CHAODA MODERN AGRICULTURE (HOLDINGS) LIMITED
超大現代農業(控股)有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 682)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

RESULTS

The board of directors (the "Board") of Chaoda Modern Agriculture (Holdings) Limited (the "Company") presents the interim results of the Company and its subsidiaries (collectively referred to as the "Group" or "Chaoda") for the six months ended 31 December 2017. The consolidated statement of profit or loss and other comprehensive income of the Group for the six months ended 31 December 2017 and the consolidated statement of financial position of the Group as at 31 December 2017, together with the selected explanatory notes, are unaudited and condensed, which have been reviewed by the Company's Audit Committee and the Company's auditors, Elite Partners CPA Limited.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017 – UNAUDITED

		Six months ended 31 December	
		2017	2016
	Notes	***RMB'000***	*RMB'000*
Revenue	*3*	**159,530**	519,796
Cost of sales		**(210,831)**	(713,703)
Gross loss		**(51,301)**	(193,907)
Other revenues		**33,196**	30,084
Loss arising from changes in fair value less costs to sell of biological assets	*12*	**(1,017)**	(78,374)
Selling and distribution expenses		**(41,159)**	(108,204)
General and administrative expenses		**(70,081)**	(60,218)
Research expenses		**(1,831)**	(3,819)
Other operating expenses	*5*	**(525,149)**	(1,327,267)
Loss from operations		**(657,342)**	(1,741,705)
Finance costs	*6(a)*	**(24)**	(35)
Share of results of associates		**–**	(147)
Gain on disposal of subsidiaries		**1,881**	–
Loss before income tax	*6*	**(655,485)**	(1,741,887)
Income tax expense	*7*	**–**	–
Loss for the period		**(655,485)**	(1,741,887)
Other comprehensive income/(expense), including reclassification adjustments and net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange (loss)/gain on translation of financial statements of foreign operations		**(2,903)**	3,650
Other comprehensive income/(expense) for the period, including reclassification adjustments and net of income tax		**(2,903)**	3,650
Total comprehensive expense for the period		**(658,388)**	(1,738,237)
Loss for the period attributable to:			
Owners of the Company		**(655,410)**	(1,743,207)
Non-controlling interests		**(75)**	1,320
		(655,485)	(1,741,887)
Total comprehensive expense for the period attributable to:			
Owners of the Company		**(658,981)**	(1,738,775)
Non-controlling interests		**593**	538
		(658,388)	(1,738,237)
Loss per share for loss attributable to the owners of the Company during the period			
– Basic	*9(a)*	**RMB(0.20)**	RMB(0.53)
– Diluted	*9(b)*	**RMB(0.20)**	RMB(0.53)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017 – UNAUDITED

	Notes	31 December 2017 RMB'000	30 June 2017 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*10*	**87,908**	553,438
Investment properties		**76,623**	78,606
Prepaid premium for land leases	*11*	**37,856**	159,937
Biological assets	*12*	**13,701**	15,606
Deferred expenditure		**1,198**	30,227
Interests in associates		**5,757**	6,122
		223,043	843,936
Current assets			
Prepaid premium for land leases	*11*	**4,437**	12,184
Biological assets	*12*	**4,288**	58,272
Inventories		**1,187**	1,050
Trade receivables	*13*	**18,555**	19,056
Other receivables, deposits and prepayments		**35,538**	162,795
Cash and cash equivalents		**163,642**	185,570
		227,647	438,927
Current liabilities			
Trade payables	*14*	**2,112**	1,674
Other payables and accruals		**48,603**	226,456
		50,715	228,130
Net current assets		**176,932**	210,797
Total assets less current liabilities		**399,975**	1,054,733
Non-current liabilities			
Deferred tax liabilities		**20,655**	20,655
Net assets		**379,320**	1,034,078
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**332,926**	332,926
Reserves		**43,185**	698,536
		376,111	1,031,462
Non-controlling interests		**3,209**	2,616
Total equity		**379,320**	1,034,078

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017 – UNAUDITED

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of Chaoda Modern Agriculture (Holdings) Limited (the "Company") and its subsidiaries (collectively, the "Group") for the six months ended 31 December 2017 (the "Interim Financial Report") have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Interim Financial Report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 30 June 2017 (the "2017 Annual Financial Statements").

The Interim Financial Report has been prepared in accordance with the same accounting policies adopted in the 2017 Annual Financial Statements, except for the adoption of the new, amended or revised Hong Kong Financial Reporting Standards ("HKFRSs") (which collectively include all applicable individual Hong Kong Financial Reporting Standard ("HKFRS"), Hong Kong Accounting Standard ("HKAS") and Interpretation issued by the HKICPA) as disclosed in Note 2 to the Interim Financial Report.

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

2. ADOPTION OF NEW, AMENDED OR REVISED HKFRSs

In the current interim period, the Group has applied, for the first time, all the new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's condensed consolidated financial statements for the annual period beginning on 1 July 2017. Except as described below, the application of the new HKFRSs in the current interim period has had no material effect on the amounts reported in the Interim Financial Report and/or disclosures set out in the Interim Financial Report.

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

3. REVENUE

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

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

	Six months ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Sales of crops	**158,150**	517,132
Sales of livestock	**1,380**	2,664
	159,530	519,796

4. SEGMENT INFORMATION

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

The Group's operating business are organised and managed separately according to the nature of products, which each segment representing a strategic business segment that offers different products in the People's Republic of China ("PRC") market. However, the Group's executive directors considered that over 90% of the Group's revenue, operating results and assets during the six months ended 31 December 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:

	Six months ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
The PRC (country of domicile)	**119,075**	475,992
Hong Kong	**40,378**	43,698
Other	**77**	106
	159,530	519,796

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

Revenue from customers of the current period contributing over 10% of the Group's total revenue are as follows:

	Six months ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Customer A	**19,455**	28,588
Customer B	**19,138**	29,161
Customer C	**17,155**	29,780

5. OTHER OPERATING EXPENSES

	Six months ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Impairment loss on prepaid premium for land leases	**–**	279,164
Impairment loss on property, plant and equipment	**–**	808,267
Loss on early termination of prepaid premium for land leases	**24,978**	–
Loss on disposals/write off of property, plant and equipment	**408,330**	–
Impairment loss on biological assets	**–**	76,821
Deferred expenditure write off	**23,443**	57,955
Others	**68,398**	105,060
	525,149	1,327,267

6. LOSS BEFORE INCOME TAX

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

(a) Finance costs

	Six months ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Bank and finance charges	**24**	18
Interest on bank loans wholly repayable within five years	**–**	17
	24	35

(b) Staff costs

	Six months ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**144,131**	286,232
Employee share option benefits	**3,630**	12,003
Retirement benefit costs	**2,143**	2,444
	149,904	300,679

(c) Other items

	Six months ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Interest income	**(247)**	(1,021)
Amortisation of deferred expenditure, net of amount capitalised	**5,539**	49,636
Amortisation of prepaid premium for land leases, net of amount capitalised	**5,875**	31,804
Cost of inventories sold	**210,831**	713,703
Depreciation of property, plant and equipment, net of amount capitalised	**61,283**	178,694
Depreciation of investment properties	**1,983**	1,983
Operating lease expense in respect of land and buildings	**26,724**	65,071

7. INCOME TAX EXPENSE

(a) No provision for the PRC enterprise income tax has been made in the condensed consolidated financial statements for six months ended 31 December 2017 and 2016 as the PRC companies within the Group either has no assessable profits arising from the PRC or exempt from the enterprise income tax.

According to the PRC tax law and its interpretation rules (the "PRC Tax Law"), enterprises that engage in qualifying agricultural business are eligible for certain tax benefits, including full enterprise income tax exemption or half reduction of enterprise income tax on profits derived from such business. Fujian Chaoda Modern Agriculture Group Company Limited, the Company's principal subsidiary, and other PRC subsidiaries engaged in qualifying agricultural business, which include the growing and sales of crops and the breeding and sales of livestock, are entitled to full exemption of the enterprise income tax.

The enterprise income tax rate of other PRC subsidiaries of the Company not engaged in qualifying agricultural business is 25% for the six months ended 31 December 2017 and 2016.

(b) No provision for Hong Kong profits tax has been made as the Company and its subsidiaries operating in Hong Kong either do not derive material estimated assessable profits or have unused tax losses brought forward to offset against the current period's estimated assessable profits for the six months ended 31 December 2017 and 2016.

8. DIVIDENDS

The Directors do not recommend the payment of interim dividend for the six months ended 31 December 2017 and 2016.

9. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to the owners of the Company of RMB655,410,000 (Six months ended 31 December 2016: RMB1,743,207,000) and the weighted average number of 3,292,902,000 (Six months ended 31 December 2016: 3,291,798,000) ordinary shares in issue during the period.

(b) Diluted loss per share

The calculation of diluted loss per share is based on the loss attributable to the owners of the Company of RMB655,410,000 (Six months ended 31 December 2016: RMB1,743,207,000) and the weighted average number of 3,292,902,000 (Six months ended 31 December 2016: 3,291,798,000) ordinary shares. The computation of diluted loss per share does not assume the conversion of the Company's share options outstanding since their exercise would result in a decrease in loss per share for the six months ended 31 December 2017 and 2016.

10. PROPERTY, PLANT AND EQUIPMENT

	31 December 2017	30 June 2017
	RMB'000	*RMB'000*
Net book value at 1 July 2017/1 July 2016 (Audited)	**553,438**	2,108,972
Additions	**4,892**	31,636
Transfer from construction-in-progress	**–**	27,545
Disposals/Write off *(note (a))*	**(408,520)**	(371,019)
Depreciation charges	**(61,814)**	(277,073)
Disposal of subsidiaries	**(16)**	(11,235)
Impairment loss *(note (b))*	**–**	(955,450)
Exchange realignment	**(72)**	62
Net book value as at 31 December 2017/30 June 2017	**87,908**	553,438

Notes:

(a) During the six months ended 31 December 2017, loss on disposal/write off of approximately RMB408,330,000 due to the early termination of certain farmland areas (During the year ended 30 June 2017: RMB371,019,000).

(b) 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. Subsequent, 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.

11. PREPAID PREMIUM FOR LAND LEASES

	Long-term prepaid rentals *RMB'000*	**Land use rights** *RMB'000*	**Total** *RMB'000*
Cost			
At 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 and 1 July 2017	623,173	127,970	751,143
Early termination of leases/write off	(210,073)	(2,335)	(212,408)
Exchange realignment	(1,890)	–	(1,890)
At 31 December 2017	**411,210**	**125,635**	**536,845**
Accumulated amortisation and impairment loss			
At 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 and 1 July 2017	489,896	89,126	579,022
Amortisation for the period	4,003	2,090	6,093
Early termination of leases/write off	(86,338)	(2,335)	(88,673)
Exchange realignment	(1,890)	–	(1,890)
At 31 December 2017	**405,671**	**88,881**	**494,552**
Net carrying value as at 31 December 2017	**5,539**	**36,754**	**42,293**
Net carrying value as at 30 June 2017	133,277	38,844	172,121

	31 December 2017 ***RMB'000***	30 June 2017 *RMB'000*
Non-current portion	**37,856**	159,937
Current portion	**4,437**	12,184
Net carrying value	**42,293**	172,121

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:

	31 December 2017 *RMB'000*	30 June 2017 *RMB'000*
Outside Hong Kong held on:		
– Leases of over 50 years	**–**	–
– Leases of between 10 to 50 years	**42,293**	172,121
	42,293	172,121

Note:

As of the period ended 31 December 2016, an impairment loss of approximately RMB279,164,000 was recognised to impair the carrying amount of certain long-term prepaid rentals of subsidiaries engaged in the growing and sales of crops due to the early termination of certain farmlands areas. Subsequently, as of the year ended 30 June 2017, 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 right of a subsidiary engaged in the breeding and sales of livestock.

12. BIOLOGICAL ASSETS

	Fruit *RMB'000*	**Livestock** *RMB'000*	**Vegetables** *RMB'000*	**Total** *RMB'000*
At 1 July 2016 (Audited)	–	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)
Write off	(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
Additions	–	2,681	127,763	130,444
Decrease due to harvest or sales	–	(2,563)	(182,753)	(185,316)
Gain/(Loss) arising from changes in fair value less costs to sell	–	(2,023)	1,006	(1,017)
At 31 December 2017	**–**	**13,701**	**4,288**	**17,989**

Biological assets as at 31 December 2017 and 30 June 2017 are stated at fair values less costs to sell and are analysed as follows:

	Livestock *RMB'000*	**Vegetables** *RMB'000*	**31 December 2017 Total** *RMB'000*	30 June 2017 Total *RMB'000* (Restated)
Non-current portion	**13,701**	**–**	**13,701**	15,606
Current portion	**–**	**4,288**	**4,288**	58,272
	13,701	**4,288**	**17,989**	73,878

The fair values of livestocks and vegetables are determined by the Directors with reference to the methodologies and assumptions adopted in the valuation for the year ended 30 June 2017.

13. TRADE RECEIVABLES

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

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

	31 December 2017 *RMB'000*	30 June 2017 *RMB'000*
0-1 month	**7,912**	12,322
1-3 months	**7,371**	6,410
Over 3 months	**3,272**	324
	18,555	19,056

14. TRADE PAYABLES

Ageing analysis of trade payables is as follows:

	31 December 2017 *RMB'000*	30 June 2017 *RMB'000*
0-1 month	**2,051**	1,488
1-3 months	**1**	1
Over 3 months	**60**	185
	2,112	1,674

15. APPROVAL OF INTERIM FINANCIAL REPORT

The Interim Financial Report was approved by the board of Directors on 28 February 2018.

FINANCIAL REVIEW

During the financial period under review, the Group recorded a revenue of RMB160 million, representing a drop of approximately 69% as compared to RMB520 million for the same period ended last year. The sales volume of produce was 64,961 tonnes (31 December 2016: 238,362 tonnes). The drop in revenue was mainly due to the decrease in the production base areas. The average selling price of the produce sold in the China markets decreased from RMB1.99 per kilogram to RMB1.83 per kilogram. The gross loss was decreased by approximately 74% to RMB51 million as compared to the same period ended last year.

During the financial period under review, selling and distribution expenses decreased from RMB108 million to RMB41 million as a result of the drop in revenue. General and administrative expenses increased by 16% to RMB70 million. Other operating expenses amounted to RMB525 million (31 December 2016: RMB1,327 million) consisting mainly of:

(i) loss on early termination of prepaid premium for land leases amounted to RMB25 million; and

(ii) loss on disposal/write off of property, plant and equipment amounted to RMB408 million.

Such losses 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 and approximately loss on early termination of prepaid premium for land leases:

Location of land	Nature	Land area in mu	RMB in millions
Hubei Province	Crops	18,300	11
Jiangsu Province	Crops	28,600	6
Fujian Province	Crops	11,850	8
		Total:	25

Accordingly, loss on disposals/write off of property, plant and equipment amounted to RMB408 million, being the farmland infrastructure, consisting mainly of:

- roads, ditches and land construction works of approximately RMB117 million;
- green house facilities of approximately RMB161 million;
- irrigation facilities system of approximately RMB86 million; and
- electricity and power facilities of approximately RMB16 million.

As a result of the above, during the financial period under review, the loss from operations of the Group amounted to RMB657 million (31 December 2016: RMB1,742 million) as well as loss for the period attributable to owners of the Company amounted to RMB655 million (31 December 2016: RMB1,743 million).

AGRICULTURAL LAND

As at 31 December 2017, the production area of the Group's core business amounted to 2,570 mu (171 hectares) (31 December 2016: 333,559 mu (22,237 hectares)), while 65,647 mu (4,376 hectares) was recorded as at 30 June 2017. Such decrease was mainly attributable to the early termination of certain leasehold farmlands.

As at 31 December 2017, the weighted average production area for vegetables amounted to 53,612 mu (3,574 hectares) (31 December 2016: 225,685 mu (15,046 hectares)), while 188,530 mu (12,569 hectares) was recorded as at 30 June 2017.

BUSINESS OVERVIEW

In 2017, the Central Committee of the Communist Party of China and the State Council released the "Number One Document", which highlights "the in-depth implementation of supply-side structural reform in agriculture and accelerating the cultivation of new growth drivers". Under which, the product and industry structure will be optimised so as to further enhance the quality and efficiency. Meanwhile, green production is promoted, technological innovation is emphasised and new growth momentum is nurtured to support sustainable agricultural development. Adhering to the policy, Chaoda captured the opportunities and speed up the adjustment. On one hand, it further integrated resources, enhanced its ability in market exploration. On the other hand, it leveraged the professional team and strengthened exchanges and communication with relevant research institutions and higher education institutions to improve innovative capability and scientific strength. At the same time, it actively explored and tested the feasibility of certain business models and strategies in business development, so that the Company will be well positioned and properly prepared to overcome the prevailing difficult operating environment.

Chaoda also adhered to the green development concept and promoted green production, attaching great importance to soil protection and rural ecological environment. Chaoda has always taken food safety as the lifeline and built a trackable quality control system. It adopted physical control and biological control measures, together with measures such as paddy-upland rotation, rice and vegetable rotation and water-saving sprinkler irrigation system to ensure soil fertility and maintain ecological environment. By adopting production methods that followed the rules of nature and preserved the environment, Chaoda strived to achieve economic benefits, ecological benefits and social benefits all at the same time.

OUTLOOK

At the beginning of 2018, the Central Committee of the Communist Party of China and State Council issued the Number One Document "The Opinion of the Central Committee of the CPC and the State Council on the Implementation of Rural Village Development Strategy", which expressly called for the full implementation of the development strategy for rural villages. Chaoda's future development is expected to be benefited from the great opportunities brought by the implementation. Looking forward, Chaoda will take initiatives to pursue reform and innovation with the view of meeting the new economic and industry development trends.

In order to adapt to the industry development trend and better utilise the resources of the Group, the Company will place more efforts in studying and testing certain operation strategies and models that facilitate business development. On the agricultural supply-side structural reform, it will take into account a combination of features in the rural development reality, agricultural industry and its own advantages to further explore innovation in a new partnership business model where elements including land, capital, technology, brand and information are fully integrated and allocated in a scientific manner. The Company will also orderly coordinate the sales and production of agricultural products by using big data, considerably increase the base production and market expansion capability, and enhance the overall operation efficiency and economies of scales of the Company. It is believed that the successful implementation of the strategies will create a win-win situation.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, cash and cash equivalents of the Group amounted to RMB164 million (30 June 2017: RMB186 million). In addition, the Group has unsecured banking facilities totaling RMB400 million which has not been utilised (30 June 2017: RMB400 million).

As at 31 December 2017, the total equity of the Group (including non-controlling interests) amounted to RMB379 million (30 June 2017: RMB1,034 million). Since the Group did not have any outstanding bank loans or long term debts due to third party as at 31 December 2017 and 30 June 2017, the debt to equity ratio (bank loans over total equity) of the Group was nil. The current ratio (dividing total current assets by total current liabilities) was approximately 4.5 times (30 June 2017: 1.9 times).

As at 31 December 2017, the Group did not have a concrete plan for material investments or acquisition of capital assets. The Group continues to exercise prudent financial management disciplines and to maintain conservative cash flow management so as to keep its debt-to-equity ratio at low level. The Group believes such measures will be able to meet the future working capital requirements.

The Group did not have any material contingent liabilities as at 31 December 2017 and 30 June 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 December 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Board recognises that good corporate governance will not only safeguard the interests and assets of the Company and deliver long-term return to our shareholders, but will also lay a good foundation for sustainable growth of the Company. During the financial period under review, the Company has applied the principles and complied with all the applicable code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for the deviation stated below:

Code provision A.2.1 of the CG Code

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

AUDIT COMMITTEE

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

The Audit Committee has reviewed the Interim Financial Report.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

Hong Kong, 28 February 2018

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

Executive directors	:	*Mr. Kwok Ho, Mr. Kuang Qiao and 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 and Mr. Chan Yik Pun*