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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

RESULTS

The board of directors (the"Board") of Chaoda Modern Agriculture (Holdings) Limited (the "Company") presents the interim results of the Company and its subsidiaries (collectively referred to as the "Group" or "Chaoda") for the six months ended 31 December 2018. The consolidated statement of profit or loss and other comprehensive income of the Group for the six months ended 31 December 2018 and the consolidated statement of financial position of the Group as at 31 December 2018, together with the selected explanatory notes, are unaudited and condensed, which have been reviewed by the Company's Audit Committee and the Company's auditors, Elite Partners CPA Limited.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 DECEMBER 2018 - UNAUDITED

	Notes	Six months ended 31 December 2018 RMB'000	2017 RMB'000
Revenue	3	**42,714**	159,530
Cost of sales		**(28,455)**	(210,831)
Gross profit/(loss)		**14,259**	(51,301)
Other revenues		**6,900**	33,196
Loss arising from changes in fair value less costs to sell of biological assets		**-**	(1,017)
Selling and distribution expenses		**(6,542)**	(41,159)
General and administrative expenses		**(29,080)**	(70,081)
Research expenses		**-**	(1,831)
Other operating expenses	5	**(49)**	(525,149)
Loss from operations		**(14,512)**	(657,342)
Finance costs	6(a)	**(14)**	(24)
Share of results of associates		**(19)**	-
Gain on disposal of subsidiaries		**-**	1,881
Loss before income tax	6	**(14,545)**	(655,485)
Income tax expense	7	**-**	-
Loss for the period		**(14,545)**	(655,485)
Other comprehensive income/(expenses), 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		**2,493**	(2,903)
Other comprehensive income/(expense) for the period, including reclassification adjustments and net of income tax		**2,493**	(2,903)
Total comprehensive expense for the period		**(12,052)**	(658,388)
(Loss)/profit for the period attributable to:			
Owners of the Company		**(15,889)**	(655,410)
Non-controlling interests		**1,344**	(75)
		(14,545)	(655,485)
Total comprehensive (expense)/income for the period attributable to:			
Owners of the Company		**(12,773)**	(658,981)
Non-controlling interests		**721**	593
		(12,052)	(658,388)
Loss per share for loss attributable to the owners of the Company during the period			
– Basic	9(a)	**RMB(0.01)**	RMB(0.20)
– Diluted	9(b)	**RMB(0.01)**	RMB(0.20)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018 - UNAUDITED

	Notes	**31 December 2018 RMB'000**	30 June 2018 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	**36,746**	39,986
Investment properties		**77,853**	79,914
Prepaid premium for land leases	11	**28,397**	30,488
Biological assets	12	**-**	-
Interests in associates		**5,463**	5,482
		148,459	155,870
Current assets			
Prepaid premium for land leases	11	**4,178**	4,178
Biological assets	12	**-**	-
Inventories		**89**	129
Trade receivables	13	**14,723**	15,213
Other receivables, deposits and prepayments		**6,337**	27,395
Cash and bank balances		**156,536**	155,884
		181,863	202,799
Current liabilities			
Trade payables	14	**2,284**	1,961
Other payables and accruals		**20,601**	39,016
		22,885	40,977
Net current assets		**158,978**	161,822
Total assets less current liabilities		**307,437**	317,692
Net assets		**307,437**	317,692
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**333,149**	333,149
Reserves		**(27,564)**	(16,588)
		305,585	316,561
Non-controlling interests		**1,852**	1,131
Total equity		**307,437**	317,692

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2018 - UNAUDITED

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of Chaoda Modern Agriculture (Holdings) Limited (the "Company") and its subsidiaries (collectively, the "Group") for the six months ended 31 December 2018 (the "Interim Financial Report") have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Interim Financial Report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 30 June 2018 (the "2018 Annual Financial Statements").

The Interim Financial Report has been prepared in accordance with the same accounting policies adopted in the 2018 Annual Financial Statements, except for the adoption of the new, amended or revised Hong Kong Financial Reporting Standards ("HKFRSs") (which collectively include all applicable individual Hong Kong Financial Reporting Standard (“HKFRS”), Hong Kong Accounting Standard (“HKAS”) and Interpretation issued by the HKICPA) as disclosed in Note 2 to the Interim Financial Report.

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

2. APPLICATION OF NEW, AMENDED OR REVISED HKFRSs

In the current interim period, the Group has applied, for the first time, all the new standards, amendments and interpretations (the “new HKFRSs”) issued by the HKICPA, which are relevant to and effective for the Group’s Interim Financial Report for the annual period beginning on 1 July 2018. Except as described below, the application of the new HKFRSs in the current interim period has had no material effect on the amounts reported in the Interim Financial Report and/or disclosures set out in the Interim Financial Report.

Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue from the followings major sources:

- Sales of crops
- Sales of livestock

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

Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (continued)

The Group has applied HKFRS 15 retrospective with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 July 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 July 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

HKFRS 15 introduces a 5-step approach when recognised revenue:

- 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 Group satisfies a performance obligation.

Under HKFRS 15, the Group 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.

A performance obligation represents a good and services (or a bundle of good or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtain control of the distinct good or service.

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

Impact and changes in accounting policies of application on HKFRS 9 Financial instruments

In the current interim period, the Group has applied HKFRS 9 Financial instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 July 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 July 2018. The difference between carrying amounts as at 30 June 2018 and the carrying amounts as at 1 July 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial instruments: Recognition and Measurement.

Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivable arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, loan receivables and other receivable and deposit). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

Impact and changes in accounting policies of application on HKFRS 9 Financial instruments (continued)

Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Impairment under ECL model (continued)

Lifetime ECL represents the ECL that will result from all possible default events over the excepted life of the relevant instrument. In contrast, 12-months ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as forecast of future condition.

The Group always recognises lifetime ECL for trade receivable. The ECL on these assets are assessed individually for debtors with significant balances.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instruments as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the debtor's ability to meet its debt obligations.

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

Impact and changes in accounting policies of application on HKFRS 9 Financial instruments (continued)

Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Impairment under ECL model (continued)

Significant increase in credit risk (continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Classification and measurement of financial liabilities

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in OCI, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in OCI are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

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

Impact and changes in accounting policies of application on HKFRS 9 Financial instruments (continued)

Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Classification and measurement of financial liabilities (continued)

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

3. REVENUE

The principal activities of the Group are the sales of crops and 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:

	Six months ended 31 December	
	2018	2017
	RMB'000	RMB'000
Sales of crops	**42,714**	158,150
Sales of livestock	**-**	1,380
	42,714	159,530

4. SEGMENT INFORMATION

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

The Group's operating business are organised and managed separately according to the nature of products, which each segment representing a strategic business segment that offers different products in the People's Republic of China ("PRC") market. However, the Group's executive directors considered that over 90% of the Group's revenue, operating results and assets during the six months ended 31 December 2018 and 2017 were mainly derived from its sales of crops. Consequently, no operating segment analysis is presented.

4. SEGMENT INFORMATION (continued)

The Company is an investment holding company and the principal place of the Group's operation is in the PRC. For the purpose of segment information disclosures under HKFRS 8, the Group regarded the PRC (excluding Hong Kong) as its country of domicile.

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

	Six months ended 31 December	
	2018	2017
	RMB'000	RMB'000
The PRC (country of domicile)	**-**	119,075
Hong Kong	**42,654**	40,378
Other	**60**	77
	42,714	159,530

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

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

	Six months ended 31 December	
	2018	2017
	RMB'000	RMB'000
Customer A	**N/A***	19,455
Customer B	**N/A***	19,138
Customer C	**N/A***	17,155

*The corresponding revenue does not contribute over 10% of total revenue of the Group in the respective period.

5. OTHER OPERATING EXPENSES

	Six months ended 31 December	
	2018	2017
	RMB'000	RMB'000
Loss on disposals/written off of property, plant and equipment	**-**	408,330
Loss on early termination of prepaid premium for land leases	**-**	24,978
Deferred expenditure written off	**-**	23,443
Others	**49**	68,398
	49	525,149

6. LOSS BEFORE INCOME TAX

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

(a) Finance costs

	Six months ended 31 December	
	2018	2017
	RMB'000	RMB'000
Bank and finance charges	**14**	**24**

(b) Staff costs (including directors' remuneration)

	Six months ended 31 December	
	2018	2017
	RMB'000	RMB'000
Salaries, wages and other benefits	**11,159**	144,131
Employee share option benefits	**1,797**	3,630
Retirement benefit costs	**1,566**	2,143
	14,522	149,904

(c) Other items

	Six months ended 31 December	
	2018	2017
	RMB'000	RMB'000
Interest income	**(420)**	(247)
Amortisation of prepaid premium for land leases, net of amount capitalised	**2,091**	5,875
Amortisation of deferred expenditure, net of amount capitalised	**-**	5,539
Cost of inventories sold	**28,455**	210,831
Depreciation of property, plant and equipment, net of amount capitalised	**3,293**	61,283
Depreciation of investment properties	**2,061**	1,983
Operating lease expense in respect of land and buildings	**2,579**	26,724

7. INCOME TAX EXPENSE

(a) No provision for the PRC enterprise income tax has been made in the unaudited condensed consolidated financial statements for six months ended 31 December 2018 and 2017 as the PRC companies within the Group either has no assessable profits arising from the PRC or exempt from the enterprise income tax.

7. INCOME TAX EXPENSE (continued)

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

The enterprise income tax rate of other PRC subsidiaries of the Company not engaged in qualifying agricultural business is 25% for the six months ended 31 December 2018 and 2017.

(b) No provision for Hong Kong profits tax has been made as the Company and its subsidiaries operating in Hong Kong either do not derive material estimated assessable profits or have unused tax losses brought forward to offset against the current period’s estimated assessable profits for the six months ended 31 December 2018 and 2017.

8. DIVIDENDS

The Directors do not recommend any payment of interim dividend for the six months ended 31 December 2018 (Six months ended 31 December 2017: Nil).

9. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to the owners of the Company of RMB15,889,000 (Six months ended 31 December 2017: RMB655,410,000) and the weighted average number of 3,295,582,000 (2017: 3,292,902,000) ordinary shares in issue during the period.

(b) Diluted loss per share

The calculation of diluted loss per share is based on the loss attributable to the owners of the Company of RMB15,889,000 (Six months ended 31 December 2017: RMB655,410,000) and the weighted average number of 3,295,582,000 (Six months ended 31 December 2017: 3,292,902,000) 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.

10. PROPERTY, PLANT AND EQUIPMENT

	31 December 2018 RMB'000	30 June 2018 RMB'000
Net book value as at 1 July 2018/2017	**39,986**	553,438
Additions	**7**	5,025
Transferred to investment properties	**-**	(5,352)
Write off/Disposals (note (a))	**-**	(442,058)
Depreciation charges	**(3,293)**	(69,636)
Disposal of subsidiaries	**-**	(16)
Impairment loss	**-**	(1,350)
Exchange realignment	**46**	(65)
Net book value as at 31 December 2018/30 June 2018	**36,746**	39,986

Note:

(a) During the six months ended 31 December 2018, no loss on write off/disposals (During the year ended 30 June 2018: RMB441,716,000) was recognised due to the early termination of certain farmland areas.

11. PREPAID PREMIUM FOR LAND LEASES

	Long-term prepaid rentals RMB'000	**Land use rights RMB'000**	**Total RMB'000**
Cost			
At 1 July 2017	623,173	127,970	751,143
Early termination of leases	(217,784)	(2,335)	(220,119)
Exchange realignment	(6,754)	-	(6,754)
At 30 June 2018 and 1 July 2018	398,635	125,635	524,270
Exchange realignment	(954)	-	(954)
At 31 December 2018	**397,681**	**125,635**	**523,316**
Accumulated amortisation and impairment loss			
At 1 July 2017	489,896	89,126	579,022
Amortisation for the year	4,379	4,178	8,557
Early termination of leases	(88,886)	(2,335)	(91,221)
Exchange realignment	(6,754)	-	(6,754)
At 30 June 2018 and 1 July 2018	398,635	90,969	489,604
Amortisation for the year	-	2,091	2,091
Exchange realignment	(954)	-	(954)
At 31 December 2018	**397,681**	**93,060**	**490,741**
Net carrying value			
As at 31 December 2018	**-**	**32,575**	**32,575**
As at 30 June 2018	-	34,666	34,666

11. PREPAID PREMIUM FOR LAND LEASES (continued)

	31 December 2018 RMB'000	30 June 2018 RMB'000
Non-current portion	**28,397**	30,488
Current portion	**4,178**	4,178
Net carrying value	**32,575**	34,666

The Group's interest in long term prepaid rentals and land use rights represent the prepaid operating lease payments and their net carrying values are analysed as follows:

	31 December 2018 RMB'000	30 June 2018 RMB'000
Outside Hong Kong held on:		
- Lease of over 50 years	**-**	-
- Lease f between 10 to 50 years	**32,575**	34,666
Net carrying value	**32,575**	34,666

Note:

As at 31 December 2018, prepaid premium for land leases represent land use rights held by the Group, which are located in the PRC.

12. BIOLOGICAL ASSETS

	Livestock RMB'000	**Vegetables RMB'000**	**Total RMB'000**
At 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 and 1 July 2018	-	-	-
Additions	-	-	-
Decrease due to harvest or sales	-	-	-
At 31 December 2018	**-**	**-**	**-**

12. BIOLOGICAL ASSETS (continued)

Biological assets as at 31 December 2018 and 30 June 2018 are stated at fair value less costs to sell and are analysed as follows:

	Livestock RMB'000	**Vegetables RMB'000**	**31 December 2018 Total RMB'000**	30 June 2018 Total RMB'000
Non-current portion	**-**	**-**	**-**	-
Current portion	**-**	**-**	**-**	-
	-	**-**	**-**	-

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.

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

	31 December 2018 RMB'000	30 June 2018 RMB'000
0 – 1 month	**7,939**	7,388
1 – 3 months	**6,028**	7,358
Over 3 months	**756**	467
	14,723	15,213

14. TRADE PAYABLES

Ageing analysis of trade payables is as follows:

	31 December 2018 RMB'000	30 June 2018 RMB'000
0 – 1 month	**2,038**	1,900
1 – 3 months	**183**	-
Over 3 months	**63**	61
	2,284	1,961

FINANCIAL REVIEW

During the current financial period under review, the Group recorded a revenue of RMB43 million, representing a drop of approximately 73% as compared to RMB160 million for the same period ended last year. The drop in revenue was mainly due to the early termination of farmlands and production base areas in first half of year 2018 in according with the business operation strategy and the supply-side structural reform of the Group. The Group achieved gross profit of RMB14 million, turning around from gross loss RMB51 million as compared to the same period ended last year.

During the financial period under review, selling and distribution expenses decreased from RMB41 million to RMB7 million as a result of the drop in revenue. General and administrative expenses decreased by 59% to RMB29 million. Other operating expenses decreased to minimal level (31 December 2017: RMB525 million) because no loss on early termination of prepaid premium for land leases and loss on disposal/write off of property, plant and equipment during the period.

As a result of the above, during the financial year under review, the loss from operations of the Group amounted to RMB15 million (2017: RMB657 million) as well as loss for the year attributable to owners of the Company amounted to RMB16 million (2017: RMB655 million).

AGRICULTURAL LAND

As at 31 December 2018, the Group no longer hold or lease any farmland (31 December 2017: 2,570 mu (171 hectares)). Such decrease was attributable to the early termination of leasehold farmlands during first half of year 2018.

INVESTMENT PROPERTIES

Investment properties are buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. All investment properties of the Group are located in the PRC.

PREPAID PREMIUM FOR LAND LEASES

Land use right under prepaid premium for land leases, represent the net book value for 5 lands held by the Group, which are all located in the PRC. They are mainly for the interest of the company's research and development centre, training centre and administrative purposes, none of them are related to leasehold farmland.

BUSINESS OVERVIEW

Agricultural industry is one of the foundation sector in China. In early 2019, the Central Committee of the Communist Party of China and State Council released the 2019 "Number One Document", sixteenth consecutive years in focusing on agricultural area, and priority of the development of agriculture and rural areas was adhered to. Comprehensively deepen the implementation of supply-side structural reform in agriculture, implement the strategy of rural revitalization and rural reform. 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.

On 14 January 2019, the Central Committee of the Communist Party of China and State Council released the year 2018 Number 129 document "Guiding option for deepening consumer poverty alleviation and to win the fight against poverty", introduced the comprehensively improve the supply level and quality of agricultural products in poverty-stricken areas, 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.

Chaoda as the leading enterprise in green and modern agriculture, we had leveraged the professional team 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, so to improve the supply level and quality of agricultural products.

COMPANY OUTLOOK

With the efforts in studying and testing certain operation strategies and models that can strengthen the business development in the past few years, the Group had structured the "Chaoda+ Impoverished Households+ Farmers +Rural Cooperatives + Agricultural Enterprises+ village collectives" 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", 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 in highly efficient way.

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.

The Chaoda new business operation model was proved by and coincided with the Central Committee of the Communist Party of China and State Council year 2018 Number 129 document, "Guiding option for deepening consumer poverty alleviation and to win the fight against poverty", which the document emphasize in protection of food safety, the realization of customized production of agricultural products by connecting the production and consumption, and the effective linkage mechanism between small farmers and modern agriculture.

During the period, Chaoda has signed the non-binding strategic cooperation agreement with China Agricultural Industrialization Leading Enterprise Association, Central Food Safety Association, Jiangsu Province and Shaanxi Province for the implementation of Chaoda new business operation model. Chaoda will continue 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, so to effectively implement it and create positive economic benefits for enterprises and to shareholders.

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 31 December 2018, cash and cash equivalents of the Group amounted to RMB157 million (30 June 2018: RMB156 million). In addition, the Group has secured banking facilities totaling RMB17 million which has not been utilized (30 June 2018: RMB17 million).

As at 31 December 2018, the total equity of the Group (including non-controlling interests) amounted to RMB307 million (30 June 2018: RMB318 million). Since the Group did not have any outstanding bank loans or long term debts due to third party as at 31 December 2018 and 30 June 2018, the debt to equity ratio (bank loans over total equity) of the Group was nil. The current ratio (dividing total current assets by total current liabilities) was approximately 7.9 times (30 June 2018: 4.9 times).

The Group did not have any material contingent liabilities as at 31 December 2018 and 30 June 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 December 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Board recognises that good corporate governance will not only safeguard the interests and assets of the Company and deliver long-term return to our shareholders, but will also lay a good foundation for sustainable growth of the Company. During the six months ended 31 December 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.

Code provision E.1.2 of the CG Code

Under code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. Mr. KWOK Ho, the chairman of the Board, was absent from the annual general meeting held on 18 December 2018 due to the business engagement. Mr. KUANG Qiao, an executive Director and the elected chairman of that meeting, was available to answer questions in that meeting.

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.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the Interim Financial Report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules 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 six months ended 31 December 2018.

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

Hong Kong, 26 February 2019

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*