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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

RESULTS

The board of directors (the "Board") of Chaoda Modern Agriculture (Holdings) Limited (the "Company") announces the audited consolidated annual results of the Company and its subsidiaries (collectively referred to as the "Group" or "Chaoda") for the financial year ended 30 June 2017, together with the comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	Notes	**2017**	2016
		RMB'000	RMB'000
			(Restated)
Revenue	3	**826,317**	1,119,599
Cost of sales		**(1,126,478)**	(1,632,702)
Gross loss		**(300,161)**	(513,103)
Other revenues	4	**50,411**	63,549
(Loss)/Gain arising from changes in fair value less costs to sell of biological assets		**(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	6	**(2,611,122)**	(3,465,967)
Loss from operations		**(3,244,014)**	(4,247,112)
Finance costs	7(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		**(722)**	-
Loss before income tax	7	**(3,243,912)**	(4,246,035)
Income tax expense	8	**(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)
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	10(a)	**RMB(0.99)**	RMB(1.29)
– Diluted	10(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		**553,438**	2,108,972	3,622,913
Investment properties		**78,606**	82,569	56,686
Construction-in-progress		**-**	12,387	16,399
Prepaid premium for land leases	11	**159,937**	1,038,582	3,546,243
Biological assets	12	**15,606**	22,094	27,453
Available-for-sale investments		**-**	-	2,408
Deferred expenditure		**30,227**	270,403	373,173
Interests in associates		**6,122**	7,362	7,536
		843,936	3,542,369	7,652,811
Current assets				
Prepaid premium for land leases	11	**12,184**	56,921	107,135
Biological assets	12	**58,272**	284,326	397,954
Inventories		**1,050**	10,955	21,984
Trade receivables	13	**19,056**	32,895	35,965
Other receivables, deposits and prepayments		**162,795**	474,435	446,837
Cash and cash equivalents		**185,570**	204,443	239,342
		438,927	1,063,975	1,249,217
Current liabilities				
Trade payables	14	**1,674**	39,126	20,507
Other payables and accruals		**226,456**	287,891	358,528
Bank loans		**-**	-	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		**20,655**	20,655	20,655
Net assets		**1,034,078**	4,258,672	8,498,168
EQUITY				
Equity attributable to the owners of the Company				
Share capital		**332,926**	332,787	332,787
Reserves		**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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

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 of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The accounting 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 2.

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

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 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.

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.

In the application of the Group's accounting policies, 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 consolidated financial statements for the year ended 30 June 2017 were approved for issue by the Board on 22 September 2017.

2. 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.

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

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) RMB'000	Adjustment RMB'000	For the year ended 30 June 2016 (Restated) 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)

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)

2. 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 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

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.

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

HKFRS 16 – Leases (Continued)

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.

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 year is as follows:

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

4. OTHER REVENUES

	2017	2016
	RMB'000	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

5. 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.

5. SEGMENT INFORMATION (Continued)

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	2016
	RMB'000	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.

6. OTHER OPERATING EXPENSES

	2017	2016
	RMB'000	RMB'000
		(Restated)
Expenses incurred for fallow farmlands	**176,554**	299,582
Impairment loss on prepaid premium for land leases *(Note 11)*	**484,477**	343,164
Impairment loss on property, plant and equipment	**955,450**	563,327
Impairment loss on deferred expenditure	**112,686**	-
Natural crop losses	**1,202**	86,799
Loss on disposals / written off of property, plant and equipment	**371,019**	494,493
Loss on early termination of prepaid premium for land leases	**207,794**	1,247,709
Biological assets written off *(Note 12)*	**171,330**	244,371
Deferred expenditure written off	**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

7. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

(a) Finance costs

	2017	2016
	RMB'000	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)

	2017	2016
	RMB'000	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

(c) Other items

	2017	2016
	RMB'000	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

8. INCOME TAX EXPENSE

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

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

8. INCOME TAX EXPENSE (Continued)

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.

9. DIVIDENDS

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

10. 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.

11. PREPAID PREMIUM FOR LAND LEASES

	Long-term prepaid rentals RMB'000	Land use rights RMB'000	Total RMB'000
Cost			
At 1 July 2015	4,453,519	127,970	4,581,489
Early termination of leases	(2,465,402)	-	(2,465,402)
Exchange realignment	(8,316)	-	(8,316)
At 30 June 2016 and 1 July 2016	1,979,801	127,970	2,107,771
Early termination of leases	(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

	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

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 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 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.

12. 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)*	(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)*	(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 values 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

Note:

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

During the year 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.

13. TRADE RECEIVABLES

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

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.

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

	2017	2016
	RMB’000	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

14. TRADE PAYABLES

Ageing analysis of trade payables is as follows:

	2017	2016
	RMB’000	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

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 PRC.

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).

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.

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.

REVIEW OF ANNUAL RESULTS BY THE AUDIT COMMITTEE

As at the date of this announcement, the members of the Audit Committee comprise Mr. Tam Ching Ho (the Chairman), Mr. Fung Chi Kin and Mr. Chan Yik Pun, all are independent non-executive Directors.

The Audit Committee has met with Elite Partners CPA Limited ("Elite Partners"), the Company's auditors, to review the audited consolidated financial statements of the Group for the financial year ended 30 June 2017.

SCOPE OF WORK OF ELITE PARTNERS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the financial year ended 30 June 2017 as set out in this preliminary announcement have been agreed by the Group's auditor, Elite Partners, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Elite Partners in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Elite Partners on this preliminary announcement.

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 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 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 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.

The Board will constantly review the corporate governance policies of the Company and adopt such practices and procedures as considered by it to be appropriate and in the overall interests of the Company and our shareholders from time to time.

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.

CLOSURE OF REGISTER OF MEMBERS

To ascertain the eligibility of the shareholders of the Company (the “Shareholders”) to attend and vote at the annual general meeting of the Company to be held on 15 December 2017 (the “Annual General Meeting”), the register of members of the Company will be closed from Monday, 11 December 2017 to Friday, 15 December 2017 (both days inclusive), during which period no transfer of shares of the Company will be registered. All transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company’s share registrar, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, no later than 4:30 p.m. (Hong Kong time) on Friday, 8 December 2017. The Shareholders whose names appear on the register of members of the Company on Friday, 15 December 2017 are entitled to attend and vote at the Annual General Meeting.

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

Hong Kong, 22 September 2017

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*