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CHAODA MODERN AGRICULTURE (HOLDINGS) LIMITED
超大現代農業（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 682)

ANNUAL RESULTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

RESULTS

The board of directors (the "Board") of Chaoda Modern Agriculture (Holdings) Limited (the "Company") announces the audited consolidated annual results of the Company and its subsidiaries (collectively referred to as the "Group" or "Chaoda") for the financial year ended 30 June 2018, together with the comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	Notes	**2018**	2017
		RMB'000	RMB'000
Revenue	3	**213,389**	826,317
Cost of sales		**(261,711)**	(1,126,478)
Gross loss		**(48,322)**	(300,161)
Other revenues	4	**42,856**	50,411
Loss arising from changes in fair value less costs to sell of biological assets		**-**	(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	6	**(572,060)**	(2,611,122)
Loss from operations		**(743,065)**	(3,244,014)
Finance costs	7(a)	**(36)**	(59)
Share of results of associates		**(273)**	883
Gain/(Loss) on disposal of subsidiaries		**1,881**	(722)
Loss before income tax	7	**(741,493)**	(3,243,912)
Income tax credit/(expense)	8	**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)
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	10(a)	**RMB(0.22)**	RMB(0.99)
– Diluted	10(b)	**RMB(0.22)**	RMB(0.99)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Notes	**30 June 2018 RMB'000**	30 June 2017 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**39,986**	553,438
Investment properties		**79,914**	78,606
Prepaid premium for land leases	11	**30,488**	159,937
Biological assets	12	**-**	15,606
Deferred expenditure		**-**	30,227
Interests in associates		**5,482**	6,122
		155,870	843,936
Current assets			
Prepaid premium for land leases	11	**4,178**	12,184
Biological assets	12	**-**	58,272
Inventories		**129**	1,050
Trade receivables	13	**15,213**	19,056
Other receivables, deposits and prepayments		**27,395**	162,795
Cash and bank balances		**155,884**	185,570
		202,799	438,927
Current liabilities			
Trade payables	14	**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		**-**	20,655
Net assets		**317,692**	1,034,078
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**333,149**	332,926
Reserves		**(16,588)**	698,536
		316,561	1,031,462
Non-controlling interests		**1,131**	2,616
Total equity		**317,692**	1,034,078

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

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 accounting policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new, amended or revised HKFRSs and the impacts on the Group's consolidated financial statements, if any, are disclosed in Note 2.

The consolidated financial statements have been prepared under historical cost convention except for certain assets such as biological assets which are measured at fair values.

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

Items included in the financial statements of each of the Group's entity are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB") since most of the companies comprising the Group are operating in RMB environment and the functional currency of most of the companies comprising the Group is RMB.

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

The consolidated financial statements for the year ended 30 June 2018 were approved for issue by the Board on 21 September 2018.

2. APPLICATION OF NEW, AMENDED OR REVISED HKFRSs

In the current year, the Group has applied, for the first time, all the new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 July 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.

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

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

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

HKFRS 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:

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

HKFRS 9 – Financial Instruments (continued)

Classification and measurement

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

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 be 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.

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

HKFRS 15 – Revenue from Contracts with Customers (continued)

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.

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.

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

HKFRS 16 – Leases (continued)

As at 30 June 2018, the Group has non-cancellable operating lease commitments of RMB10,156,000. 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.

3. REVENUE

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

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

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

4. OTHER REVENUES

	2018	2017
	RMB'000	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

5. SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major operations. The Group's operating business are organised and managed separately according to the nature of products, which each segment representing a strategic business segment that offers different products in the 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.

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

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

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

6. 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	**-**	484,477
Impairment loss on property, plant and equipment	**1,350**	955,450
Impairment loss on deferred expenditure	**-**	112,686
Natural crop losses	**1,682**	1,202
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
Biological assets written off	**-**	171,330
Deferred expenditure written off	**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

7. 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)

	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

7. LOSS BEFORE INCOME TAX (continued)

(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

8. INCOME TAX EXPENSE

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

	2018 **RMB'000**	2017 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.

9. DIVIDENDS

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

10. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to the owners of the Company of 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.

11. PREPAID PREMIUM FOR LAND LEASES

	Long-term prepaid rentals RMB'000	Land use rights RMB'000	Total RMB'000
Cost			
At 1 July 2016	1,979,801	127,970	2,107,771
Early termination of leases	(1,369,178)	-	(1,369,178)
Exchange realignment	12,550	-	12,550
At 30 June 2017 and 1 July 2017	623,173	127,970	751,143
Early termination of leases/write off	(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/write 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

	2018 RMB'000	2017 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

Note:

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.

12. 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)*	(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:

	Fruits RMB'000	**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

Note:

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

13. TRADE RECEIVABLES

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

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

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

	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

14. TRADE PAYABLES

Ageing analysis of trade payables is 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

INDUSTRY AND BUSINESS REVIEW

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.

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.

FINANCIAL REVIEW

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	-
Jiangsu Province	Crops	1,827	-
	Total:	65,647	29

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)).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2018, cash and bank balances 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).

FUTURE 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.

Looking forward, Chaoda will continue implementing the supply-side structural reform in agriculture, promoting the development of "customized agriculture", leading the changes in the agricultural industry. The Company will also orderly coordinate the sales and production of agriculture products by using big data, considerably achieving a high level of supply and demand equilibrium to reflect their fair value.

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

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

REVIEW OF ANNUAL RESULTS BY THE AUDIT COMMITTEE

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

The Audit Committee has met with Elite Partners CPA Limited ("Elite Partners"), the Company's auditors, to review the audited consolidated financial statements of the Group for the financial year ended 30 June 2018.

SCOPE OF WORK OF ELITE PARTNERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the financial year ended 30 June 2018 as set out in this preliminary announcement have been agreed by the Group's auditor, Elite Partners, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Elite Partners in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Elite Partners on this preliminary announcement.

CORPORATE GOVERNANCE

The Board recognises that good corporate governance will not only safeguard the interests and assets of the Company and deliver long-term return to our shareholders, but will also lay a good foundation for sustainable growth of the Company. During the financial year ended 30 June 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 on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for the deviation stated below:

Code provision A.2.1 of the CG Code

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors, after specific enquiries by the Company, confirmed that they had complied with the required standard set out in the Model Code throughout the financial year ended 30 June 2018.

CLOSURE OF REGISTER OF MEMBERS

To ascertain the eligibility of the shareholders of the Company (the "Shareholders") to attend and vote at the forthcoming annual general meeting of the Company to be held on 18 December 2018 (the "Annual General Meeting"), the register of members of the Company will be closed from Wednesday, 12 December 2018 to Tuesday, 18 December 2018 (both days inclusive), during which period no transfer of shares of the Company will be registered. All properly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. (Hong Kong time) on Tuesday, 11 December 2018. The Shareholders whose names appear on the register of members of the Company on Tuesday, 18 December 2018 are entitled to attend and vote at the Annual General Meeting.

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

Hong Kong, 21 September 2018

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

Executive directors	:	*Mr. Kwok Ho, Mr. Kuang Qiao and Mr. Yang Gang*
Non-executive director	:	*Mr. Ip Chi Ming*
Independent non-executive directors	:	*Mr. Fung Chi Kin, Mr. Tam Ching Ho, Professor Lin Shun Quan and Mr. Chan Yik Pun*