ditches, roads and others.

(b) During the year ended 30 June 2017, loss on disposals/written off of approximately RMB371,019,000 (2016: RMB494,493,000) was recognised due to the early termination of certain farmland areas.

(c) During the year ended 30 June 2017, an impairment loss of approximately RMB808,267,000 was recognised during the period ended 31 December 2016 to impair the carrying amount of certain farmland infrastructures of subsidiaries engaged in the growing and sales of crops due to the plan of early termination of certain farmland areas. Subsequently, those farmland areas were fully terminated. In addition, due to the integration of resources to the Group's core business, an impairment loss of approximately RMB147,183,000 was recognised to impair the carrying amount of property, plant and equipment of a subsidiary engaged in the breeding and sales of livestock.

During the year ended 30 June 2016, an impairment loss of approximately RMB563,327,000, of which approximately RMB510,863,000 was related to the impairment of bearer plants resulting from the retrospective effect of the adoption of HKAS as stated in Note 3, 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.

16. INVESTMENT PROPERTIES

	2017 **RMB'000**	2016 RMB'000
Cost		
At 1 July	**117,971**	86,554
Transferred from property, plant and equipment *(Note 15)*	**–**	31,417
At 30 June	**117,971**	117,971
Accumulated depreciation		
At 1 July	**35,402**	29,868
Transferred from property, plant and equipment *(Note 15)*	**–**	1,571
Depreciation for the year	**3,963**	3,963
At 30 June	**39,365**	35,402
Net book value		
At 30 June	**78,606**	82,569

16. INVESTMENT PROPERTIES *(continued)*

As at 30 June 2017 and 2016, all investment properties of the Group are located in the PRC. The fair value of investment properties (excluding the fair value of property interest held under an operating lease) as at 30 June 2017 is approximately RMB107,115,000 (2016: RMB123,900,000). The fair value of investment properties disclosed at the end of the reporting period is measured on a recurring basis and categorised as level 2 fair value measurement. The fair value of investment properties is determined by the Directors at the end of each reporting period using market approach by reference to recent sales price of comparable properties on a price per square feet basis using market data which is publicly available.

17. CONSTRUCTION-IN-PROGRESS

	2017 **RMB'000**	2016 RMB'000 (Restated)
At 1 July	**12,387**	7,553
Retrospective effect of adoption of HKAS 16 and HKAS 41 (amendments)	**–**	8,846
At 1 July, as restated	**12,387**	16,399
Additions	**28,083**	63,141
Transferred to property, plant and equipment *(Note 15)*	**(27,545)**	(67,153)
Disposal of a subsidiary *(Note 34)*	**(926)**	–
Written off	**(11,999)**	–
At 30 June	**–**	12,387

18. 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	(1,369,178)	–	(1,369,178)
Exchange realignment	12,550	–	12,550
At 30 June 2017	**623,173**	**127,970**	**751,143**
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 *(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 year	40,060	4,842	44,902
Early termination of leases	(975,175)	–	(975,175)
Impairment loss *(Note)*	460,097	24,380	484,477
Exchange realignment	12,550	–	12,550
At 30 June 2017	**489,896**	**89,126**	**579,022**
Net carrying value			
At 30 June 2017	**133,277**	**38,844**	**172,121**
At 30 June 2016	1,027,437	68,066	1,095,503

18. PREPAID PREMIUM FOR LAND LEASES *(continued)*

	2017 **RMB'000**	2016 RMB'000
Non-current portion	**159,937**	1,038,582
Current portion	**12,184**	56,921
Net carrying value at 30 June	**172,121**	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:

	2017 **RMB'000**	2016 RMB'000
Outside Hong Kong held on:		
Leases of over 50 years	**–**	6,585
Leases of between 10 to 50 years	**172,121**	1,088,918
	172,121	1,095,503

Note:

During the year ended 30 June 2017, an impairment loss of approximately RMB279,164,000 was recognised during the period ended 31 December 2016 to impair the carrying amount of certain long-term prepaid rentals of subsidiaries engaged in the growing and sales of crops due to the plan of early termination of certain farmlands areas. Subsequently, those farmland areas were fully terminated. In addition, due to the integration of resources to the Group's core business, an impairment loss of approximately RMB205,313,000 was recognised to impair the carrying amount of certain long-term prepaid rentals and land use rights of a subsidiary engaged in the breeding and sales of livestock.

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 land use rights of a subsidiary engaged in the growing and sales of fruits.

19. BIOLOGICAL ASSETS

	Fruits RMB'000	**Livestock** RMB'000	**Vegetables** RMB'000	**Total** RMB'000
At 1 July 2015	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	419,333	54,697	1,225,283	1,699,313
Decrease due to harvest or sales	(289,292)	(26,991)	(1,306,386)	(1,622,669)
Written off *(Note (a))*	(244,371)	–	–	(244,371)
(Loss)/Gain arising from changes in fair value less costs to sell	–	(33,065)	81,805	48,740
At 30 June 2016 and 1 July 2016	–	22,094	284,326	306,420
Additions	235,859	57,730	783,140	1,076,729
Decrease due to harvest or sales	(64,529)	(53,525)	(955,938)	(1,073,992)
Written off *(Note (a))*	(171,330)	–	–	(171,330)
Loss arising from changes in fair value less costs to sell	–	(10,693)	(53,256)	(63,949)
At 30 June 2017	**–**	**15,606**	**58,272**	**73,878**

Biological assets as at 30 June 2017 and 2016 were stated at fair value less costs to sell and were analysed as follows:

	Fruits **RMB'000**	**Livestock** **RMB'000**	**Vegetables** **RMB'000**	**2017 Total** **RMB'000**	2016 Total RMB'000 (Restated)
Non-current portion	**–**	**15,606**	**–**	**15,606**	22,094
Current portion	**–**	**–**	**58,272**	**58,272**	284,326
	–	**15,606**	**58,272**	**73,878**	306,420

Notes:

(a) During the year ended 30 June 2017, fruits were written off due to the early termination of prepaid premium for land leases.

During the years ended 30 June 2016, fruits were written off due to the circumstance that the estimated future costs to be incurred for the biological assets until harvest exceed its expected total revenue.

19. BIOLOGICAL ASSETS *(continued)*

Notes: *(continued)*

(b) Measurement of fair value

(i) Fair value hierarchy

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

During the year ended 30 June 2017, there were no transfers between levels in the hierarchy.

(ii) Level 3 fair value

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

Type	**Valuation technique**	**Significant unobservable inputs**	**Range**		**Inter-relationship between key unobservable inputs and fair value measurement**
			2017	2016	
Fruits	N/A	N/A	**N/A**	N/A	N/A
Livestock	Market approach with reference to market-determined prices with similar size, species and age	Market-determined price	**Weighted average price of RMB5,530**	Weighted average price of RMB7,800	The higher of market-determined price, the higher of the fair value less costs to sell determined
Vegetables	Market approach with reference to market-determined prices, cultivation areas, species, growing conditions, growing progress and expected yield of the crops	Market-determined price	**Weighted average price of RMB1.13**	Weighted average price of RMB1.32	The higher of market-determined price, the higher of the fair value less costs to sell determined
		Expected yield	**550 kg/mu to 4,500 kg/mu**	250 kg/mu to 4,500 kg/mu	The higher of expected yield, the higher of the fair value less costs to sell determined

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

	2017 Number ('000)	2016 Number ('000)
Livestock	**2**	3

19. BIOLOGICAL ASSETS *(continued)*

Notes: *(continued)*

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

	2017		2016	
	Quantity Tonnes	**Amount RMB'000**	Quantity Tonnes	Amount RMB'000
Fruits	**21,091**	**47,154**	47,816	97,651
Vegetables	**366,852**	**660,831**	471,520	886,444
	387,943	**707,985**	519,336	984,095

The Group grew different variety of crops with different growing cycle during the year ended 30 June 2017 at the Group's relevant production bases. The Group adopted uniform planting and cultivation guidelines for each type of produce to ensure quality and consistency.

20. DEFERRED EXPENDITURE

	2017 RMB'000	2016 RMB'000
Cost		
At 1 July	**357,801**	609,835
Additions	**–**	124,761
Written off	**(148,113)**	(376,795)
At 30 June	**209,688**	357,801
Accumulated amortisation		
At 1 July	**87,398**	236,662
Amortisation for the year	**62,006**	121,736
Impairment loss *(Note (b))*	**112,686**	–
Written off	**(82,629)**	(271,000)
At 30 June	**179,461**	87,398
Net carrying value		
At 30 June	**30,227**	270,403

20. DEFERRED EXPENDITURE *(continued)*

Notes:

(a) Deferred expenditure includes soil activation expenditure and land improvement and maintenance expenditure.

(b) During the year ended 30 June 2017, due to the integration of resources to the Group's core business, an impairment loss of approximately RMB112,686,000 was recognised to impair the carrying amount of deferred expenditure of a subsidiary engaged in the breeding and sales of livestock.

21. INTERESTS IN ASSOCIATES

	Note	**2017** **RMB'000**	2016 RMB'000
Share of net assets		**5,757**	7,003
Amount due from an associate	(c)	**365**	359
		6,122	7,362

Notes:

(a) Particulars of the principal associate of the Group at 30 June 2017 are as follows:

Name of company	**Country of establishment**	**Principal activity and place of operation**	**Particulars of issued and paid up capital**	**Interests held indirectly by the Company** **2017**	 2016
福州超大永輝商業發展有限公司	PRC	Supermarket chain operations in PRC	RMB10,000,000	**40%**	40%

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

(b) The following table illustrates the summarised financial information of the Group's principal associate, as extracted from its financial statements:

	2017 **RMB'000**	2016 RMB'000
Non-current assets	**28**	373
Current assets	**17,507**	15,482
Current liabilities	**(3,148)**	(2,307)
Revenue	**62,001**	26,266
Profit for the year	**1,838**	927

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

22. INVENTORIES

	2017 **RMB'000**	2016 RMB'000
Agricultural materials	**356**	10,640
Merchandise for resale	**694**	315
	1,050	10,955

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

23. TRADE RECEIVABLES

	2017 **RMB'000**	2016 RMB'000
Trade receivables	**23,943**	38,201
Less: Allowance for doubtful debts *(Note (b))*	**(4,887)**	(5,306)
	19,056	32,895

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

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

23. TRADE RECEIVABLES *(continued)*

(a) Ageing analysis

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

	2017 **RMB'000**	2016 RMB'000
0 – 1 month	**12,322**	18,277
1 – 3 months	**6,410**	8,692
Over 3 months	**324**	5,926
	19,056	32,895

(b) Impairment of trade receivables

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

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

	2017 **RMB'000**	2016 RMB'000
At 1 July	**5,306**	2,692
Additions	**519**	2,885
Written off	**(364)**	(271)
Disposal of a subsidiary	**(574)**	–
At 30 June	**4,887**	5,306

The aggregate carrying amount of the individually impaired trade receivables included in the allowance for doubtful debts were RMB4,887,000 (2016: RMB5,306,000). The individually impaired trade receivables related to customers that were in default or delinquency in payments.

23. TRADE RECEIVABLES *(continued)*

(b) Impairment of trade receivables *(continued)*

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

	2017 **RMB'000**	2016 RMB'000
Neither past due nor impaired	**16,816**	22,843
0 – 60 days past due	**2,231**	4,215
Over 60 days past due	**9**	5,837
	19,056	32,895

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

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

24. CASH AND CASH EQUIVALENTS

	2017 **RMB'000**	2016 RMB'000
Cash at banks and on hand	**84,908**	94,781
Short-term bank deposits	**100,662**	109,662
	185,570	204,443
Denominated in:		
RMB	**67,142**	62,774
HK$	**104,248**	128,010
Others	**14,180**	13,659
	185,570	204,443

24. CASH AND CASH EQUIVALENTS *(continued)*

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

Cash at banks earn interest at floating rates based on the daily bank deposit rates. Short-term bank deposits are placed with the banks and earn interests at the respective short-term bank deposit rates. Short-term bank deposits as at 30 June 2017 and 2016 have a maturity within three months.

25. TRADE PAYABLES

Ageing analysis of trade payables is as follows:

	2017 **RMB'000**	2016 RMB'000
0 – 1 month	**1,488**	13,511
1 – 3 months	**1**	10,171
Over 3 months	**185**	15,444
	1,674	39,126

26. BANK LOANS

As at 30 June 2017 and 2016, the Group has unsecured banking facilities totalling RMB400,000,000. None of the banking facilities has been utilised.

27. 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 withholding tax.

At 30 June 2017 and 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 (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.

27. DEFERRED TAX LIABILITIES *(continued)*

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

	2017 **RMB'000**	2016 RMB'000
Tax losses available to set off future assessable profits*	**83,621**	99,618
Accelerated tax depreciation	**109**	162
	83,730	99,780

* Deferred tax assets have not been recognised in respect of the tax losses as it is not probable that they can be utilised in the foreseeable future. Included in unrecognised tax losses, losses of RMB60,198,000 (2016: RMB75,086,000) will expire in 5 years, while the remaining may be carried forward indefinitely.

28. SHARE CAPITAL

Authorised ordinary shares of HK$0.1 each

	Number of shares ('000)	HK$'000	RMB'000
At 1 July 2015, 30 June 2016 and **30 June 2017**	5,000,000	500,000	527,515

Issued and fully paid ordinary shares of HK$0.1 each

	Number of shares ('000)	HK$'000	RMB'000
At 1 July 2015 and 30 June 2016	3,291,302	329,130	332,787
Shares issued under share option scheme	1,600	160	139
At 30 June 2017	**3,292,902**	**329,290**	**332,926**

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

29. SHARE OPTION SCHEME

(a) Old Share Option Scheme

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

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

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

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

	2017		2016	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Outstanding at 1 July	**91,783,490**	**5.685**	94,008,348	5.661
Lapsed during the year	**(23,015,490)**	**3.837**	(2,224,858)	4.682
Outstanding at 30 June	**68,768,000**	**6.303**	91,783,490	5.685
Exercisable at 30 June	**68,768,000**	**6.303**	91,783,490	5.685

29. SHARE OPTION SCHEME *(continued)*

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

At the end of the reporting period, the exercisable periods of share options under the Old Scheme of the Company are as follows:

	2017		2016	
Exercisable period:	**Number**	**Weighted average exercise price HK$**	Number	Weighted average exercise price HK$
1-4-2007 to 30-8-2016	**–**	**–**	315,900	3.837
1-4-2008 to 30-8-2016	**–**	**–**	421,200	3.837
24-10-2008 to 23-10-2018	**2,244,800**	**3.846**	2,244,800	3.846
1-4-2009 to 30-8-2016	**–**	**–**	421,200	3.837
24-10-2009 to 23-10-2018	**124,800**	**3.846**	124,800	3.846
1-4-2010 to 30-8-2016	**–**	**–**	760,230	3.837
24-10-2010 to 23-10-2018	**332,800**	**3.846**	332,800	3.846
26-11-2010 to 25-11-2020	**64,500,000**	**6.430**	64,500,000	6.430
1-4-2011 to 30-8-2016	**–**	**–**	21,096,960	3.837
24-10-2011 to 23-10-2018	**332,800**	**3.846**	332,800	3.846
26-11-2011 to 25-11-2020	**300,000**	**6.430**	300,000	6.430
24-10-2012 to 23-10-2018	**332,800**	**3.846**	332,800	3.846
26-11-2012 to 25-11-2020	**300,000**	**6.430**	300,000	6.430
26-11-2013 to 25-11-2020	**300,000**	**6.430**	300,000	6.430
	68,768,000	**6.303**	91,783,490	5.685

The Company's share options outstanding under the Old Scheme at 30 June 2017 had a weighted average remaining contractual life of 3.31 years (2016: 3.27 years).

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

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

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

29. SHARE OPTION SCHEME *(continued)*

(b) New Share Option Scheme

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

	2017		2016	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Outstanding at 1 July	**–**	**–**	–	–
Granted during the year	**329,130,000**	**0.187**	–	–
Exercised during the year	**(1,600,000)**	**0.187**	–	–
Outstanding at 30 June	**327,530,000**	**0.187**	–	–
Exercisable at 30 June	**64,226,000**	**0.187**	–	–

At the end of the reporting period, the exercisable periods of share options under the New Scheme of the Company are as follows:

	2017		2016	
Exercisable period:	**Number**	**Weighted average exercise price HK$**	Number	Weighted average exercise price HK$
13-07-2016 to 12-07-2026	**64,226,000**	**0.187**	–	–
13-07-2017 to 12-07-2026	**65,826,000**	**0.187**	–	–
13-07-2018 to 12-07-2026	**65,826,000**	**0.187**	–	–
13-07-2019 to 12-07-2026	**65,826,000**	**0.187**	–	–
13-07-2020 to 12-07-2026	**65,826,000**	**0.187**	–	–
	327,530,000	**0.187**	–	–

The Company's share options outstanding under the New Scheme at 30 June 2017 had a weighted average remaining contractual life of 9.04 years (2016: nil years).

29. SHARE OPTION SCHEME *(continued)*

(b) New Share Option Scheme *(continued)*

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

Date of grant	**Option value**	**Exercise price**	**Risk-free interest rate**	**Expected volatility**	**Dividend yield**	**Life of options**
13 July 2016	HK$0.11 – HK$0.12	HK$0.187	0.98%	59%	–	10 years

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

30. RESERVES

	Notes	**2017** **RMB'000**	2016 RMB'000 (Restated)
Share premium		**5,969,128**	5,968,860
Capital reserve	(a)	**94,894**	94,894
Employee share-based compensation reserve		**180,318**	203,780
Capital redemption reserve		**5,247**	5,247
Exchange reserve		**(224,458)**	(226,387)
Statutory reserves	(b)	**686,370**	688,059
Accumulated losses		**(6,012,963)**	(2,810,290)
		698,536	3,924,163

Movements of the Group's reserves for the current and prior years are presented in the consolidated statement of changes in equity on pages 56 to 57.

Notes:

(a) Capital reserve represents the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the Group reorganisation prior to the listing of the Company's shares in December 2000 over the nominal value of the share capital of the Company issued in exchange thereafter.

(b) In accordance with the relevant PRC rules and regulations, certain subsidiaries of the Company are required to appropriate not less than 10% of their profits after tax to the respective statutory reserves, until the respective balances of the fund reach 50% of the respective registered capitals. Subject to certain restrictions as set out in the relevant PRC regulations, these statutory reserves may be used to offset against their respective accumulated losses, if any.

31. COMMITMENTS

(a) Capital commitments

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

	2017 **RMB'000**	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:

	2017 **RMB'000**	2016 RMB'000
Within one year	**45,634**	150,028
In the second to fifth years, inclusive	**174,568**	593,312
After five years	**489,458**	1,405,605
Total	**709,660**	2,148,945

As lessor

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

	2017 **RMB'000**	2016 RMB'000
Within one year	**12,673**	9,887
In the second to fifth years, inclusive	**30,142**	21,729
After five years	**8,226**	1,295
Total	**51,041**	32,911

32. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group

The Directors are of the opinion that the key management personnel were the executive directors of the Company, details of whose emoluments are set out in Note 13 and certain highest paid employees whose remunerations are set out in Note 14.

33. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries at 30 June 2017 are as follows:

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

33. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of company	Place of incorporation	Principal activity and place of operation	Particulars of issued/registered and paid up capital	Interests held
Held indirectly by the Company:				
Fujian Chaoda Modern Agriculture Group Company Limited (formerly known as Fuzhou Chaoda Modern Agriculture Development Company Limited)**	PRC	Growing and sales of crops, breeding and sales of livestock in the PRC	HK$1,300,000,000	100%
福建超大畜牧業有限公司 ***	PRC	Provision of agency service in the PRC	RMB80,000,000	100%
Chaoda Vegetable & Fruits Limited	Hong Kong	Distribution and trading of crops in Hong Kong	100,000 ordinary shares	100%
Chaoda Vegetable & Fruits (Wholesale & Logistics) Limited	Hong Kong	Wholesale and logistics of vegetables and fruits in Hong Kong	2,500,000 ordinary shares	60%
Desire Star (Fujian) Development Company Limited*	PRC	Property holding in the PRC	US$9,860,000	100%
Inner Mongolia Chaoda Stockbreeding Co., Ltd *	PRC	Breeding and sales of livestock in the PRC	RMB100,000,000	100%
福州超大貿易有限公司***	PRC	Sales of crops in the PRC	RMB30,000,000	100%
福州傑志環球生物科技有限公司**	PRC	Research and development of organism technologies in the PRC	HK$90,000,000	70%

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

* Sino-foreign owned equity joint ventures
** Wholly foreign owned enterprises
*** Private limited liability companies

34. DISPOSAL OF A SUBSIDIARY

During the year ended 30 June 2017, the Group disposed of 超大（上海）食用菌有限公司, an indirectly wholly-owned subsidiary principally engaged in sales of ancillary food products in the PRC, at a consideration of RMB3,560,000, settled in cash. The net assets of 超大（上海）食用菌有限公司 at the date of disposal were as follows:

	RMB'000
Property, plant and equipment	11,235
Construction-in-progress	926
Inventories	7,124
Trade receivables	5,421
Other receivables, deposits and prepayments	6,437
Cash and cash equivalents	453
Trade payables	(19,218)
Other payables and accruals	(8,096)
Net assets disposed of	4,282
Cash consideration	3,560
Net assets disposed of	(4,282)
Loss on disposal	(722)
Net cash inflow arising on disposal:	
Cash consideration	3,560
Less: cash and cash equivalents disposed of	(453)
	3,107

35. RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Financial risk factors

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

(i) Currency risk

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

(ii) Credit risk

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

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

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in Note 23.

(iii) Liquidity risk

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

35. RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(a) Financial risk factors *(continued)*

(iii) Liquidity risk *(continued)*

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

	Carrying amount RMB'000	**Total contractual undiscounted payments RMB'000**	**Within 1 year or on demand RMB'000**
As at 30 June 2017			
Trade payables	**1,674**	**1,674**	**1,674**
Other payables and accruals	**226,456**	**226,456**	**226,456**
	228,130	**228,130**	**228,130**

	Carrying amount RMB'000	Total contractual undiscounted payments RMB'000	Within 1 year or on demand RMB'000
As at 30 June 2016			
Trade payables	39,126	39,126	39,126
Other payables and accruals	287,891	287,891	287,891
	327,017	327,017	327,017

(iv) Interest rate risk

The Group does not have any borrowings which bears floating interest rates. The Group's interest rate risk primarily relates to the interest bearing bank balances. The Group currently has not used any interest rate swaps to hedge its exposure to interest rate but may enter into interest rate hedging instruments in the future to hedge any significant interest rate exposure should the need arise.

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

35. RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(b) Fair value estimation

The estimate of fair values of biological assets is disclosed in Note 19. The fair values of financial assets and liabilities not measured at fair value are not materially different from their carrying amounts because of the immediate or short-term maturity.

(c) Business risk

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

36. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, raise new debt financing or issue new shares. No changes were made in the capital management objectives, policies or processes during the years ended 30 June 2017 and 2016. The Group monitors its capital using net debt to adjusted capital ratio. Net debt includes borrowings less cash and cash equivalents as shown in the consolidated statement of financial position. Adjusted capital represents equity attributable to the owners of the Company plus net debt.

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

	2017 **RMB'000**	2016 RMB'000 (Restated)
Total borrowings	**–**	–
Less: Cash and cash equivalents	**(185,570)**	(204,443)
Excess of cash and cash equivalents over total borrowings	**(185,570)**	(204,443)
Equity attributable to the owners of the Company	**1,031,462**	4,256,950
Adjusted capital	**N/A**	N/A
Net debt to adjusted capital ratio	**N/A**	N/A

37. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

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

Financial assets

	2017 **RMB'000**	2016 RMB'000
Loans and receivables:		
– Trade receivables	**19,056**	32,895
– Other receivables and deposits	**161,918**	458,968
– Cash and cash equivalents	**185,570**	204,443
	366,544	696,306

Financial liabilities

	2017 **RMB'000**	2016 RMB'000
Financial liabilities measured at amortised cost:		
– Trade payables	**1,674**	39,126
– Other payables and accruals	**226,456**	287,891
	228,130	327,017

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

		2017 **RMB'000**	2016 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**30**	30
Interests in subsidiaries		**468,531**	3,702,319
		468,561	3,702,349
Current assets			
Other receivables, deposits and prepayments		**592**	567
Loan to a subsidiary		**6,108**	8,598
Cash and cash equivalents		**26,127**	23,627
		32,827	32,792
Current liabilities			
Amounts due to subsidiaries		**2,253**	758,658
Other payables and accruals		**4,914**	4,793
		7,167	763,451
Net current liabilities		**25,660**	(730,659)
Net assets		**494,221**	2,971,690
EQUITY			
Share capital		**332,926**	332,787
Reserves	Note	**161,295**	2,638,903
Total equity		**494,221**	2,971,690

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 22 September 2017 and are signed on its behalf by:

Kwok Ho	**Ip Chi Ming**
Director	*Director*

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

Movement in the Company's reserves

	Share premium	Employee share-based compensation reserve	Capital redemption reserve	Exchange reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 July 2015	6,169,525	207,817	5,247	(1,335,425)	(1,306,487)	3,740,677
Loss for the year	–	–	–	–	(1,422,475)	(1,422,475)
Other comprehensive income						
– Currency translation differences	–	–	–	320,701	–	320,701
Total comprehensive income/(expense) for the year	–	–	–	320,701	(1,422,475)	(1,101,774)
Lapsed of share options	–	(4,037)	–	–	4,037	–
At 30 June 2016 and 1 July 2016	6,169,525	203,780	5,247	(1,014,724)	(2,724,925)	2,638,903
Employee share option benefits	–	18,557	–	–	–	18,557
Shares issued under share option scheme	268	(147)	–	–	–	121
Transactions with owners	268	18,410	–	–	–	18,678
Loss for the year	–	–	–	–	(2,563,666)	(2,563,666)
Other comprehensive income						
– Currency translation differences	–	–	–	67,380	–	67,380
Total comprehensive income/(expense) for the year	–	–	–	67,380	(2,563,666)	(2,496,286)
Lapsed of share options	–	(41,872)	–	–	41,872	–
At 30 June 2017	**6,169,793**	**180,318**	**5,247**	**(947,344)**	**(5,246,719)**	**161,295**

Five Year Financial Summary

For the year ended 30 June 2017

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

RESULTS

	Year ended 30 June				
	2013 RMB'000 (Restated)	2014 RMB'000 (Restated)	2015 RMB'000 (Restated)	2016 RMB'000 (Restated)	**2017** **RMB'000**
Revenue	2,281,882	1,459,321	1,316,855	1,119,599	**826,317**
Loss before income tax	(3,574,301)	(2,471,211)	(6,763,005)	(4,246,035)	**(3,243,912)**
Income tax expense	(1,081)	(756)	(774)	(416)	**(1,156)**
Loss for the year	(3,575,382)	(2,471,967)	(6,763,779)	(4,246,451)	**(3,245,068)**
Loss for the year, attributable to:					
Owners of the Company	(3,575,373)	(2,473,029)	(6,625,779)	(4,247,970)	**(3,246,234)**
Non-controlling interests	(9)	1,062	(138,000)	1,519	**1,166**
	(3,575,382)	(2,471,967)	(6,763,779)	(4,246,451)	**(3,245,068)**

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 30 June				
	2013 RMB'000 (Restated)	2014 RMB'000 (Restated)	2015 RMB'000 (Restated)	2016 RMB'000 (Restated)	**2017** **RMB'000**
Total assets	17,975,627	15,624,703	8,902,028	4,606,344	**1,282,863**
Total liabilities	(240,232)	(359,032)	(403,860)	(347,672)	**(248,785)**
Non-controlling interests	(139,552)	(140,996)	(1,729)	(1,722)	**(2,616)**
Total equity attributable to the owners of the Company	17,595,843	15,124,675	8,496,439	4,256,950	**1,031,462**