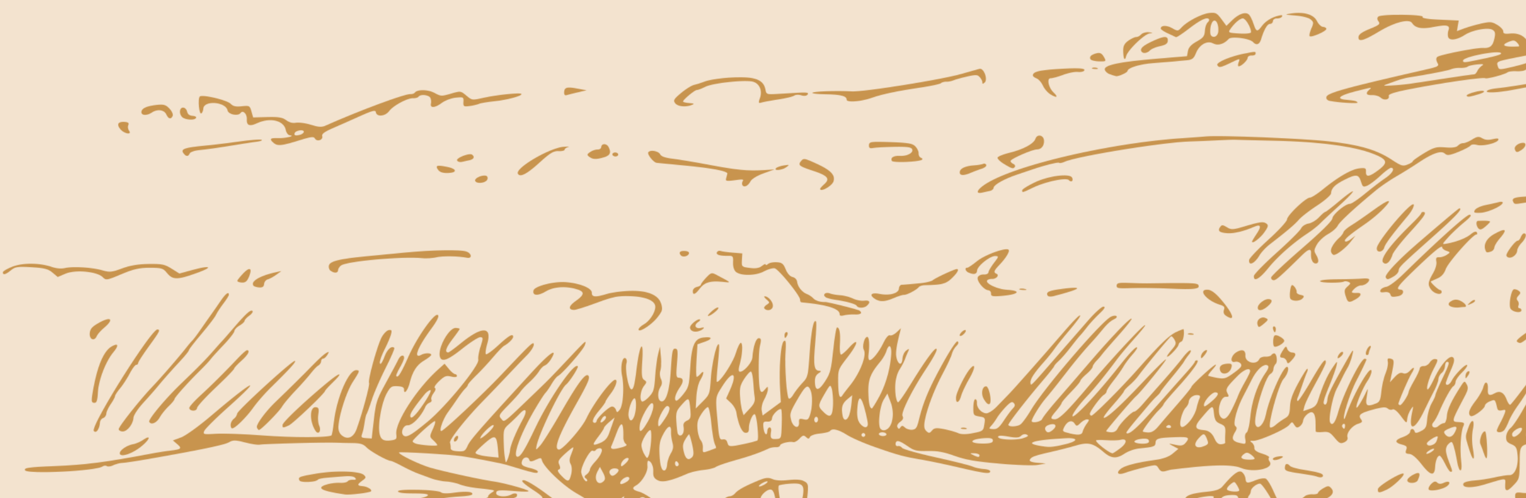
CHAODA MODERN AGRICULTURE (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 682)



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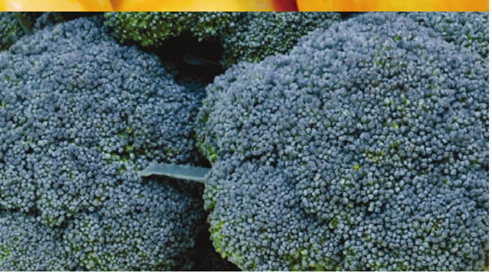

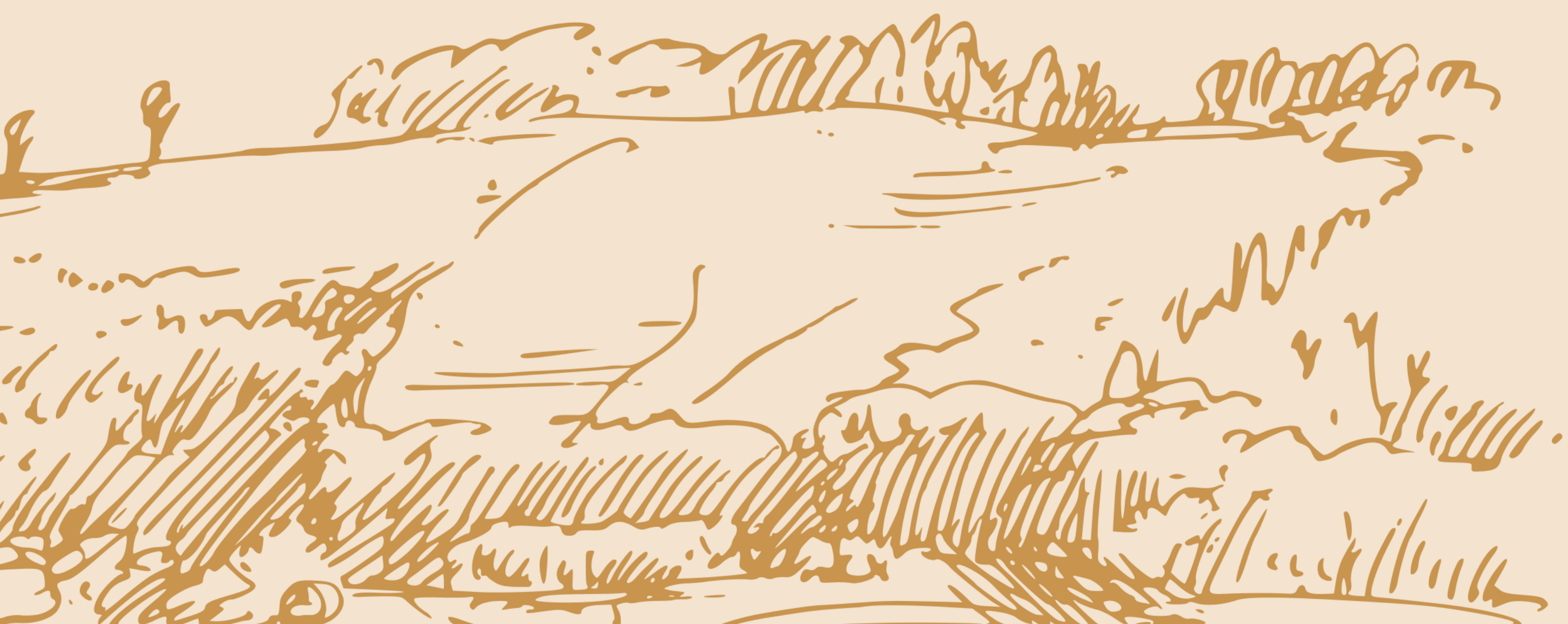

Corporate Information

BOARD OF DIRECTORS

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

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

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 Yat To

COMPANY SECRETARY

Mr. Chan Yat To

Corporate Information *(continued)*

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

COMPANY'S WEBSITE

http://www.chaoda.com.hk

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 2018 on behalf of the board of directors (the "Board") of the Company.

REVIEW

In reviewing the past financial year, the Chinese economy has continued to develop steadily. However, due to the low degree of cooperation of farmers, the weak of agricultural technology and management, and the imbalance between supply and demand of agricultural products, the development of rural agricultural economy is lagging behind. In the report of the 19th National People's Congress and the 2018 No.1 Document, the rural revitalization strategy was proposed, with the principle of "based on agriculture, benefit the rural area and benefit farmers" was adhered to, so to enable the farmers to participate in the agricultural modernization and green development.

Chaoda always committed to the development of green agriculture and promotion of the modern agricultural reform, it is exactly aligned with the national policies, measures and strategic goals. As a pioneer in the development of green and modern agriculture, green development focusing on protecting soil and natural resources and rural ecological environment has always been an idea and persistence of Chaoda in the past two decades. Through comprehensive and effective measures and inputs, we will ensure the health of the soil and the environment, protect the quality of nature and agricultural products, and achieve a harmonious and unified economic, ecological and social benefits. With the advantage of resource and technical knowhow, we promote the cultivation technology of excellent varieties in the area where we located, and promote the industrial upgrade and development.

In the past year, Chaoda has actively promoted the supply-side structural reform in agriculture, strengthened modern agricultural science and technology innovation, and strived to develop an efficient, high-quality and sustainable agricultural development path.

As the Group needs to adjust and integrate resources from the above-mentioned supply-side structural reform in agricultural, and at the same time invest resources in technology research and development, enhance the company's capacity and strengthen technological capabilities, so to turn around the current operational difficulties as soon as possible, and lay a solid foundation for the business restructuring and transformation ahead. The financial year ended 30 June 2018 was a difficult and challenging year for the Group. However, despite the active development by joint efforts of management and employees, Chaoda's brand name and reputation are still recognized and affirmed by the society and the public. In June 2018, Chaoda was continuously recognised as "China's 500 Most Valuable Brands" by the World Brand Laboratory, ranking 83rd with a brand value of RMB45.642 billion, also, it is being selected as one of the top 500 Asian brands, and having the qualification of national key leading enterprise in agriculture industry.

Chairman's Statement *(continued)*

FUTURE OUTLOOK

Currently, People's Republic of China is making every effort to promote the rural revitalization strategy. As a responsible enterprise, Chaoda will continue to take the responsibility of the country's modern agricultural innovation and development. We will continue to achieve our initial intentions and mission, moving ahead with the supply-side structural reform in agriculture, develop the customized agriculture in the industry, strive to create operational benefits, provide our solutions for industrial revitalization and precise poverty alleviation, and innovate development models.

The Group will actively develop the innovative industrial layouts with our solid foundations and advantages, vigorously cultivate the new forms of business, new models and new kinetic energy for vegetable production, and build a new agro-ecological system; promote comprehensive development of "customized agriculture" to promote production by sales and avoid the follow with trends, leading the major changes in the agricultural industry, improving the production capacity of high-quality agricultural products; guiding the society to respect and reflect the fair value of agricultural products, and achieving the high level balance of supply and demand of agricultural products. With the "Chaoda Innovative Think Tank" which led by five academicians and the relevant national departments and the expert groups of various research institutes, they will further explore the rural revitalization strategy, the supply-side structural reform in agriculture and the development of customized agriculture, provide feasibility study on the new business operation models and suggest the most effective and efficient way to allocate the resources of the Group, balance different stakeholders interest to create the best economic and social value and provide the greatest return to shareholders. The Group will report to shareholders and the public on the progress of the new business operation model in a timely and comprehensive manner.

Looking forward, there are challenges and opportunities ahead. All members of our group will continue to move forward to achieve the business goals with firm confidence. I believe we can create greater glories and achieve the vision of "better livelihood with Chaoda environmental".

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, 21 September 2018

Management Discussion and Analysis

FINANCIAL REVIEW

In the past year, market remains full of challenge and continuing the reform of supply-side structural reform in agriculture. Based on the latest development of market and according to the supply-side structural reform, the Group's production remained at low level and the farmland leased and available to the Group continue be decreasing.

During the financial year under review, the Group recorded a revenue of RMB213 million representing a drop of approximately 74% as compared to RMB826 million for the previous financial year. The drop in revenue was mainly attributable to decrease in sales volume of product which was the results of decrease in production base areas. Revenue derived from the PRC, excluding Hong Kong, was about 63% of total revenue of the Group (2017: 90%). Sales volume of product dropped from 387,943 tonnes in previous financial year to 74,601 tonnes this financial year. The average selling price of the product sold in the China markets slightly decreased from RMB1.90 per kilogram to RMB1.72 per kilogram. The gross loss decreased by approximately 84% to RMB48 million, as compared to that in previous financial year.

During the financial year under review, selling and distribution expenses decreased from RMB153 million to RMB51 million as a result of decrease in sales volume and revenue. General and administrative expenses decreased by 30% to RMB111 million. Other operating expenses amounted to RMB572 million (2017: RMB2,611 million), which consisting mainly of:

(i) loss on early termination of prepaid premium for land leased amounted to RMB29 million; and

(ii) loss on disposal/write off of property, plant and equipment amounted to RMB442 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, approximate loss on early termination of prepaid premium for land leases:

Location of land	Nature	Land area mu	Loss on prepaid premium for land leases RMB million
Hubei Province	Crops	18,300	11
Jiangsu Province	Crops	28,600	6
Fujian Province	Crops	14,420	12
Hebei Province	Crops	2,500	—
Jiangxi Province	Crops	1,827	—
	Total:	65,647	29

Management Discussion and Analysis *(continued)*

Accordingly, loss on disposal/write off of property, plant and equipment amounted to RMB442 million, being the farmland infrastructure, consisting mainly of:

- Roads, ditches and land construction works of approximately RMB88 million;
- green house facilities of approximately RMB180 million;
- irrigation facilities system of approximately RMB98 million; and
- electricity and power facilities of approximately RMB16 million.

As a result of the above, during the financial year under review, the loss from operations of the Group amounted to RMB743 million (2017: RMB3,244 million) as well as loss for the year attributable to owners of the Company amounted to RMB719 million (2017: RMB3,246 million).

AGRICULTURAL LAND

As at 30 June 2018, the Group no longer hold or lease any farmland (2017: 65,647 mu (4,376 hectares)). Such decrease was attributable to the early termination of leasehold farmlands.

As at 30 June 2018, the weighted average production area for vegetables was 27,877 mu (1,859 hectares) (2017: 188,530 mu (12,569 hectares)).

INDUSTRY OUTLOOK

Agricultural industry is one of the most important section in China. In early 2017 and early 2018, the Central Committee of the Communist Party of China and State Council released the 2017 and 2018 "Number One Document" respectively, both of them were focusing on agricultural area, highlighting and promoting the implementation of supply-side structural reform in agriculture, proposing the priority development of agriculture and rural areas and implement the strategy of rural revitalization. Emphasized the importance of agriculture, rural villages and farmers, accelerate the modernization of agriculture and rural areas, and raise the wealthy and happiness of farmers.

During the year, series of important documents policies issued and introduced for agriculture and rural reform, target to bring the agricultural industry to an optimized position and further enhance the product quality and production efficiency. Ultimately boost up the economy of agricultural industry and rural villages.

In order to support the sustainable agricultural development, reduce damages to the ecology and ensure the food safety; green production, innovative production and technology production was promoted in the past and will continue be emphasized in future. By adopting the above principals, following the rules of nature and preserved the environment, it achieved economic benefits, ecological benefits and social benefits.

COMPANY OUTLOOK

Chaoda as the pioneer and leading enterprise in green and modern agriculture, we had taken the initiative to integrated resources, leveraged the professional team and strengthened exchanges and communication with relevant research institutions and higher education institutions to improve innovative capability and scientific strength. Strived to adhere the green development concept, promoting green production, and attaching great importance to soil protection and rural ecological environment.

In order to adapt to the industry development and trend, and to capture the opportunity ahead, Chaoda had taken appropriate adjustment on resources allocation, so to place more efforts in studying and testing certain operation strategies and models that can strengthen the business development.

With the National Strategic Plan of Rural Revitalization, the Group had structured a new business operation model to better adapt to the industry's development, direction and further capture the opportunity of emerging trends. The Group will continue to implement supply-side structural reform in horticulture and develop "customized agriculture".

Before the financial year 2017/18, the Group leased farmland and employed local farm workers for their production facilities. Further, the Group will be making efforts to take an integrated role in agricultural production by providing support services to local farmers, impoverished households, rural cooperatives, agricultural enterprises and village collectives in order for them to carry on with their own production. Supporting this initiative the Group will offer the following services:

(i) Horticulture consultation, advise on set-up standards, process and procedures for cultivation and agricultural production;

(ii) Management of the integrated cultivation, process monitoring, training and advice; and

(iii) Marketing and research, and assistance in soliciting or securing production orders for agricultural products.

Through organized production, management and technical research conducted by Chaoda, it can ensure the quality, safety, and development of green and modern horticultural practices, and further provide consumers with safe, quality products.

To effectively connect the production and sales realization of customized agriculture, the Company invites the local government to help integrate the demand from government run canteens, inside military compounds, schools, state-own enterprises and other institutions. This would assist in exploring the "cost + reasonable profit" pricing model in respect to the fair value of agricultural production. As such, the pricing will fully and transparently reflect the contribution by different parties and achieve mutual benefit.

As of the date of this annual report, Chaoda has signed a non-binding strategic cooperation agreement with the Mingxi County People's Government as a pilot scheme for the new model, which will provide a solid foundation for our enterprise as we implement the new business model.

Currently, Chaoda is continually discussing and negotiating with all levels of government, relevant farmers, rural cooperatives and agricultural enterprises on the new business model in an active and orderly manner. Through discussion in the past few months, the Company has received very positive feedback. With the input from the pilot scheme, the Company will possess the ability to modify, finalize and standardize the new business model for operation. Chaoda targets to promote the model and fully implement it across the PRC within the next 12 months and create positive economic benefits for enterprises and to shareholders.

Management Discussion and Analysis *(continued)*

The Company believes that the business objectives and new business model of Chaoda are in line with the national policies, measures and strategic goals of the Chinese government. As such, the policy and new model can provide a great opportunity for agricultural development and to the Group. The Company is optimistic in Chaoda's ability to cooperate with local governments, farmers, impoverished households, rural cooperatives, agricultural enterprises and village collectives, and further enhance innovative industrial infrastructure for horticulture production.

CURRENT PRINCIPAL BUSINESS ACTIVITIES

(i) Generating sales revenue through the distribution and trade of crops and agricultural products in both Hong Kong and mainland China; and

(ii) Generating horticulture consultant, management and supporting services income by providing consultation on standards, process and procedure for cultivation and agricultural production, management of the integrated cultivation, process monitoring, providing training and advice, conducting marketing and research, and soliciting or securing production orders for agricultural products.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2018, cash and cash equivalents of the Group amounted to RMB156 million (2017: RMB186 million). In addition, the Group has secured banking facilities totaling RMB17 million which has not been utilized (2017: unsecured banking facilities of RMB400 million).

As at 30 June 2018, the total equity of the Group (including non-controlling interests) amounted to RMB318 million (2017: RMB1,034 million). Since the Group did not have any outstanding bank loans or long term debts due to third party as at 30 June 2018, the debt to equity ratio (bank loans over total equity) of the Group was nil (2017: nil). The current ratio (dividing total current assets by total current liabilities) was 5 times (2017: 2 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 exchange rate risk.

SIGNIFICANT INVESTMENTS

During the financial year under review, the Group did not have any significant investments.

MATERIAL ACQUISITIONS AND/OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

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

Management Discussion and Analysis *(continued)*

CHARGE ON ASSETS

As at 30 June 2018 and 2017, the Group did not charge any of its assets to any bank or other financial institutions.

CONTINGENT LIABILITIES

As at 30 June 2018 and 2017, 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 2018, the Company has issued ordinary share capital of 3,295,582,491 shares. During the financial year under review, the grantees of the share options exercised 2,680,000 share options pursuant to the 2015 Share Option Scheme (as defined under the section headed "Share Option Scheme" in the Directors' Report) and the underlying ordinary shares were allotted on 9 January 2018, 23 January 2018 and 21 March 2018 respectively.

HUMAN RESOURCES

As at 30 June 2018, the Group employed 465 employees (2017: 5,322), of which 181 were farmland workers (2017: 4,832).

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 be a good foundation of the Company's sustainability. The key corporate governance principles and practices of Chaoda during the financial year ended 30 June 2018 are set out in this report.

CORPORATE GOVERNANCE PRACTICES

During the financial year ended 30 June 2018, the Company has 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 deviations set out below under the paragraphs headed "Chairman and Chief Executive Officer" of this report. The current corporate governance practices will be reviewed and assessed from time to time for the compliance with the latest statutory requirements.

DIRECTORS' 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 as its code of conduct regarding securities transactions by the directors. All directors, after specific enquiries made 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 2018. The directors' interests as at 30 June 2018 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

Corporate Governance Report *(continued)*

Biographical details of the directors are disclosed in the section headed "Profiles of Directors and Senior Executives" of 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.

Corporate Governance Report *(continued)*

Board meetings

During the financial year ended 30 June 2018, the Board convened a total of 4 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 at the board meetings held during the financial year ended 30 June 2018 is set out below:

Name of directors	Attendance
Executive directors:	
Mr. Kwok Ho *(Chairman)*	4/4
Mr. Kuang Qiao	4/4
Mr. Yang Gang	4/4
Non-executive director:	
Mr. Ip Chi Ming	3/4
Independent non-executive directors:	
Mr. Fung Chi Kin	4/4
Mr. Tam Ching Ho	4/4
Professor Lin Shun Quan	4/4
Mr. Chan Yik Pun	4/4

Corporate Governance Report *(continued)*

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 2018 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.

Corporate Governance Report *(continued)*

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 website.

No director shall be involved in deciding 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 2018, the Remuneration Committee had convened one meeting.

The individual members' attendance records are set out below:

Members of the Remuneration 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

During the financial year ended 30 June 2018, the Remuneration Committee (i) discussed and reviewed the remuneration policy adopted by the Group; and (ii) reviewed and recommended to the Board the overall level of compensation and its adjustment 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 website.

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 2018, the Nomination Committee had convened one meeting.

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	1/1

Corporate Governance Report *(continued)*

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.

During the financial year ended 30 June 2018, 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 ended 31 December 2017;

(ii) reviewed the audited financial statements for the financial year ended 30 June 2017 as well as the financial statements for the six-month ended 31 December 2017; 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 2018 have been reviewed by the Audit Committee.

Corporate Governance Report *(continued)*

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 2018, 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 2018 in respect of audit and non-audit services were as follows:

Services rendered	**Fee paid/payable HK$'000**
Audit services	1,360
Non-audit services (interim review)	350

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 2018, 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.

Corporate Governance Report *(continued)*

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 control activities, while senior management is responsible to design, implement and monitor the risk management and internal control system, and report to the Board and the Audit Committee on the effectiveness of these system. Internal control system 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 of 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 report 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 procedure. For the financial year ended 30 June 2018, 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 issue 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 system will be performed annually. For the financial year ended 30 June 2018, the Board considers that the Group's risk management and internal control system are adequate and effective. The Audit Committee has also reviewed and is satisfied with the adequacy of resources, staff qualifications, experience and the training programs of the Group's internal audit, accounting and financial reporting functions.

Corporate Governance Report *(continued)*

INSIDE INFORMATON

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 that the inside information is truthful, accurate, complete and timeline 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 "Director's Securities Transactions" 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 2018, 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 meeting.

CONSTITUTIONAL DOCUMENTS

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

Corporate Governance Report *(continued)*

ANNUAL GENERAL MEETING

The attendance of individual directors at the annual general meeting of the Company held on 15 December 2017 is set out as follows:

Name of directors	Attendance
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	✓

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 through the following methods:

By telephone: (852) 2845 0168
By fax: (852) 2827 0278
By email: investor@chaoda.com.hk

Environmental, Social and Governance Report

This Environmental, Social and Governance Report (the "ESG Report") summarizes the environmental, social and governance ("ESG") initiatives, plans and performance of Chaoda Modern Agriculture (Holdings) Limited ("the Company", together with its subsidiaries, "the Group" or "we") and demonstrates its commitment to sustainable development.

The Group is adhering to develop sustainably in accordance with the ESG management principles, and is committed to effectively and responsibly handling the ESG issues of the Group as a core part of our business strategy, as we believe this is the key to our continued success in the future.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE STRUCTURE

During the reporting period, the Group has established the Environmental, Social and Governance Working Group (the "Working Group"). The Working Group is composed of core members from different departments of the Group and is responsible for collecting relevant ESG information for the preparation of the ESG Report. The Working Group directly reports to the Board, for identifying and assessing the ESG risks of the Group and the effectiveness of the Group's internal control mechanisms in relation to those risks. The Working Group also examines and assesses our performance of the environment, health and safety, labour standards, product responsibility and other aspects in the ESG areas. The Board sets the direction of the Group's ESG strategy and ensures the effectiveness of ESG risk management and its control mechanism.

REPORT FRAMEWORK

The ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "Reporting Guide") under the Appendix 27 of the Main Board Listing Rules on the Stock Exchange of Hong Kong Limited.

The corporate governance practices of the Group are published in the Corporate Governance Report on pages 11 to 21 of this annual report.

REPORT PERIOD

The ESG Reports covered the ESG activities, challenges and measures taken by the Group during the year ended 30 June 2018 (the "Reporting Period").

REPORT SCOPE

During the Reporting Period, the Group has sold and terminated the lease of all farmland. Therefore, as at 30 June 2018, the Group did not have any production bases. As at the reporting date of the ESG Report, there was no planting and agricultural product producing business in operation, and only wholesale and distribution of agricultural products business remains. Therefore, the ESG Report is only focused on the three office areas and business centres of the Group and its subsidiaries in Hong Kong and Mainland China: the processing centre in Kwun Tong, the office in Wanchai and the headquarters of the Group in Fuzhou. Unless specifically stated, we obtain ESG key performance indicator data through the operational control mechanisms of the Group and its subsidiaries. After the Group's data collection system is more mature and the sustainability work is enhanced, we will continue to expand the scope of disclosure in the future.

Environmental, Social and Governance Report *(continued)*

STAKEHOLDERS ENGAGEMENT

Stakeholders' participation is an integral part of the Group's continuous improvement in sustainable development performance, therefore, all stakeholders played a key role and we value stakeholders' view on our operation and ESG matters. To fully understand, respond and address the core concerns of different stakeholders, we have been closely communicated with different stakeholders, including but not limited to shareholders/investors, customers, suppliers, employees, government and regulatory bodies, peers and industry chambers of commerce and communities, non-governmental organisations and media.

Through different stakeholder engagement and communication channels, we bring our stakeholders' expectations into our operational and ESG strategies. Stakeholder engagement and communication channels are as follows:

Major Stakeholders	Communication channels
Employees	Regular performance evaluations Channel for employees' feedback (forms, suggestion boxes, etc.) Staff newsletters and communications Intranet
Investors/Shareholders	Annual general meeting Annual report and interim report Announcement and circular
Customers	Customer service centre Account manager
Suppliers	Supplier management meeting and event Supplier on-site audit and management system
Government and Regulating Bodies	Regular work meeting Regular performance report Field inspection
Communities, Non-governmental Organisations and Media	Seminars, lectures and workshops Charity fund Community investment plan ESG Report

We are committed to work with our stakeholders to improve the Group's ESG performance and to continue creating greater value for our country and society.

Environmental, Social and Governance Report *(continued)*

MATERIALITY ASSESSMENT

The management and staff in different functions of the Group are involved in the preparation of the ESG Report, so as to assist the Group to review its operations and identify the relevant environmental, social and governance issues, and to assessing the importance of those relevant matters to our business and the stakeholders. We compiled a questionnaire in accordance with the identified material ESG issues to collect information from the relevant departments and business units of the Group.

The following table summarizes the Group's material ESG issues included in this report:

Reporting Guide		The Group's Material ESG Aspects	
A.	**Environmental**		
A1.	Emissions	Exhaust Gas and Greenhouse Gas Emissions	P. 26
		Waste Management	P. 27
A2.	Use of Resources	Energy Use	P. 29
		Water Consumption	P. 30
A3.	The Environment and Natural Resources	Working Environment	P. 30
B.	**Social**		
B1.	Employment	Remuneration and Benefits	P. 31
		Recruitment	P. 32
		Promotion and Dismissal	P. 32
		Equal Opportunity	P. 32
B2.	Health and Safety	Internal Health and Safety Management System	P. 33
		Employee Health Management and Occupational Safety Training	P. 33
		Fire Safety	P. 33
B3.	Development and Training	Training Management	P. 34
		Training System and Curriculum	P. 34
B4.	Labour Standards	Prevention of Child Labor and Forced Labor	P. 35
B5.	Supply Chain Management	Supplier Quality Review	P. 35
		Review on Environmental and Social Risk of Suppliers	P. 36
		Fair and Open Procurement	P. 36
B6.	Product Responsibility	Product Quality and Safety	P. 37
		Customer Service	P. 37
B7.	Anti-corruption	Anti-corruption	P. 38
B8.	Community Investment	Philanthropy Management	P. 39
		Social Responsibility Education	P. 39

For the year ended 30 June 2018, the Group has confirmed that it has established the appropriate and effective management policies and internal control systems for ESG matters and confirmed that the disclosures meet the requirements of the Reporting Guide.

Environmental, Social and Governance Report *(continued)*

CONTACT US

We welcome comments and suggestions from stakeholders. You are pleased to provide valuable feedback on the ESG Report or our performance in sustainability and email to investor@chaoda.com.

A. ENVIRONMENTAL

A1. Emissions

General Disclosures and Key Performance Indicators ("KPIs")

The Group is committed to apply the strategy of sustainable development in its operations, emphasized the importance of good environmental management, and strives to protect the environment in order to fulfill the social responsibilities of the Group.

The Group regularly gets updates of the latest national and regional environmental protection laws and regulations, and strengthens the environmental protection measures to comply with local government laws and regulations and relevant environmental policies based on the updates. The Group complies with the relevant laws and regulations. Relevant laws in Mainland China included but not limited to "Environmental Protection Law of the People's Republic of China", "Law of the People's Republic of China on Prevention and Control of Water Pollution" and "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes". Relevant laws in Hong Kong included but not limited to "Waste Disposal Ordinance", "Water Pollution Control Ordinance" and "Product Eco-responsibility Ordinance".

The environmental part of this ESG Report is mainly focused on the environmental impacts in the daily operation process and the related measures of the Group's offices in Mainland China and Hong Kong. We have set up the relevant environmental management systems and procedures to regulate the greenhouse gases and non-hazardous waste generated and produced during the operation.

The Group's responsible personnel of environmental affairs supervise the implementation of the above environmental measures and policies. Under the strict supervision and guidance, all departments will do the best to implement the Group's environmental protection policy and ensure that all business processes comply with legal requirements. The responsible persons of environmental protection at different levels will continue to review the Group's policies and procedures and report to the management when appropriate. If necessary, they will propose recommended measures.

During the Reporting Period, the Group did not aware of any material non-compliance of relevant local environmental laws and regulations that have a significant impact on the Group in terms of emissions of air and greenhouse gases emissions, discharges to water and land, and the generation of hazardous and non-hazardous waste.

Environmental, Social and Governance Report *(continued)*

Exhaust Gas and Greenhouse Gas Emissions

Exhaust Gas

The Group's operation process directly generates exhaust gas emissions, the main source of which is the emissions from petrol and diesel consumed by transportation. The Group's measures to reduce emissions can be found in the paragraph "Greenhouse Gas Emissions" in this section.

Exhaust gas emission performance:

Emission Types[1]	Total Emissions
Sulfur Oxide (SO_X)	2 kg
Nitrogen Oxides (NO_X)	196 kg
Particulate Matter (PM)	19 kg
Total	217 kg

Note:

1. This exhaust gas emission performance table only covers the emissions from petrol and diesel consumed by transportation. The emission data reference included but not limited to, the "How to prepare an ESG Report? — Appendix II: Reporting Guideline on Environmental KPIs" issued by the Hong Kong Stock Exchange.

Greenhouse Gas Emission

The Group's main greenhouse gas emissions are derived from the direct greenhouse gas emissions from petrol and diesel consumed by transportation (Scope 1) and the indirect greenhouse gas emissions from the purchase of electricity (Scope 2). The Group actively adopts electricity and energy saving measures to reduce greenhouse gas emissions, including but not limited to:

- Actively adopts environmental protection and energy saving measures, such relevant measures will be explained in section A2 — "Energy Use";
- Maintains motor vehicle regularly to effectively reduce fuel consumption rate, thereby reducing carbon emissions and exhaust gas emissions;
- Disposes non-complied trucks, purchases regular diesel and petrol for motor vehicles, and conducts annual inspections according to the national and local emission policies to ensure that relevant emission standards are met; and
- Reduces the number of business trips through electronic communication such as video conferencing and WeChat meetings.

In addition to the above measures, the Group regularly issues environmental communication newsletter to employees in order to raise their environmental awareness. Also, notices and posters with green information are posted in office in order to promote environmental management.

Through these greenhouse gas emissions mitigating measures, the employees' awareness on greenhouse gas emissions mitigation has been enhanced.

Environmental, Social and Governance Report *(continued)*

Summary of greenhouse gas emission performance:

Index[1]	**Total Emissions (unit in tonnes)**	**Intensity — Total greenhouse gas emissions per square meter (tonnes per square meter)[2]**
Direct greenhouse gas emission (Scope 1)	362 tonnes	0.05 tonne
Indirect greenhouse gas emission (Scope 2)	1,050 tonnes	0.14 tonne
Greenhouse gas emission in total (Scope 1 and 2)	1,412 tonnes	0.19 tonne

Notes:

1. Greenhouse gas emissions data are presented in unit of carbon dioxide equivalent and are referenced to certain reports and documentation, including but not limited to the "The Greenhouse Gas Inventory Protocol: Corporate Accounting and Reporting Standards" published by the World Resources Institute and the World Business Council for Sustainable Development, the latest published Baseline Emission Factors for Regional Power Grids in the People's Republic of China, the "How to prepare an ESG Report? — Appendix II: Reporting Guideline on Environmental KPIs" issued by the Hong Kong Stock Exchange, the "2017 Sustainability Report" issued by CLP and "2017 Sustainability Report" issued by Hongkong Electric Power.

2. As at 30 June 2018, the total floor area of the three offices of the Group was 7,624 square meters. This data will also be used to calculate other density data.

Domestic Sewage

The water discharged by the Group in the daily operation process will be gone through the urban sewage pipe network, which the sewage will be purified by the underground sewage treatment device.

As the water discharged by the Group will be gone through the municipal sewage pipe network to the regional water purification plant, the water consumption of the Group is considered as the sewage discharge. The data on the discharge of sewage will be described in the section "Water Consumption" in Section A2.

Waste Management

The Group adheres to the principles of waste management and is committed to properly handling and disposing all of the waste generated by our business activities. All of our waste management practices are complied with relevant environmental laws and regulations. The non-hazardous waste generated by the Group's business activities is mainly paper, toner cartridges, ink cartridges and other domestic waste. After collection and sorting, such wastes will eventually be collected and processed by general waste service providers. Recyclable wastes (such as paper) will be recycled for reuse.

We regularly monitor the usage of paper, toner cartridges and ink cartridges and implemented with reduction measures. The Group's offices also provide appropriate facilities and encourage employees to classify the waste at source and recycle waste to achieve the goal of reducing waste, reuse and recycling in the course of operations. The Group maintains high level of waste reduction standard and educate employees the importance of sustainable development and provides relevant support to develop their skills and knowledge for sustainable development.

Major non-hazardous waste discharge performance:

Non-hazardous Waste Types	Total Emissions	Intensity — Total emissions of relevant non-hazardous waste per 100 square meters (unit per 100 square meters)
Paper	1 tonne	0.01 tonne
Domestic waste	70 tonnes	0.92 tonne
Toner cartridge	10 pieces	0.13 pieces
Ink cartridge	115 pieces	1.51 pieces

Due to our business nature, the Group does not generate hazardous waste during its operations.

Electronic Office
The Group is committed to establish an electronic office. We make use of the online system in the office. General notification and data transmission are done through the online system. Thus, electronic workflow has been established. We avoid the printing and copying documents in order to reduce the use of paper, and print with double-sided if possible. We also recycle and reuse the used paper, cartons, envelopes and folders. The administrative department is responsible for supervising the consumption volume of paper; it also centralizes the waste paper recycling. We also collect and reuse those reusable paper products such as briefcases, envelopes, etc., and minimize the use of disposable paper products such as paper cups and paper towels. In addition, the Group will also put "environmental information" tips on office equipment to enhance employees' environmental awareness.

Through these waste management measures, the employees' awareness on waste management has been enhanced.

A2. Use of Resources

General Disclosures and KPIs
The Group is actively promoting the effectiveness of use of resources, timely monitor the potential impact on the environment of the business operations. Also, we promote green office and operating environmentally through four basic principles of "Reduction, Reuse, Recycling and Replacement", so as to minimize the environmental impact by the operation of the Group and its subsidiaries. As stated in the Aspect A1, the Group has set up the environmental management policies and procedures to manage the use of water, electricity, diesel and petrol, with monthly usage statistical. We also focus on the management of the major energy-consuming equipment, standardize the operation flow and process to fully and effectively use energy.

The Group strictly compliance with the "Water Law of the People's Republic of China", the "Electric Power Law of the People's Republic of China", the "Law on People's Republic of China on Conserving Energy" and other relevant laws and regulations.

Environmental, Social and Governance Report *(continued)*

Energy Use

In our daily business operations, electricity consumption in our operation and the petrol and diesel consumed by transportation are the Group's major sources of energy consumption.

The Group has established policies and regulations to achieve the goal of electricity conservation and effective usage of electricity. The relevant specific measures are as follows:

- Uses energy-saving equipment in the office, and gradually replace outdated equipment with new energy-saving equipment;
- Strictly forbids the use of high energy-consuming electrical appliances brought by employees, such as electric heaters, electric kettles, refrigerators, etc., to avoid electricity overloading. Employees should turn off all electrical appliances when they leave office;
- Switches off Lights, air conditioners, computers and other office equipment in office areas, conference rooms and corridors when not needed, so to avoid wastage;
- Does not allow employees to stay in office area during non-office hours unless there is working needs, so as to avoid wasting of power;
- Uses energy saving/LED lights instead of traditional lights;
- Strictly regulates the use of air conditioners to avoid wasting of power;
- Let the employees to turn off their computers (host\monitor) when they leaving the office for a long time, and they should set the computer to standby or suspension mode during lunch break; and
- Strengthens the maintenance and repair of equipment, maintain the electronic equipment at optimal state so as to effective use of electricity.

In addition, the Group promotes the awareness of energy conservation and environmental protection to employees by posting power-saving slogans.

Through these energy conservation measures, the employees' awareness on energy conservation has been enhanced.

During the Reporting Period, the Group's energy consumption and its intensity were:

Type of Energy	Energy consumption volume	Intensity — Consumption per square meter (unit per square meter)
Diesel	92,169 litres	12.09 litres
Petrol	42,793 litres	5.61 litres
Electricity	1,632,239 KWh	214.10 KWh

Water Consumption

The Group's water consumption is mainly for daily office operation usage. The water supply managed by the Group includes water for toilets and water for washing and cleaning. We encourage all employees and customers to develop the habit of consciously saving of water. The Group has been strengthening water-saving publicity, posting water-saving slogans and guiding employees to use water reasonably.

Through these water conservation measures, the employees' awareness on water conservation has been enhanced.

During the Reporting Period, the Group's water consumption (i.e. sewage discharge) and its intensity were:

Water consumption (in tonnes)	**Intensity — Consumption per square meter (tonnes per square meter)**
13,411 tonnes	1.76 tonnes

Use of Packaging Material

The Group does not have any industrial and agricultural facilities in operation as at the reporting date, and the packaging procedures in the daily operations are mainly handled by contractors. Therefore, there is no significant amount of packaging materials consumed in our daily operations.

A3. The Environment and Natural Resources

General Disclosures and KPIs

The Group focuses on the impact of the Group's business on the environment and natural resources, and pursues the best practices for environmental protection. In addition to complying with environmental regulations and international standards for environmental protection, the Group also integrates the concept of environmental and natural resource protection into the daily management and operation activities.

Working Environment

To enhance working efficiency, the Group is committed to providing employees with a comfortable and green working environment. The Group maintains office order and environmental sanitation, and keeps the office and public areas clean and tidy. Our employees regularly inspect the living area and office area to implement the preventive management, timely identify the problems and hidden dangers and solve the issues in a timely manner to maintain a high standard working environment.

On the other hand, the Group regularly monitors and measures indoor air quality in the workplace. The Group maintains indoor air quality by adopting air purification equipment in the workplace and regularly cleaning air-conditioning systems to filter pollutants and dust.

Environmental, Social and Governance Report *(continued)*

B. SOCIAL

B1. Employment

General Disclosures

Employees are the Group's largest and most valuable assets and core competitive advantage, so the Group's success relies heavily on the ability to attract, develop and retain employees. The Group adheres to the people-oriented principle, respects and protects the legitimate rights and interests of each employee. It regulates labor employment management, safeguards employees' occupational health and safety, strengthens democratic management, safeguards the interests of employees, and fully respects and values employees' enthusiasm, initiative and creativity, so as to build a harmonious labor relationship.

The Group complies with all related laws and regulations, including but not limited to the "Labor Law of the People's Republic of China", the "Labor Contract Law of the People's Republic of China" and the "Employment Ordinance" in Hong Kong. Based on this, the Group has established a series of human resource management policies to provide employees with a healthy, happy and motived working atmosphere, and to guide employees to actively integrate their personal pursuit into the long-term development of the Group.

During the Reporting Period, the Group did not identify any material non-compliance with the laws and regulations on human resources.

Remuneration and Benefits

The Group has established a fair, reasonable and competitive remuneration system that provides compensation to employees based on the principles of fairness, competition, incentives, rationality and legality. The employees' salaries are composed of basic salary, performance bonus, overtime pay, working age salary, food subsidy, full attendance award, position subsidy, related subsidies and various bonuses. In addition, the Group annually evaluates the macroeconomic factors such as national policies and price standards, industry and regional salary levels, changes in group development strategies, and overall group benefits, so to adjusts the employee compensation accordingly.

The Group has signed and executed labor contracts with all employees in mainland China in accordance with the "Labor Contract Law of the People's Republic of China". The Group settled the relevant "five social insurance and one housing fund" for its employees in mainland China, namely endowment insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance and housing provident fund, to ensure that employees are covered by social insurance.

The Group earnestly safeguards the legitimate interests of labour in accordance with the requirements of the national and local laws and regulations (e.g. the "Labour Law of People's Republic of China" and the "Employment Ordinance" of Hong Kong), respects the rights of employees to rest and leave, and regulates their working hours and their rights for various types of rest times and holidays. In accordance with the "Regulation on Paid Annual Leave for Employees" and other relevant laws and regulations, we implement the paid leave system for employees. Meanwhile, overtime wage is paid for labour exceeding statutory working hours in accordance with relevant laws and regulations.

Environmental, Social and Governance Report *(continued)*

Recruitment
The Group actively implements the strategy of strengthening talents and continuously establishes and improves the talent recruitment scheme. In the recruitment process, we standardize the recruitment process and recruitment principles, adhere to the principle of morality, knowledge, ability, experience and physique suitable for the position, and adhere to the principles of openness, fairness, competition and merit, so as to continuously attract and recruit outstanding talents.

Promotion and Dismissal
The Group has classified the employees into different category for management. We clarify the basis and process for promotion, transfer and downgrade management, and standardize the resignation process to protect the interests of both employees and the Group.

The Group has implemented a fair and open assessment system, to provide employees with opportunities for promotion and development in accordance with their work performance and internal assessment results, in order to explore their potential capability. Our assessment of talents based on the following principles:

- The principle of meritocracy and talents;
- The principle of position requirement and focus on the performance; and
- The principle of openness, fairness, competitiveness and merit.

Equal Opportunity
The Group strictly complies with all the national and local government laws and regulations, adopts a fair, equitable and open recruitment process, and has developed the system to prevent discrimination in the recruitment process. We do not discriminate against any employee based on factors such as race, gender, skin color, age, family background, tradition, religion, physical fitness and nationality. Thus, we allow employees to enjoy fair treatment at all stages of recruitment, remuneration, training and promotion, so as to bring professionals and talents with different backgrounds to join the Group.

B2. Health and Safety

General Disclosures
The Group highly values the importance of the health and safety of the employees. We are always committed to providing employees with a healthy, safe and comfortable working environment. The Group strives to eliminate potential workplace health and safety hazards, and to implemented with safety management in all aspects to ensure employees' health and safety during their work. We strictly enforce the "Labor Law of the People's Republic of China", the "Law of the People's Republic of China on the Prevention and Control of Occupational Diseases" and the "Fire Control Law of the People's Republic of China", the Hong Kong "Occupational Safety and Health Ordinance" and other relevant laws and regulations.

During the Reporting Period, the Group did not record any accidents that resulted in death or serious physical injury and no claims or compensation was paid to its employees due to such accident. No material non-compliance of laws and regulations relevant to health and safety of employees were found.

Environmental, Social and Governance Report *(continued)*

Internal Health and Safety Management System

The Group regularly audits and reviews any safety issue in the office to ensure the health and safety of its employees during its business operation. It actively encourages employees to report health and safety incidents and risks identified. The information we have understood from proactive monitoring and the issues we have identified from the incident review will be used to further improvement of our training programs, policies and work practices.

Employee Health Management and Occupational Safety Training

The Group protects the health and safety of employees through training, multi-form publicity, emergency drills and regular safety inspections. Also, we hold numbers of lectures and provide professional counseling from time to time, to enable employees to pay more attention to their mental health and thus lay a solid foundation for their work performance and daily life. We occasionally invite health experts to do various health lectures for our employees to improve their physical and mental qualities. At the same time, we provide medical examination to our employees every year to care for their health.

We also concern with the spiritual and cultural life of our employees. The Group encourages employees to achieve work life balance by organizing various cultural and recreational activities, such as cycling, badminton competitions, team development training, etc., and it can also allow employees to enhance team cohesion, deepened the understanding and communication between colleagues, so as to achieve higher working efficiency.

Fire Safety

The Group has set up the fire safety system in accordance with the "Fire Control Law of the People's Republic of China" and the "Provisions on the Supervision and Administration of Fire Protection of Construction Projects", and conducted fire drills to enhance the fire prevention awareness of all employees and improve our fire evacuation plan. In addition, we also have first aid kits and fire extinguishers in the workplace to deal with emergencies. Every year, we invite fire experts to enhance the fire protection knowledge for employees to raise their awareness of fire safety.

B3. Development and Training

General Disclosures

The Group has established the internal management training and development system. Through the diversified training modes such as on-the-job training, management personnel training, technical personnel training and pre-job training, we enhance the skills and ability of employees and meet with the requirement and needs of different positions and levels. This enables the employee to continue to provide high-quality services in helping the Group's sustainable development while improve employees' personal grow and development.

Environmental, Social and Governance Report *(continued)*

Training Management

The Group has developed a relevant training procedures to standardize the management of employee training. The Group fixes the training plans by management from the beginning of the year and establish the corporate training files. The Group's working scope on organizing its training includes:

- Develop suitable training plans and syllabuses;
- Determine the content of the training material based on the type of training;
- Organize the management personnel of the Group and experienced technical personnel, or external expertise, to establish a stable team of teachers; and
- Organize the training administration to implement the training programmes.

Our management regularly reviews the effectiveness of different training programs and courses to help improving the efficiency of the Group's training system. The Group also provides benefits to encourage employees to participate in external training courses. Based on the annual training program, the Group evaluates and monitors the implementation of its training courses in order to provide appropriate training courses for employees at different levels.

Training System and Curriculum

The Group's training system is divided into pre-job training, on-the-job training and professional training.

New recruits will receive short-term pre-job training, the main contents are to introduce the Group's history, enterprise spirit, business policy, professional knowledge, working environment and development prospects. At the same time, we introduce the forms of organization, responsibilities and working conditions of each department, and the various rules and regulations and precautions, as well as the nature, requirements and business characteristics of the occupation.

We also organize on-the-job training for our employees. The Group focuses on cultivating technical talents with strong practical and operational skills. The Human Resources Department has developed a "Mentor" scheme, recruiting and training technicians in a planned manner, and leveraging the existing technical strength to accelerate the integration of new employees into production practices to enable employees to grow rapidly. The Group arrange employees to conduct appropriate practical skills training according to the needs of the position, also with strict assessment to ensure the quality. At the same time, the Group organizes external lecturers and senior management personnel to conduct management and technical training for key department managers and technicians.

The Group also provides professional training for its employees. We conduct professional training according to the needs of the work with off the job training, assignment and commissioning; we also assign the employees who need to be trained to serve temporary positions or become assistants, so that they can learn from the leaders and experts with professional experiences.

Those who have good academic result in the training and demonstrated the ability to apply what they have learned at work, their results and achievements will be linked to their year-end assessment and promotion.

The Group values the importance of occupational safety training to protect employees' personal safety. The relevant policies have been described in detail in the section "Employee Health Management and Occupational Safety Training" in Aspect B2.

Environmental, Social and Governance Report *(continued)*

B4. Labor Standards

General Disclosures

Prevention of Child Labor and Forced Labor

The Group complies with the "Labor Law of the People's Republic of China" on the employment of young people under the age of 16 and their legal rights, as well as the "Regulations on the Prohibition of the Use of Child Labor in the People's Republic of China" which has been enacted and implemented since 1 December 2002. The Group also complies with Hong Kong's related labour regulation, including but not limited to the "Employment Ordinance" and the "Occupational Health and Safety Ordinance".

The Group strictly prohibits the employment of any child labor and forced labor in its operations in Mainland China and Hong Kong. The Group requires all new employees to provide true and accurate personal information when they join us. Recruiters strictly review the information provided including medical certificate, academic certificate, ID card, household registration and other information. The Group has a well-established recruitment process to check the background of candidates and a formal reporting procedure to deal with any exceptions. It also conducts regular reviews and inspections to prevent any child labor or forced labor in its operation.

In addition, employees of the Group working overtime are in accordance with the voluntary principle to avoid violating the labor standards and effectively safeguarding the rights and interests of employees. No matter with any reason, the Group also prohibits with any punitive measures, management methods and behaviors such as abusive, corporal punishment, violence, mental stress, sexual harassment (including inappropriate language, posture and physical contact).

At the same time, the Group also refrains from appointing sellers and contractors who are aware of child labor or forced labor in their operations to provide administrative supplies and services for the Group.

During the Reporting Period, no material non-compliance of the laws and regulations related to the prevention of child labor and forced labor has been found by the Group.

B5. Supply Chain Management

General Disclosures

The Group also highly values the management of potential environmental and social risks in the supply chain. The Group has established a rigorous and standardized procurement system and supplier selection process, and also imposed with the relevant environmental and social risk control requirements on suppliers.

Supplier Quality Review

To ensure the quality of our agricultural products, we have a complete set of control procedures for the procurement process. We adhere to the following principles when selecting suppliers:

- Product quality can meet with the national or industry standards or the requirements of the Group;
- Product prices are competitive and reasonable;
- Have sufficient production capacity and supply capacity to meet the production needs of the Group; and
- Compare and best pick, with the best quality, price, etc.

We evaluate and select suppliers based on product quality, price, supply capacity, after-sales service, etc. Qualified suppliers will be listed in the Qualified Supplier List. We also conduct review over the suppliers in the Qualified Supplier List annually.

Environmental, Social and Governance Report *(continued)*

Review on Environmental and Social Risk of Suppliers

The Group expects suppliers to meet with our standards in terms of environment, quality, society, corporate governance, business ethics and so on. We have developed regulatory documents on environmental, social and ethical standards that require suppliers have a positive impact over environmental and social issues, including operational compliance, human rights protection, employee safety and health, social responsibility, business ethics and environmental protection.

We will also take measures to review whether its major suppliers are in compliance with relevant laws and regulations and other standards for health, safety, forced labor and child labor, and to examine suppliers' awareness on these aspects.

We terminate the supply contract with the supplier who may cause serious pollution or serious social harm or the suppliers who has caused significant environmental or social accidents. Through the above review process, we are able to minimize the potential environmental and social risks in the supply chain.

Fair and Open Procurement

The Group's procurement process is strictly complied with the relevant provisions of the "Bidding Law of the People's Republic of China" and conducted in an open, fair and equitable condition. It will not discriminate against any supplier, and does not allow any corruption or bribery. Employees and other individuals with interest in the suppliers will not be allowed to participate in relevant procurement activities. The Group is concerned about the integrity of its suppliers and partners, we will only select suppliers and partners who have a good track record in the past and have no serious violations of business ethics.

B6. Product Responsibility

General Disclosures

We keep communicate with our customers to ensure that we understand and meet the needs and expectations of our customers, and we wish to obtain customer's satisfaction so as to enable us to continuously improve the quality of our products. We strictly comply with the relevant laws and regulations, including but are not limited to the "Law of the People's Republic of China on the Protection of Consumer Rights and Interests", the "Advertising Law of the People's Republic of China", the "Interim Measures for the Administration of Internet Advertising", the "Product Quality Law of the People's Republic of China", "Trade Description Ordinance" of Hong Kong and other laws and regulations related to consumer protection.

During the Reporting Period, the Group did not identify any material non-compliance on the laws and regulations that related to the quality of products and services.

Environmental, Social and Governance Report *(continued)*

Product Quality and Safety

The Group treat food safety as our most important aspect in operation. We have a comprehensive quality traceability system that implements real time management of agricultural input records, planting records, processing records, sales records, inspection and testing records, incorporate the cultivation process of each variety in the monitoring system. Most of our products are tagged with source code before going on the market to achieve quality and traceability, consumers can check the relevant planting and testing records any time through the traceable source code. From the initial product "ID card" to the traceability bar code, to today's electronic QR code, we continue to be innovative to explore and provide consumers with "seeable" security guarantee. Consumers can use the mobile phone to easily retrieve relevant traceability information by scanning the QR code.

We have a provincial-level testing laboratory to conduct various safety tests on agricultural products to ensure product safety.

Customer Service

Complaint management

Customers can submit complaints by mail, phone or in person. The Group processes and records the complaint with dedicated personnel and facilities and keep the process and record confidential to protect the interests of all parties involved and to ensure that the complaint process is conducted fairly and recorded properly. The Group has established a relevant function to handle complaints, and is responsible for explaining the complaint process to the complainant, conducting detailed investigation and root cause analysis, conducting in-depth fact finding, actively monitoring and managing the complaint process, coordinating and communicating with the parties involved. And it accurately responds to the complainant the relevant results confidentially and record properly.

We require each complaint to be properly submitted and processed through relevant function, and it is prohibited for employee to reach the private settlement with the complainant.

The Group considers customer complaint as an important part of continuous improvement of its quality management. We are committed to understanding the facts and root causes of each customer complaint, identifying responsible parties and areas for improvement, making recommendations and ensuring that the relevant departments immediately implement the necessary improvements.

Customer privacy protection

The Group is strictly committed to comply with the "Personal Data (Privacy) Ordinance" of Hong Kong and the privacy protection-related laws and regulations of Mainland China to ensure that the privacy rights of customers are strictly protected.

B7. Anti-corruption

General Disclosures

The Group believes that the corporate culture of integrity is key to our continued success. Therefore, we value the importance to anti-corruption work and setup of anti-corruption system, and are committed to build an incorruptness and transparent corporate culture. We strictly comply with the "Company Law of the People's Republic of China", the "Bidding Law of the People's Republic of China", the "Interim Provisions on Banning Commercial Bribery", the Hong Kong "Prevention of Bribery Ordinance" and the other relevant laws and regulations.

Environmental, Social and Governance Report *(continued)*

During the reporting period, the Group did not identify any material non-compliance on the laws and regulations related to the prevention of bribery, extortion, fraud and money laundering.

Anti-corruption
Internal Control System
The Group has established an anti-bribery function. This function is responsible for setting up the overall framework of anti-bribery and anti-corruption policies and procedures, and guiding and supervising the implementation of the policies and procedures in all aspects of the Group's operations. The Group and its subsidiaries will immediately report any suspected bribery and corruption incidents to the person in charge of the anti-bribery function. The anti-bribery function responsible personnel will then conduct any further investigation and determine the appropriate course of action if necessary.

The Group emphasises the importance of the potential bribery and corruption in the procurement process, so we established the rules and regulations to govern it, which has been described in Section "Fair and Open Procurement" in Aspect B6.

Employee Code
The Group does not allow any form of corruption. If it is identified and confirmed, we will take severe punishment measures. The Group has established a strict internal control system and has set with policies, systems and agreements on anti-corruption, such as "Specific Provisions on Integrity Practices" and the "Agreement on Integrity and Cooperation", which all employees must comply with, including:

- All employees should avoid conflicts of interest in performing their professional functions. Those who engaged with, work as part-time for or receive remuneration from companies other than the Group and its subsidiaries should report to their respective Human Resources Department, prove that they have no conflicts of interest with the Group and its subsidiaries, and report to the Group senior management for approval through the Human Resources Department. It can only be carried out or in effect after authorisation obtained from the Group senior management;

- Employees shall not embezzle, steal, defraud or otherwise illegally encroach upon the property of the Group base on their working relationship or position, and shall not include individual expenses in the Group's business hospitality expenses, office expenses, travel expenses, etc.;

- Employees must not ask for or accept bribery or benefits from commercial units or individuals that may harm the interests of the Group. It is not allowed to have reimbursement from any commercial unit or individual that may affect the interests of the Group for any expenses that should be paid by the Group or that individual;

- Employees must not obtain or provide benefits to customers, contractors, suppliers or those who have business relationships with the Group;

- Any valuable souvenirs received by the employees in participating in meetings and social activities representing the Group must be reported to the Group for registration and deal with the souvenirs according to the relevant policy of the Group; and

- For those who misappropriate use of their duties, engage in malpractices, misappropriate funds and accept bribes, the Group will transfer them to the judicial authorities.

Environmental, Social and Governance Report *(continued)*

B8. Community Investment

General Disclosures

We believe that the Group as a corporate citizen, it should assume social responsibility. The development of the Group can only be supported by the whole society to achieve sustainable development if we achieve harmony between our own development and social development. This is also the core value of the Group. Therefore, the Group always pay attention to the difficulties and needs of the society and the disadvantaged groups, and actively returns and contributes to the society to promote social harmony. The Group actively cooperates with charitable organizations to organize social activities for the purpose of charity, and to establish a good public image while fulfilling social responsibilities. Over the years, the Group has established various forms of awards and funded programs, such as scholarships and bursaries, to encourage students in poor family with good academic performance to become professionals dedicated to the development of ecological agriculture.

Philanthropy Management

In order to promote the traditional virtues of selfless dedication and helping others, establish the trend of corporate poverty alleviation and caring for employees, and actively develop the corporate charity undertakings, the Group established the "Chaoda Love Foundation" on 9 February 2007. In order to strengthen the Group's management of philanthropy and further standardize the donation behavior of the Group, the Group has set and implemented the "Regulations on the Chaoda Love Foundation" in accordance with the "Company Law of the People's Republic of China" and the relevant laws and regulations. The objects of support includes:

- Employees (including migrant workers) of the Group who are victims of disability, with major illnesses, unbearable education burdens or facing major disasters, which are focusing on employees at the basic level who need special support and assistance (including migrant workers);

- Employees of the Group who are loyal to the Group, work diligently and have special difficulties; and

- Other individuals or groups with special needs.

In the future, the Group plans to increase the Group's support for charity undertakings through different means (such as donations, holding charity activities, etc.).

Social Responsibility Education

The Group wishes to cultivate a sense of social responsibility among its employees. Therefore, we always encouraging employees to participate in charity activities during their work and private time to make greater contributions to the community. We has also arranged the employees to participate in environmental charity activities, donation and social services. We believe that by participating in the activities of contributing to the community, we can enhance the civic awareness of our employees and establish correct values for them.

Environmental, Social and Governance Report *(continued)*

INDEX OF THE ESG REPORTING GUIDE OF THE HONG KONG STOCK EXCHANGE:

Aspect, General Disclosures and KPIs	Content	Section/Declaration	Page
Aspect A1: Emissions			
General Disclosure	a) The policies; and b) Compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions	P. 25
KPI A1.1	The types of emissions and respective emission data.	Emissions — Exhaust Gas and Greenhouse Gas Emissions	P. 26-27
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and intensity.	Emissions — Exhaust Gas and Greenhouse Gas Emissions	P. 27
KPI A1.3	Total hazardous waste produced (in tonnes) and intensity.	Not applicable — Explained	P. 28
KPI A1.4	Total non-hazardous waste produced (in tonnes) and intensity.	Emissions — Waste Management	P. 28
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Emissions — Exhaust Gas and Greenhouse Gas Emissions	P. 26-27
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Emissions — Waste Management	P. 27-28
Aspect A2: Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources	P. 28
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Use of Resources — Energy Use	P. 29
KPI A2.2	Water consumption in total and intensity.	Not applicable — Explained	P. 30
KPI A2.3	Description of energy use efficiency initiatives and result achieved.	Use of Resources — Energy Use	P. 29
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Use of Resources — Water Consumption	P. 30
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable — Explained	P. 30
Aspect A3: The Environment and Natural Resources			
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources	P. 30
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the action taken to manage them.	The Environment and Natural Resources — Working Environment	P. 30
Aspect B1: Employment			
General Disclosure	a) The policies; and b) Compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare.	Employment	P. 31

Environmental, Social and Governance Report *(continued)*

Aspect, General Disclosures and KPIs	Content	Section/Declaration	Page
Aspect B2: Health and Safety			
General Disclosure	a) The policies; and b) Compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety	P. 32
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training	P. 33
Aspect B4: Labor Standard			
General Disclosure	a) The policies; and b) Compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	Labor Standard	P. 35
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management	P. 35
Aspect B6: Product Responsibility			
General Disclosure	a) The policies; and b) Compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility	P. 36
Aspect B7: Anti-corruption			
General Disclosure	a) The policies; and b) Compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption	P. 37
Aspect B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment	P. 39

Profiles of Directors and Senior Executives

EXECUTIVE DIRECTORS

Mr. KWOK Ho, aged 63, 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 Board. 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, business 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 Deputy Chairman of Integration of Primary, Secondary and Tertiary Industries Development Alliance, and Branch President of China Vegetable Marketing Association.

Mr. KUANG Qiao, aged 47, 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 1992 with a bachelor's degree in agriculture (majoring in vegetables). Mr. Kuang has more than 23 years of experience in the agricultural industry.

Mr. YANG Gang, aged 44, 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 22 years of extensive assets management and construction projects experience in the PRC.

NON-EXECUTIVE DIRECTOR

Mr. IP Chi Ming, aged 57, 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. From February 2010 to April 2014, Mr. Ip was an executive director of Suncorp Technologies Limited (stock code: 1063), which is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Profiles of Directors and Senior Executives *(continued)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. FUNG Chi Kin, aged 69, 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 is currently an independent non-executive director of Kenford Group Holdings Limited (stock code: 464) and Geotech Holdings Limited (stock code: 1707), both listed on the Main Board of The Stock Exchange of Hong Kong Limited. From September 2014 to May 2017, Mr. Fung was an executive director of China Trustful Group Limited (formerly known as Powerwell Pacific Holdings Limited) (stock code: 8265), which is listed on the GEM Board of The Stock Exchange of Hong Kong Limited.

Mr. TAM Ching Ho, aged 47, 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 (stock code: 362), which is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Professor LIN Shun Quan, aged 63, 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, South China Agricultural University. He has extensive experience in the agricultural industry in the PRC.

Mr. CHAN Yik Pun, aged 36, 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. 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), which is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Profiles of Directors and Senior Executives *(continued)*

SENIOR EXECUTIVES

Mr. CHEN Jun Hua, aged 50, joined the Group in 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 production base development, quality management and brand building 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 Yat To, aged 34, joined the Company as the Chief Financial Officer and Company Secretary in June 2018. Mr. Chan is primarily responsible for financial management, assisting in effective operation of the Board and facilitating the compliance with the Listing Rules and other regulations applicable to the Group. Mr. Chan holds a Bachelor Degree of Business Administration from the City University of Hong Kong and a Master Degree of Corporate Governance from the Hong Kong Polytechnic University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, an associate member of both the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. He has extensive experience in financial management and corporate administrative management.

Mr. YANG Jin Fa, aged 42, joined the Group in 1999. Mr. Yang is the Vice President and the General Affairs Vice President of the strategic planning department of the Group. Mr. Yang is mainly 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. CHEN Jin Wei, aged 36, joined the Group in 2006. Mr. Chen is the Vice President and head of Production Base division of the Group. He is mainly responsible for the product planning and production management. Mr. Chen graduated from the Fujian Agricultural and Forestry University in 2006 with bachelor's degree in Agriculture and bachelor's degree of Management (double bachelor's degree). He obtained a master's degree in agricultural promotion in 2014. He has extensive experience in production base operation and production management.

Mr. XU Fu Le, aged 41, joined the Group in 1999. Mr. Xu is the Vice President and the Vice President of the technology research centre of the Group. Mr. Xu is mainly responsible for the Group's vegetable base development and technology research and development planning. Mr. Xu graduated from Anhui Agricultural University with a master's degree in soil and chemistry. He is currently a senior agronomist. Mr. Xu has extensive experience in agricultural production and technology research and development, project planning and management.

Mr. SONG Li Feng, aged 43, joined the Group in 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 assistant of Vice President of Finance of the Group. In May 2017, he was appointed as the 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.

Profiles of Directors and Senior Executives *(continued)*

Mr. HE Can De, aged 55, joined the Group in 2000. Mr. He is an assistant to the CEO of the Group. 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 68, joined the Group in 2000. Mr. Wang is the head of the Internal Audit Department of the Group. He is 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. LU Yun Tian, aged 40, joined the Group in 2006. Mr. Lu is an assistant to the President of the Group. He is responsible for agricultural product processing and quality management. Mr. Lu received his master's degree in agriculture from Fujian Agricultural and Forestry University and with specific training over agricultural product processing and quality management. He has extensive experience in agricultural product processing and quality management.

Mr. LU Hong Qi, aged 37, joined the Group in 2004. Mr. Lu is an assistant to the President of the Group. He is responsible for projects planning and management of the Group. Mr. Lu received his master's degree from Fujian Agricultural and Forestry University and is an Economist. He has extensive experience in agricultural industrialization management and project planning and management.

Directors' Report

The directors present their report together with the audited consolidated financial statements of the Group for the financial year ended 30 June 2018.

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 2018 is set out in note 5 to the consolidated financial statements.

FINANCIAL RESULTS

Financial results of the Group for the financial year ended 30 June 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 65 to 66 of this annual report.

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 2018 are set out in the "Chairman's Statement" and "Management Discussion and Analysis" sections respectively on pages 6 to 10 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 Civilization". 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 performances in environmental protection are set out in the "Environmental, Social and Governance Report" on pages 22 to 41 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.

Directors' Report *(continued)*

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 22 to 41 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 128 of this annual report.

DIVIDENDS

The directors do not recommend the payment of dividend for the financial year ended 30 June 2018 (2017: Nil).

RESERVES

Movements in reserves of the Group and the Company during the financial year under review are set out in the consolidated statement of changes in equity and notes 30 and 38 to the consolidated financial statements. The reserves of the Company available for distribution to shareholders as at 30 June 2018 amounted to RMB664,026,000 (2017: RMB923,074,000).

DONATIONS

Donations made by the Group during the financial year under review amounted to approximately RMB300,000.

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 2018, the Company has issued ordinary share capital of 3,295,582,491 shares. During the financial year under review, the grantees of the share options exercised 2,680,000 share options pursuant to the 2015 Share Option Scheme (as defined below under the section headed "Share Option Scheme") and the underlying ordinary shares were allotted on 9 January 2018, 23 January 2018 and 21 March 2018 respectively. 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.

Directors' Report *(continued)*

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

The directors of the Company during the financial year under review were:

Executive Directors	Mr. Kwok Ho *(Chairman)* Mr. Yang Gang	Mr. Kuang Qiao
Non-executive Director	Mr. Ip Chi Ming	
Independent Non-executive Directors	Mr. Fung Chi Kin Professor Lin Shun Quan	Mr. Tam Ching Ho Mr. Chan Yik Pun

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. Kwok Ho, Mr. Fung Chi Kin, Mr. Tam Ching Ho and Mr. Chan Yik Pun shall retire by rotation at the forthcoming annual general meeting of the Company (the "2018 AGM") and being eligible, offer themselves for re-election.

No retiring directors proposed for re-election at the 2018 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 2018, 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 Corporate interests (Note)	2,028,000 643,064,644	645,092,644	19.57%

Note: Held through Kailey Investment Ltd. which is wholly owned by Mr. Kwok Ho.

Directors' Report *(continued)*

Long positions in underlying shares of the Company

Name of directors	Grant date	Exercisable period Starting		Exercisable period Ending	Exercise price HK$	Number of share options: Balance as at 01/07/2017	During the financial year under review: Granted	During the financial year under review: Lapsed	Balance as at 30/06/2018
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	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

Directors' Report *(continued)*

Name of directors	Grant date	Exercisable period Starting		Exercisable period Ending	Exercise price HK$	Number of share options: Balance as at 01/07/2017	During the financial year under review: Granted	During the financial year under review: Lapsed	Balance as at 30/06/2018
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
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 2018, 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) 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.

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 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 2018, the following parties (other than the directors or chief executives of the Company) had interests and short positions in the 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	19.51%

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.

Directors' Report *(continued)*

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 interest, nor there was any other contract of significance in relation to the Company's business 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 Scheme" 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 2018, 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 2018.

None of the related party transactions set out in note 32 to the consolidated financial statements constitutes discloseable non-exempt connected transaction or non-exempt 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 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 based on the closing price of the shares at the date of grant.

Directors' Report *(continued)*

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 2018, 61,404,000 share options granted under the 2002 Share Option Scheme remained unexercised and outstanding, which represents approximately 1.86% 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.

Directors' Report *(continued)*

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:

Category of participants	Grant date	Exercisable period: Starting		Exercisable period: Ending	Exercise price HK$	Number of share options: Balance as at 01/07/2017	Lapsed during the financial year under review	Balance as at 30/06/2018
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	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	24/10/2008	24/10/2008	to	23/10/2018	3.846	2,244,800	(2,224,000)	20,800
in aggregate	24/10/2008	24/10/2009	to	23/10/2018	3.846	124,800	(104,000)	20,800
	24/10/2008	24/10/2010	to	23/10/2018	3.846	332,800	(312,000)	20,800
	24/10/2008	24/10/2011	to	23/10/2018	3.846	332,800	(312,000)	20,800
	24/10/2008	24/10/2012	to	23/10/2018	3.846	332,800	(312,000)	20,800
	26/11/2010	26/11/2010	to	25/11/2020	6.430	56,300,000	(3,275,000)	53,025,000
	26/11/2010	26/11/2011	to	25/11/2020	6.430	300,000	(275,000)	25,000
	26/11/2010	26/11/2012	to	25/11/2020	6.430	300,000	(275,000)	25,000
	26/11/2010	26/11/2013	to	25/11/2020	6.430	300,000	(275,000)	25,000
Other Participants in aggregate	26/11/2010	26/11/2010	to	25/11/2020	6.430	2,500,000	—	2,500,000
Total						68,768,000	(7,364,000)	61,404,000

Notes:

1. No share options have been granted or exercised or cancelled under the 2002 Share Option Scheme during the financial year under review.

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 (the "Adoption Date of the 2015 Share Option Scheme"), a new share option scheme (the "2015 Share Option Scheme") was adopted. The principal terms of the 2015 Share Option Scheme are set out below.

Directors' Report *(continued)*

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.

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 10% of the issued share capital of the Company as at the Adoption Date of the 2015 Share Option Scheme. During the financial year ended 30 June 2018, a total of 321,710,000 share options were granted under the 2015 Share Option Scheme (excluded options which have lapsed).

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$1.00 is payable on acceptance of the grant of the 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 2018, 317,430,000 share options granted under the 2015 Share Option Scheme remained unexercised and outstanding, which represents approximately 9.63% 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.

Directors' Report *(continued)*

During the financial year under review, details of the movements of the share options under the 2015 Share Option Scheme are set out below:

Category of participants	Grant date	Exercisable period Starting		Exercisable period Ending	Exercise price HK$	Number of share options: Balance as at 01/07/2017	During the financial year under review: Exercised	During the financial year under review: Lapsed	Balance as at 30/06/2018
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
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

Directors' Report *(continued)*

Category of participants	Grant date	Exercisable period: Starting		Exercisable period: Ending	Exercise price HK$	Number of share options: Balance as at 01/07/2017	During the financial year under review: Exercised	During the financial year under review: Lapsed	Balance as at 30/06/2018
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	48,326,000	(540,000)	(200,000)	47,586,000
		13/07/2017	to	12/07/2026	0.187	49,926,000	(2,140,000)	(200,000)	47,586,000
		13/07/2018	to	12/07/2026	0.187	49,926,000	—	(2,340,000)	47,586,000
		13/07/2019	to	12/07/2026	0.187	49,926,000	—	(2,340,000)	47,586,000
		13/07/2020	to	12/07/2026	0.187	49,926,000	—	(2,340,000)	47,586,000
Other Participants							—	—	
in aggregate	13/07/2016	13/07/2016	to	12/07/2026	0.187	10,200,000	—	—	10,200,000
		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						327,530,000	(2,680,000)	(7,420,000)	317,430,000

Notes:

1. No options have been granted or cancelled 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.

Directors' Report *(continued)*

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	6.3%
Five largest suppliers in aggregate	14.6%

	Percentage of total sales
The largest customer	10.1%
Five largest customers in aggregate	37.1%

None of the directors of the Company or their close 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 11 to 21 of this annual report.

AUDITORS

The financial statements for the financial year ended 30 June 2018 have been audited by Elite Partners CPA Limited who will retire and, being eligible, offer themselves for re-appointment at the 2018 AGM.

On behalf of the Board

Kwok Ho
Chairman

Hong Kong, 21 September 2018

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 65 to 127, which comprise the consolidated statements of financial position as at 30 June 2018, 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 2018, 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 2018. 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 and investment properties We identified the impairment assessment of property, plant and equipment, prepaid premium for land leases and investment properties as a key audit matter due to the significant judgement involved by the management in the impairment assessment. As at 30 June 2018, the Group has property, plant and equipment, prepaid premium for land leases and investment properties investment property of approximately RMB39,986,000, RMB34,666,000 and RMB79,914,000 respectively. Management performed impairment assessment and concluded that an impairment loss of approximately RMB1,350,000 on property, plant and equipment was recognised in profit or loss. 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. Independent external valuations were obtained in order to support management's estimates.	Our procedures in relation to management's impairment assessment of property, plant and equipment, prepaid premium for land leases and investment properties included: • Assessing the methodologies used and the appropriateness of the key assumptions adopted in the value-in-use model; • 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.
Impairment of trade receivables We identified the impairment of trade receivables as a key audit matter due to management judgement associated with the assessment of impairment of trade receivables is required. The carrying amount of trade receivables as at 30 June 2018 amounted to RMB15,213,000, net of allowance for doubtful debts of approximately RMB2,403,000. As set out in Note 4 to the consolidated financial statements, in determining the impairment loss on trade receivables, the management considered the ageing of the trade receivables balances, debtors' payment history, customers' or debtors' creditworthiness, historical write off experience and default or delinquency in payments.	Our procedures in relation to impairment of trade receivables included: • Understanding management's assessment in estimating the recoverability of trade receivables; • Comparing the ageing of trade receivables with the agreed credit periods and invoice dates of the customers, on a sample basis; • Tracing the subsequent settlements to the bank slips, on a sample basis; • Assessing the reasonableness of recoverability of trade receivables assessed by the management with reference to the ageing of the trade receivables balances and subsequent settlements.

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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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 Siu Jimmy with Practising Certificate number P05898.

Elite Partners CPA Limited
Certified Public Accountants

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

Hong Kong, 21 September 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2018

	Notes	**2018 RMB'000**	2017 RMB'000
Revenue	5	**213,389**	826,317
Cost of sales		**(261,711)**	(1,126,478)
Gross loss		**(48,322)**	(300,161)
Other revenues	6	**42,856**	50,411
Loss arising from changes in fair value less costs to sell of biological assets	19	**—**	(63,949)
Selling and distribution expenses		**(50,791)**	(152,995)
General and administrative expenses		**(111,477)**	(160,262)
Research expenses		**(3,271)**	(5,936)
Other operating expenses	8	**(572,060)**	(2,611,122)
Loss from operations		**(743,065)**	(3,244,014)
Finance costs	9(a)	**(36)**	(59)
Share of results of associates		**(273)**	883
Gain/(loss) on disposal of subsidiaries	34	**1,881**	(722)
Loss before income tax	9	**(741,493)**	(3,243,912)
Income tax	10	**20,480**	(1,156)
Loss for the year		**(721,013)**	(3,245,068)
Other comprehensive (expense)/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		**(2,253)**	1,657
Other comprehensive (expense)/income for the year, including reclassification adjustments and net of income tax		**(2,253)**	1,657
Total comprehensive expense for the year		**(723,266)**	(3,243,411)

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

For the year ended 30 June 2018

	Notes	**2018 RMB'000**	2017 RMB'000
Loss for the year attributable to:			
Owners of the Company		**(719,036)**	(3,246,234)
Non-controlling interests		**(1,977)**	1,166
		(721,013)	(3,245,068)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(721,781)**	(3,244,305)
Non-controlling interests		**(1,485)**	894
		(723,266)	(3,243,411)
Loss per share for loss attributable to the owners of the Company during the year			
— Basic	12(a)	**RMB(0.22)**	RMB(0.99)
— Diluted	12(b)	**RMB(0.22)**	RMB(0.99)

Consolidated Statement of Financial Position

As at 30 June 2018

	Notes	2018 RMB'000	2017 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**39,986**	553,438
Investment properties	16	**79,914**	78,606
Prepaid premium for land leases	18	**30,488**	159,937
Biological assets	19	**—**	15,606
Deferred expenditure	20	**—**	30,227
Interests in associates	21	**5,482**	6,122
		155,870	843,936
Current assets			
Prepaid premium for land leases	18	**4,178**	12,184
Biological assets	19	**—**	58,272
Inventories	22	**129**	1,050
Trade receivables	23	**15,213**	19,056
Other receivables, deposits and prepayments		**27,395**	162,795
Cash and bank balances	24	**155,884**	185,570
		202,799	438,927
Current liabilities			
Trade payables	25	**1,961**	1,674
Other payables and accruals		**39,016**	226,456
		40,977	228,130
Net current assets		**161,822**	210,797
Total assets less current liabilities		**317,692**	1,054,733
Non-current liabilities			
Deferred tax liabilities	27	**—**	20,655
Net assets		**317,692**	1,034,078

Consolidated Statement of Financial Position *(continued)*

As at 30 June 2018

	Notes	**2018** **RMB'000**	2017 RMB'000
EQUITY			
Equity attributable to the owners of the Company			
Share capital	28	**333,149**	332,926
Reserves	30	**(16,588)**	698,536
		316,561	1,031,462
Non-controlling interests		**1,131**	2,616
Total equity		**317,692**	1,034,078

The consolidated financial statements on pages 65 to 127 were approved and authorised for issue by the Board of Directors on 21 September 2018 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 2018

	2018	2017
	RMB'000	RMB'000
Cash flows from operating activities		
Loss before income tax	**(741,493)**	(3,243,912)
Adjustments for:		
Finance costs	**36**	59
Share of results of associates	**273**	(883)
Gain/(loss) on disposal of a subsidiary	**(1,881)**	722
Interest income	**(898)**	(1,490)
Depreciation of property, plant and equipment	**69,636**	266,607
Depreciation of investment properties	**4,044**	3,963
Amortisation of prepaid premium for land leases	**8,557**	39,900
Amortisation of deferred expenditure	**5,829**	58,831
Loss on disposals/written off of property, plant and equipment	**441,716**	371,019
Loss on early termination of prepaid premium for land leases	**28,620**	207,794
Deferred expenditure written off	**24,398**	65,484
Biological assets written off	**—**	171,330
Construction-in-progress written off	**—**	11,999
Impairment loss on property, plant and equipment	**1,350**	955,450
Impairment loss on prepaid premium for land leases	**—**	484,477
Impairment loss on deferred expenditure	**—**	112,686
Impairment loss on other receivable	**1,765**	—
Employee share option benefits	**6,463**	18,557
Loss arising from changes in fair value less costs to sell of biological assets	**—**	63,949
Operating loss before working capital changes	**(151,585)**	(413,458)
Decrease in trade receivables, other receivables, deposits and prepayments	**136,273**	347,381
Decrease in biological assets	**73,878**	15,906
Decrease in inventories	**919**	2,781
(Decrease)/increase in trade payables, other payables and accruals	**(85,010)**	80,385
Cash (used in)/generated from operations	**(25,525)**	32,995
Interest received	**898**	1,490
Finance costs paid	**(36)**	(59)
Income tax paid	**(24)**	(1,415)
Net cash (used in)/generated from operating activities	**(24,687)**	33,011

Consolidated Statement of Cash Flows *(continued)*

For the year ended 30 June 2018

	2018	2017
	RMB'000	RMB'000
Cash flows from investing activities		
Purchases of property, plant and equipment	**(5,025)**	(31,636)
Proceeds from disposals of property, plant and equipment	**342**	—
Payments of construction-in-progress	**—**	(28,083)
Dividend received from an associate	**—**	1,440
Proceeds from capital reduction of an associate	**—**	1,729
Proceeds from disposal of a subsidiary	**1,453**	3,107
Increase in pledged bank deposits	**(16,950)**	—
Net cash used in investing activities	**(20,180)**	(53,443)
Cash flows from financing activities		
Proceeds from issuance of shares under share option scheme	**417**	260
Net cash generated from financing activities	**417**	260
Net decrease in cash and cash equivalents	**(44,450)**	(20,172)
Cash and cash equivalents at beginning of the year	**185,570**	204,443
Effect of foreign exchange rate changes, net	**(2,186)**	1,299
Cash and cash equivalents at end of the year (Note 24)	**138,934**	185,570

Consolidated Statement of Changes in Equity

For the year ended 30 June 2018

	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 (expense)/income											
— Currency translation differences	—	—	—	—	—	1,929	—	—	1,929	(272)	1,657
Total comprehensive (expense)/income 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

Consolidated Statement of Changes in Equity *(continued)*

For the year ended 30 June 2018

	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 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
Employee share option benefits	—	—	—	6,463	—	—	—	—	6,463	—	6,463
Shares issued under share option scheme	223	442	—	(248)	—	—	—	—	417	—	417
Transactions with owners	223	442	—	6,215	—	—	—	—	6,880	—	6,880
Loss for the year	—	—	—	—	—	—	—	(719,036)	(719,036)	(1,977)	(721,013)
Other comprehensive income											
— Currency translation differences	—	—	—	—	—	(2,745)	—	—	(2,745)	492	(2,253)
Total comprehensive expense for the year	—	—	—	—	—	(2,745)	—	(719,036)	(721,781)	(1,485)	(723,266)
Lapse of share options	—	—	—	(14,669)	—	—	—	14,669	—	—	—
Transfer upon disposal of a subsidiary	—	—	—	—	—	—	(5,000)	5,000	—	—	—
At 30 June 2018	333,149	5,969,570	94,894	171,864	5,247	(227,203)	681,370	(6,712,330)	316,561	1,131	317,692

Notes to the Financial Statements

For the year ended 30 June 2018

1. GENERAL INFORMATION

Chaoda Modern Agriculture (Holdings) Limited (the "Company") was 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 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.

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.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2018

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

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

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Property, plant and equipment

Property, plant and equipment include 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 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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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, if any. 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.

(ii) Operating lease 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.

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

2.8 Research and development activities *(continued)*

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, if any, on the same basis as intangible assets that are acquired separately.

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.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2018

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

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 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.

2.11 Deferred expenditure

Deferred expenditure is stated at cost less accumulated amortisation and accumulated impairment losses, if any. 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

2.14 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).

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2018

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

2.14 Foreign currencies *(continued)*

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.

2.15 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.

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

2.15 Employee benefits *(continued)*

(ii) Share-based employee compensation *(continued)*

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.

2.16 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.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2018

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

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 as loans and receivables. 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.

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

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 receivable, other receivables, deposits and cash and cash equivalents) are measured at amortised cost using the effective interest method, less impairment, if any.

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

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 all 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.

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

2.19 Financial instruments *(continued)*

Impairment of financial assets *(continued)*

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).

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.

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Accounting for income taxes

Income tax expense comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position 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.

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 be settled or the asset be 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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

(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 2017. The application of the new HKFRSs in the current year has had no material effect on the amounts reported in the consolidated financial statements and/or disclosures set out in the consolidated financial statements.

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 9 — Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss; and

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 30 June 2018 the Directors anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement

All financial assets and financial liabilities will continued to be measured on the same bases as are currently measured under HKAS 39.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2018

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

Impairment

In general, the Directors anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provision upon application of HKFRS 9 by the Group.

Based on the assessment by the Directors, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group as at 1 July 2018 would increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade and other receivables. Such further impairment recognised under expected loss model would reduce the opening accumulated losses at 1 July 2018.

HKFRS 15 — Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligation, principal versus agent considerations, as well as licensing application guidance.

The Directors anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the Directors do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

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

HKFRS 16 — Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

Under HKAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease. Furthermore, extensive disclosures are required by HKFRS 16.

As at 30 June 2018, the Group has non-cancellable operating lease commitments of RMB10,156,000 as disclosed in Note 31(b). HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties that are currently classified as operating leases as based on preliminary assessment, the Group will be required to recognise the right-to-use asset and corresponding lease liability. However, the directors of the Company are undergoing a detailed assessment on the implementation of HKFRS 16.

In addition, the Group currently considers refundable rental deposits paid of RMB1,447,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

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 2018, the carrying amount of the property, plant and equipment was approximately RMB39,986,000 (2017: RMB553,438,000). During the year ended 30 June 2018, impairment loss of approximately RMB1,350,000 (2017: RMB955,450,000) was recognised on property, plant and equipment.

(iii) Impairment of other non-financial assets

The Group assesses whether there are any indicators of impairment for all other non-financial assets, including investment properties and prepaid premium for land leases, 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 unit and determines a suitable discount rate in order to calculate the present value of those cash flows. As at 30 June 2018, the carrying amount of investment properties, prepaid premium for land leases was approximately RMB79,914,000 and RMB34,666,000 (2017: RMB78,606,000 and RMB172,121,000) respectively. During the years ended 30 June 2018, no impairment loss was recognised on investment properties and prepaid premium for land leases respectively (2017: nil and RMB484,477,000).

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

(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 2018, the carrying amount of the trade receivables were approximately RMB15,213,000 (2017: RMB19,056,000), net of allowance for doubtful debts of approximately RMB2,403,000 (2017: RMB4,887,000). During the year ended 30 June 2018, no impairment loss (2017: RMB519,000) in respect of trade receivables was recognised in profit or loss. As at 30 June 2018, the carrying amount of other receivables, deposits and prepayments were approximately RMB27,395,000 (2017: RMB162,795,000). During the year ended 30 June 2018, impairment loss in respect of other receivable approximately RMB1,765,000 (2017: nil) was recognised in profit or loss.

(v) Provision for income tax

The Company's operating subsidiaries are subject to income taxes in the PRC or Hong Kong. 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:

	2018 **RMB'000**	2017 RMB'000
Sales of crops	**204,434**	820,336
Sales of livestock	**8,955**	5,981
	213,389	826,317

6. OTHER REVENUES

	2018 **RMB'000**	2017 RMB'000
Interest income	**898**	1,490
Sales of milk	**23,262**	29,720
Rental income	**10,438**	11,040
Sundry income	**8,258**	8,161
	42,856	50,411

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 2018 and 2017 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.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2018

7. SEGMENT INFORMATION *(continued)*

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

	2018 RMB'000	2017 RMB'000
The PRC (country of domicile)	**134,647**	743,296
Hong Kong	**78,604**	82,747
Other	**138**	274
	213,389	826,317

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

Customer contributing over 10% of total revenue of the Group for the years ended 30 June 2018 and 2017 is as follow:

	2018 RMB'000	2017 RMB'000
Customer A	**21,536**	N/A*

* The corresponding revenue did not contribute over 10% of total revenue of the Group.

8. OTHER OPERATING EXPENSES

	2018 RMB'000	2017 RMB'000
Expenses incurred for fallow farmlands	**62,553**	176,554
Impairment loss on prepaid premium for land leases *(Note 18)*	**—**	484,477
Impairment loss on property, plant and equipment *(Note 15)*	**1,350**	955,450
Impairment loss on deferred expenditure *(Note 20)*	**—**	112,686
Natural crop losses	**1,682**	1,202
Loss on disposals/written off of property, plant and equipment *(Note 15)*	**441,716**	371,019
Loss on early termination of prepaid premium for land leases *(Note 18)*	**28,620**	207,794
Biological assets written off *(Note 19)*	**—**	171,330
Deferred expenditure written off *(Note 20)*	**24,398**	65,484
Construction-in-progress written off	**—**	11,999
Other receivables written off	**1,765**	—
Others	**9,976**	53,127
	572,060	2,611,122

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2018

9. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

(a) Finance costs

	2018 **RMB'000**	2017 RMB'000
Bank and finance charges	**36**	59

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

	2018 **RMB'000**	2017 RMB'000
Salaries, wages and other benefits	**160,257**	565,417
Employee share option benefits	**6,463**	18,557
Retirement benefit costs	**3,709**	3,924
	170,429	587,898

(c) Other items

	2018 **RMB'000**	2017 RMB'000
Auditors' remuneration	**1,131**	1,491
Amortisation of prepaid premium for land leases, net of amount capitalised	**8,557**	39,900
Amortisation of deferred expenditure, net of amount capitalised	**5,829**	58,831
Cost of inventories sold	**261,711**	1,126,478
Depreciation of property, plant and equipment, net of amount capitalised	**69,636**	266,607
Depreciation of investment properties	**4,044**	3,963
Operating lease expense in respect of land and buildings	**23,155**	137,389

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2018

10. INCOME TAX

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

	2018	2017
	RMB'000	RMB'000
Current tax		
— PRC income tax *(Note (a))*	**—**	(519)
— Hong Kong profits tax *(Note (b))*	**(175)**	(637)
Deferred tax		
— Reversal of PRC withholding income tax	**20,655**	—
	20,480	(1,156)

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% (2017: 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 2018 and 2017.

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

	2018	2017
	RMB'000	RMB'000
Loss before income tax	**(741,493)**	(3,243,912)
Notional tax at the rate applicable to losses in the tax jurisdictions concerned	**(183,125)**	(803,115)
Net tax effect of expense and income that are not deductible and taxable in determining taxable profit and tax allowance	**182,928**	803,943
Tax effect of unrecognised tax losses	**501**	1,298
Tax effect of previous years' unrecognised tax losses utilised this year	**(129)**	(970)
Reversal of deferred tax on undistributed earnings of the PRC's subsidiaries	**(20,655)**	—
Income tax (credit)/expense	**(20,480)**	1,156

11. DIVIDENDS

The Directors do not recommend any payment of dividend for the year ended 30 June 2018 (2017: 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 RMB719,036,000 (2017: RMB3,246,234,000) and the weighted average number of 3,293,858,000 (2017: 3,292,350,000) 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 RMB719,036,000 (2017: RMB3,246,234,000) and the weighted average number of 3,293,858,000 (2017: 3,292,350,000) 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 2018 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	—	1,443	—	15	1,458
Kuang Qiao	—	395	211	—	606
Yang Gang	—	203	84	—	287
Non-executive Director					
Ip Chi Ming	—	798	126	—	924
Independent Non-executive Directors					
Fung Chi Kin	329	—	63	—	392
Tam Ching Ho	329	—	63	—	392
Chan Yik Pun	135	—	42	—	177
Lin Shun Quan	54	—	11	—	65
	847	2,839	600	15	4,301

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2018

13. DIRECTORS' REMUNERATION *(continued)*

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

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 2018 and 2017.

During the years ended 30 June 2018 and 2017, 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.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2018

14. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five individuals whose emoluments were the highest in the Group for the year include two (2017: one) Directors whose emoluments are reflected in the table presented in Note 13 above. The emoluments paid and payable to the remaining three (2017: four) highest paid individuals during the year are as follows:

	2018 **RMB'000**	2017 RMB'000
Salaries and other emoluments	**3,042**	2,458
Retirement benefit scheme contributions	**26**	98
Employee share option benefits	**822**	5,300
	3,890	7,856

The emoluments of three (2017: four) individuals with the highest emoluments are within the following bands:

Emoluments band	**2018** **No. of** **Individuals**	2017 No. of Individuals
HK$1,000,000 to HK$1,499,999	**2**	—
HK$1,500,000 to HK$1,999,999	**1**	1
HK$2,000,000 to HK$2,499,999	**—**	2
HK$2,500,000 to HK$2,999,999	**—**	1

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2018

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 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)
Disposals of a subsidiary *(Note 34)*	—	—	(10,543)	(1,399)	(12,124)	—	—	(24,066)
Exchange realignment	77	—	72	211	428	—	—	788
At 30 June 2017 and 1 July 2017	65,799	33,898	74,463	21,091	1,604,814	22,000	22,317	1,844,382
Additions	—	—	1,135	222	3,668	—	—	5,025
Transferred to investment properties	—	(7,368)	—	—	—	—	—	(7,368)
Disposals/Written off *(Note (b))*	—	—	(49,203)	(5,445)	(1,248,511)	—	—	(1,303,159)
Disposals of a subsidiary *(Note 34)*	—	—	(34)	(225)	(49,453)	—	(22,317)	(72,029)
Exchange realignment	(155)	—	(67)	(283)	(230)	—	—	(735)
At 30 June 2018	65,644	26,530	26,294	15,360	310,288	22,000	—	466,116

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

	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
Accumulated depreciation and impairment loss								
At 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)
Disposals 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 and 1 July 2017	47,170	8,913	70,263	18,185	1,102,096	22,000	22,317	1,290,944
Charge for the year	4,385	649	1,088	1,033	62,481	—	—	69,636
Transferred to investment properties	—	(2,016)	—	—	—	—	—	(2,016)
Disposals/Written off *(Note (b))*	—	—	(49,195)	(4,995)	(806,911)	—	—	(861,101)
Disposals of a subsidiary *(Note 34)*	—	—	(18)	(225)	(49,453)	—	(22,317)	(72,013)
Impairment loss	—	—	—	—	1,350	—	—	1,350
Exchange realignment	(139)	—	(64)	(237)	(230)	—	—	(670)
At 30 June 2018	51,416	7,546	22,074	13,761	309,333	22,000	—	426,130
Net book value								
At 30 June 2018	14,228	18,984	4,220	1,599	955	—	—	39,986
At 30 June 2017	18,629	24,985	4,200	2,906	502,718	—	—	553,438

Notes:

(a) Farmland infrastructure includes films, green house facilities, ditches, roads and others. As at 30 June 2018, the net book value mainly represent the assets pertaining to the research and development centre located in Fuzhou. All assets related to leasehold farmlands has been disposed of or written off during the year.

(b) During the year ended 30 June 2018, loss on disposals/written off of approximately RMB441,716,000 (2017: RMB371,019,000) 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.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2018

16. INVESTMENT PROPERTIES

	2018 **RMB'000**	2017 RMB'000
Cost		
At 1 July	**117,971**	117,971
Transferred from property, plant and equipment *(Note 15)*	**7,368**	—
At 30 June	**125,339**	117,971
Accumulated depreciation		
At 1 July	**39,365**	35,402
Transferred from property, plant and equipment *(Note 15)*	**2,016**	—
Depreciation for the year	**4,044**	3,963
At 30 June	**45,425**	39,365
Net book value		
At 30 June	**79,914**	78,606

As at 30 June 2018 and 2017, 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 2018 is approximately RMB120,621,000 (2017: RMB107,115,000). 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 comparison 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

	2018 **RMB'000**	2017 RMB'000
At 1 July	**—**	12,387
Additions	**—**	28,083
Transferred to property, plant and equipment *(Note 15)*	**—**	(27,545)
Disposal of a subsidiary *(Note 34)*	**—**	(926)
Written off	**—**	(11,999)
At 30 June	**—**	—

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2018

18. 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/written off	(217,784)	(2,335)	(220,119)
Exchange realignment	(6,754)	—	(6,754)
At 30 June 2018	**398,635**	**125,635**	**524,270**
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 year	4,379	4,178	8,557
Early termination of leases/written off	(88,886)	(2,335)	(91,221)
Exchange realignment	(6,754)	—	(6,754)
At 30 June 2018	**398,635**	**90,969**	**489,604**
Net carrying value			
At 30 June 2018	**—**	**34,666**	**34,666**
At 30 June 2017	133,277	38,844	172,121

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2018

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

	2018	2017
	RMB'000	RMB'000
Non-current portion	**30,488**	159,937
Current portion	**4,178**	12,184
Net carrying value at 30 June	**34,666**	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:

	2018	2017
	RMB'000	RMB'000
Outside Hong Kong held on:		
Leases of over 50 years	**—**	—
Leases of between 10 to 50 years	**34,666**	172,121
	34,666	172,121

Note:

As at 30 June 2018, prepaid premium for land leases represents land use rights held by the Group, which are all located in the PRC.

During the year ended 30 June 2018, no impairment loss was recognised.

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 resource 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.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2018

19. BIOLOGICAL ASSETS

	Fruits RMB'000	**Livestock** RMB'000	**Vegetables** RMB'000	**Total** RMB'000
At 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 and 1 July 2017	—	15,606	58,272	73,878
Additions	—	3,824	132,808	136,632
Decrease due to harvest or sales	—	(19,430)	(191,080)	(210,510)
At 30 June 2018	**—**	**—**	**—**	**—**

Biological assets as at 30 June 2018 and 2017 are stated at fair value less costs to sell and are analysed as follows:

	Livestock RMB'000	**Vegetables RMB'000**	**2018 Total RMB'000**	2017 Total RMB'000
Non-current portion	—	—	—	15,606
Current portion	—	—	—	58,272
	—	—	—	73,878

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2018

19. BIOLOGICAL ASSETS *(continued)*

Notes:

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

(b) Measurement of fair value

(i) Fair value hierarchy

As at 30 June 2017, 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 livestock and vegetables would be performed annually.

During the years ended 30 June 2018 and 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 2018	Range 2017	Inter-relationship between key unobservable inputs and fair value measurement
Livestock	Market comparison approach with reference to market-determined prices with similar size, species and age	Market-determined price	N/A	Weighted average price of RMB5,530	The higher of market-determined price, the higher of the fair value less costs to sell determined
Vegetables	Market comparison approach with reference to market-determined prices, cultivation areas, species, growing conditions, growing process and expected yield of the crops	Market-determined price	N/A	Weighted average price of RMB1.13	The higher of market-determined price, the higher of the fair value less costs to sell determined
		Expected yield	N/A	550 kg/mu to 4,500 kg/mu	The higher of expected yield, the higher of the fair value less costs to sell determined

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2018

19. BIOLOGICAL ASSETS *(continued)*

Notes: *(continued)*

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

	2018 **Number ('000)**	2017 Number ('000)
Livestock	—	2

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

	2018		2017	
	Quantity **Tonnes**	**Amount** **RMB'000**	Quantity Tonnes	Amount RMB'000
Fruits	**18,668**	**24,994**	21,091	47,154
Vegetables	**55,933**	**103,268**	366,852	660,831
	74,601	**128,262**	387,943	707,985

The Group grew different variety of crops with different growing cycle during the years ended 30 June 2018 and 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.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2018

20. DEFERRED EXPENDITURE

	2018	2017
	RMB'000	RMB'000
Cost		
At 1 July	**209,688**	357,801
Written off	**(55,858)**	(148,113)
At 30 June	**153,830**	209,688
Accumulated amortisation		
At 1 July	**179,461**	87,398
Amortisation for the year	**5,829**	62,006
Impairment loss *(Note (b))*	**—**	112,686
Written off	**(31,460)**	(82,629)
At 30 June	**153,830**	179,461
Net carrying value		
At 30 June	**—**	30,227

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.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2018

21. INTERESTS IN ASSOCIATES

	Note	**2018 RMB'000**	2017 RMB'000
Share of net assets		**5,482**	5,757
Amount due from an associate	(c)	**—**	365
		5,482	6,122

Notes:

(a) Particulars of the principal associate of the Group at 30 June 2018 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**	
				2018	2017
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:

	2018 RMB'000	2017 RMB'000
Non-current assets	**—**	28
Current assets	**13,483**	17,507
Current liabilities	**(221)**	(3,148)
Revenue	**—**	62,001
(Loss)/profit for the year	**(682)**	1,838

(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.

Notes to the Consolidated Financial Statements *(continued)*
For the year ended 30 June 2018

22. INVENTORIES

	2018 **RMB'000**	2017 RMB'000
Agricultural materials	**—**	356
Merchandise for resale	**129**	694
	129	1,050

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 period are stated at cost.

23. TRADE RECEIVABLES

	2018 **RMB'000**	2017 RMB'000
Trade receivables	**17,616**	23,943
Less: Allowance for doubtful debts *(Note (b))*	**(2,403)**	(4,887)
	15,213	19,056

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.

(a) Ageing analysis

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

	2018 **RMB'000**	2017 RMB'000
0–1 month	**7,388**	12,322
1–3 months	**7,358**	6,410
Over 3 months	**467**	324
	15,213	19,056

23. TRADE RECEIVABLES *(continued)*

(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:

	2018 **RMB'000**	2017 RMB'000
At 1 July	**4,887**	5,306
Additions	**—**	519
Written off	**(825)**	(364)
Disposal of a subsidiary	**(1,659)**	(574)
At 30 June	**2,403**	4,887

The aggregate carrying amount of the individually impaired trade receivables included in the allowance for doubtful debts were RMB2,403,000 (2017: RMB4,887,000). The individually impaired trade receivables related to customers that were in default or delinquency in payments.

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

	2018 **RMB'000**	2017 RMB'000
Neither past due nor impaired	**13,747**	16,816
0–60 days past due	**1,380**	2,231
Over 60 days past due	**86**	9
	15,213	19,056

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.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2018

24. CASH AND BANK BALANCES

	2018 **RMB'000**	2017 RMB'000
Cash at banks and on hand	**107,987**	84,908
Short-term bank deposits	**30,947**	100,662
Pledged bank deposits	**16,950**	—
	155,884	185,570
Denominated in:		
RMB	**67,420**	67,142
HK$	**74,732**	104,248
Others	**13,732**	14,180
	155,884	185,570

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 2018 and 2017 with original maturity within three months.

For the purpose of consolidated statement of cash flows, cash and cash equivalents include the following:

	2018 **RMB'000**	2017 RMB'000
Cash and bank balances shows in the consolidated statement of financial position	**155,884**	185,570
Less: Pledged bank deposits	**(16,950)**	—
Cash and cash equivalents shows in the consolidated statement of cash flows	**138,934**	185,570

25. TRADE PAYABLES

Ageing analysis of trade payables are as follows:

	2018 **RMB'000**	2017 RMB'000
0–1 month	**1,900**	1,488
1–3 months	**—**	1
Over 3 months	**61**	185
	1,961	1,674

26. BANK LOANS

As at 30 June 2018, the Group has secured banking facilities totalling RMB16,950,000 (2017: unsecured banking facilities of RMB400,000,000). None of the banking facilities has been utilised.

27. DEFERRED TAX

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 2018, no deferred tax liabilities (2017: 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 (2017: nil). 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.

Deferred tax assets

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

	2018 **RMB'000**	2017 RMB'000
Tax losses available to set off future assessable profits *(Note)*	**72,706**	83,621
Accelerated tax depreciation	**101**	109
	72,807	83,730

Note:

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 RMB49,975,000 (2017: RMB60,198,000) will expire in 5 years, while the remaining may be carried forward indefinitely.

Notes to the Consolidated Financial Statements *(continued)*
For the year ended 30 June 2018

28. SHARE CAPITAL

Authorised ordinary shares of HK$0.1 each

	Number of shares ('000)	HK$'000	RMB'000
At 30 June 2017 and **30 June 2018**	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 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
Shares issued under share option scheme	2,680	268	223
At 30 June 2018	3,295,582	329,558	333,149

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

2002 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.

29. SHARE OPTION SCHEME *(continued)*

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

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

	2018		2017	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Outstanding at 1 July	**68,768,000**	**6.303**	91,783,490	5.685
Lapsed during the year	**(7,364,000)**	**5.285**	(23,015,490)	3.837
Outstanding at 30 June	**61,404,000**	**6.426**	68,768,000	6.303
Exercisable at 30 June	**61,404,000**	**6.426**	68,768,000	6.303

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

	2018		2017	
Exercisable period:	**Number**	**Weighted average exercise price HK$**	Number	Weighted average exercise price HK$
24-10-2008 to 23-10-2018	**20,800**	**3.846**	2,244,800	3.846
24-10-2009 to 23-10-2018	**20,800**	**3.846**	124,800	3.846
24-10-2010 to 23-10-2018	**20,800**	**3.846**	332,800	3.846
26-11-2010 to 25-11-2020	**61,225,000**	**6.430**	64,500,000	6.430
24-10-2011 to 23-10-2018	**20,800**	**3.846**	332,800	3.846
26-11-2011 to 25-11-2020	**25,000**	**6.430**	300,000	6.430
24-10-2012 to 23-10-2018	**20,800**	**3.846**	332,800	3.846
26-11-2012 to 25-11-2020	**25,000**	**6.430**	300,000	6.430
26-11-2013 to 25-11-2020	**25,000**	**6.430**	300,000	6.430
	61,404,000	**6.426**	68,768,000	6.303

The Company's share options outstanding under the Old Scheme at 30 June 2018 had a weighted average remaining contractual life of 2.40 years (2017: 3.31 years).

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2018

29. SHARE OPTION SCHEME *(continued)*

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

The fair value of share options is determined at the date of grant under Binomial 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
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.

(b) New Share Option Scheme

2015 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.

	2018		2017	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Outstanding at 1 July	**327,530,000**	**0.187**	—	—
Granted during the year	**—**	**—**	329,130,000	0.187
Exercised during the year	**(2,680,000)**	**0.187**	(1,600,000)	0.187
Lapsed during the year	**(7,420,000)**	**0.187**	—	—
Outstanding at 30 June	**317,430,000**	**0.187**	327,530,000	0.187
Exercisable at 30 June	**126,972,000**	**0.187**	64,226,000	0.187

29. SHARE OPTION SCHEME *(continued)*

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

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

	2018		2017	
Exercisable period:	**Number**	**Weighted average exercise price HK$**	Number	Weighted average exercise price HK$
13-07-2016 to 12-07-2026	**63,486,000**	**0.187**	64,226,000	0.187
13-07-2017 to 12-07-2026	**63,486,000**	**0.187**	65,826,000	0.187
13-07-2018 to 12-07-2026	**63,486,000**	**0.187**	65,826,000	0.187
13-07-2019 to 12-07-2026	**63,486,000**	**0.187**	65,826,000	0.187
13-07-2020 to 12-07-2026	**63,486,000**	**0.187**	65,826,000	0.187
	317,430,000	**0.187**	327,530,000	0.187

The Company's share options outstanding under the New Scheme at 30 June 2018 had a weighted average remaining contractual life of 8.04 years (2017: 9.04 years).

The fair value of share options is determined at the date of grant under Binomial 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.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2018

30. RESERVES

	Notes	2018 RMB'000	2017 RMB'000
Share premium		**5,969,570**	5,969,128
Capital reserve	(a)	**94,894**	94,894
Employee share-based compensation reserve		**171,864**	180,318
Capital redemption reserve		**5,247**	5,247
Exchange reserve		**(227,203)**	(224,458)
Statutory reserves	(b)	**681,370**	686,370
Accumulated losses		**(6,712,330)**	(6,012,963)
		(16,588)	698,536

Movements of the Group's reserves for the current and prior years are presented in the consolidated statement of changes in equity on pages 71 to 72.

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 apportionate 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.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2018

31. COMMITMENTS

(a) Capital commitments

At the end of the reporting period, the Group had no capital commitments (2017: nil).

(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:

	2018 **RMB'000**	2017 RMB'000
Within one year	**4,373**	45,634
In the second to fifth years, inclusive	**5,783**	174,568
After five years	**—**	489,458
Total	**10,156**	709,660

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:

	2018 **RMB'000**	2017 RMB'000
Within one year	**9,921**	12,673
In the second to fifth years, inclusive	**21,170**	30,142
After five years	**8,215**	8,226
Total	**39,306**	51,041

32. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group

The Directors are of the opinion that the key management personnel are 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.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2018

33. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries at 30 June 2018 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%
Chaoda Vegetable & Fruits Trading Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US$1	100%
Held indirectly by the Company:				
Fujian Chaoda Modern Agriculture Group Company Limited**	PRC	Growing and sales of crops, breeding and sales of livestock in the PRC	HK$1,300,000,000	100%
Fujian Chaoda Green Agriculture Development Company Limited*	PRC	Breeding and sales of livestock in the PRC	RMB80,000,000	100%
福建超大畜牧業有限公司***	PRC	Provision of agency service in the PRC	RMB80,000,000	100%

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2018

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: (continued)				
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%
Keen Spirit Global Limited	British Virgin Islands	Investment holding in Hong Kong	100 ordinary shares of US$1 each	70%
VaxGene Corporation	British Virgin Islands	Research and development of organism technologies in Hong Kong	50,000 ordinary shares of US$1 each	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 2018, the Group disposed of certain indirect wholly-owned subsidiaries which did not principally affect the results for the year or formed a substantial portion of the net assets of the Group, at aggregate considerations of RMB2,000,000, settled in cash. The net assets of those subsidiaries on date of disposal were as follows:

	RMB'000
Property, plant and equipment	**16**
Inventories	**2**
Trade receivables	**1,033**
Other receivables, deposits and prepayments	**46**
Cash and cash equivalents	**547**
Trade payables	**(927)**
Other payables and accruals	**(598)**
Net assets disposed of	**119**
Cash consideration	**2,000**
Net assets disposed of	**(119)**
Gain on disposal	**1,881**
Net cash inflow arising on disposal:	
Cash consideration	**2,000**
Less: cash and cash equivalents disposed of	**(547)**
	1,453

34. DISPOSAL OF A SUBSIDIARY *(continued)*

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 functional currency of respective group entities, 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.

The remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date that the Group can be required to pay, are within one year or on demand (2017: within one year or on demand).

(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 business 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 2018 and 2017. The Group monitors its capital using net debt to adjusted capital ratio. Net debt includes borrowings less cash and bank balances 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 bank balances over total borrowings as at the end of the reporting period are presented as follows:

	2018 **RMB'000**	2017 RMB'000
Total borrowings	**—**	—
Less: Cash and bank balances	**(155,884)**	(185,570)
Excess of cash and bank balances over total borrowings	**(155,884)**	(185,570)
Equity attributable to the owners of the Company	**316,561**	1,031,462
Adjusted capital	**N/A**	N/A
Net debt to adjusted capital ratio	**N/A**	N/A

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2018

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	**2018** **RMB'000**	2017 RMB'000
Loan and receivables:		
— Trade receivables	**15,213**	19,056
— Other receivables and deposits	**17,224**	161,918
— Cash and bank balances	**155,884**	185,570
	188,321	366,544

Financial liabilities	**2018** **RMB'000**	2017 RMB'000
Financial liabilities measured at amortised cost:		
— Trade payables	**1,961**	1,674
— Other payables and accruals	**39,016**	226,456
	40,977	228,130

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2018

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2018	2017
	RMB'000	RMB'000
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	**40**	30
Interests in subsidiaries	**189,438**	468,531
	189,478	468,561
Current assets		
Other receivables, deposits and prepayments	**615**	592
Loan to a subsidiary	**2,964**	6,108
Cash and cash equivalents	**21,952**	26,127
	25,531	32,827
Current liabilities		
Amounts due to subsidiaries	**2,187**	2,253
Other payables and accruals	**4,147**	4,914
	6,334	7,167
Net current assets	**19,197**	25,660
Net assets	**208,675**	494,221
EQUITY		
Share capital	**333,149**	332,926
Reserves	**(124,474)**	161,295
Total equity	**208,675**	494,221

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 21 September 2018 and are signed on its behalf by:

Kwok Ho
Director

Ip Chi Ming
Director

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2018

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

Note:

Movement in the Company's reserves

	Share premium RMB'000	Employee share-based compensation reserve RMB'000	Capital redemption reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 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
Share 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 expense						
— Currency translation differences	—	—	—	67,380	—	67,380
Total comprehensive expense for the year	—	—	—	67,380	(2,563,666)	(2,496,286)
Lapsed of share options	—	(41,872)	—	—	41,872	—
At 30 June 2017 and 1 July 2017	6,169,793	180,318	5,247	(947,344)	(5,246,719)	161,295
Employee share option benefits	—	6,463	—	—	—	6,463
Share issued under share option scheme	442	(248)	—	—	—	194
Transactions with owners	442	6,215	—	—	—	6,657
Loss for the year	—	—	—	—	(274,159)	(274,159)
Other comprehensive expense						
— Currency translation differences	—	—	—	(18,267)	—	(18,267)
Total comprehensive expense for the year	—	—	—	(18,267)	(274,159)	(292,426)
Lapsed of share options	—	(14,669)	—	—	14,669	—
At 30 June 2018	6,170,235	171,864	5,247	(965,611)	(5,506,209)	(124,474)

Five Year Financial Summary

For the year ended 30 June 2018

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				
	2014 RMB'000 (Restated)	2015 RMB'000 (Restated)	2016 RMB'000 (Restated)	2017 RMB'000	**2018** **RMB'000**
Revenue	1,459,321	1,316,855	1,119,599	826,317	**213,389**
Loss before income tax	(2,471,211)	(6,763,005)	(4,246,035)	(3,243,912)	**(741,493)**
Income tax expense	(756)	(774)	(416)	(1,156)	**20,480**
Loss for the year	(2,471,967)	(6,763,779)	(4,246,451)	(3,245,068)	**(721,013)**
Loss for the year, attributable to:					
Owners of the Company	(2,473,029)	(6,625,779)	(4,247,970)	(3,246,234)	**(719,036)**
Non-controlling interests	1,062	(138,000)	1,519	1,166	**(1,977)**
	(2,471,967)	(6,763,779)	(4,246,451)	(3,245,068)	**(721,013)**

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 30 June				
	2014 RMB'000 (Restated)	2015 RMB'000 (Restated)	2016 RMB'000 (Restated)	2017 RMB'000	**2018** **RMB'000**
Total assets	15,624,703	8,902,028	4,606,344	1,282,863	**358,669**
Total liabilities	(359,032)	(403,860)	(347,672)	(248,785)	**(40,977)**
Non-controlling interests	(140,996)	(1,729)	(1,722)	(2,616)	**(1,131)**
Total equity attributable to the owners of the Company	15,124,675	8,496,439	4,256,950	1,031,462	**316,561**