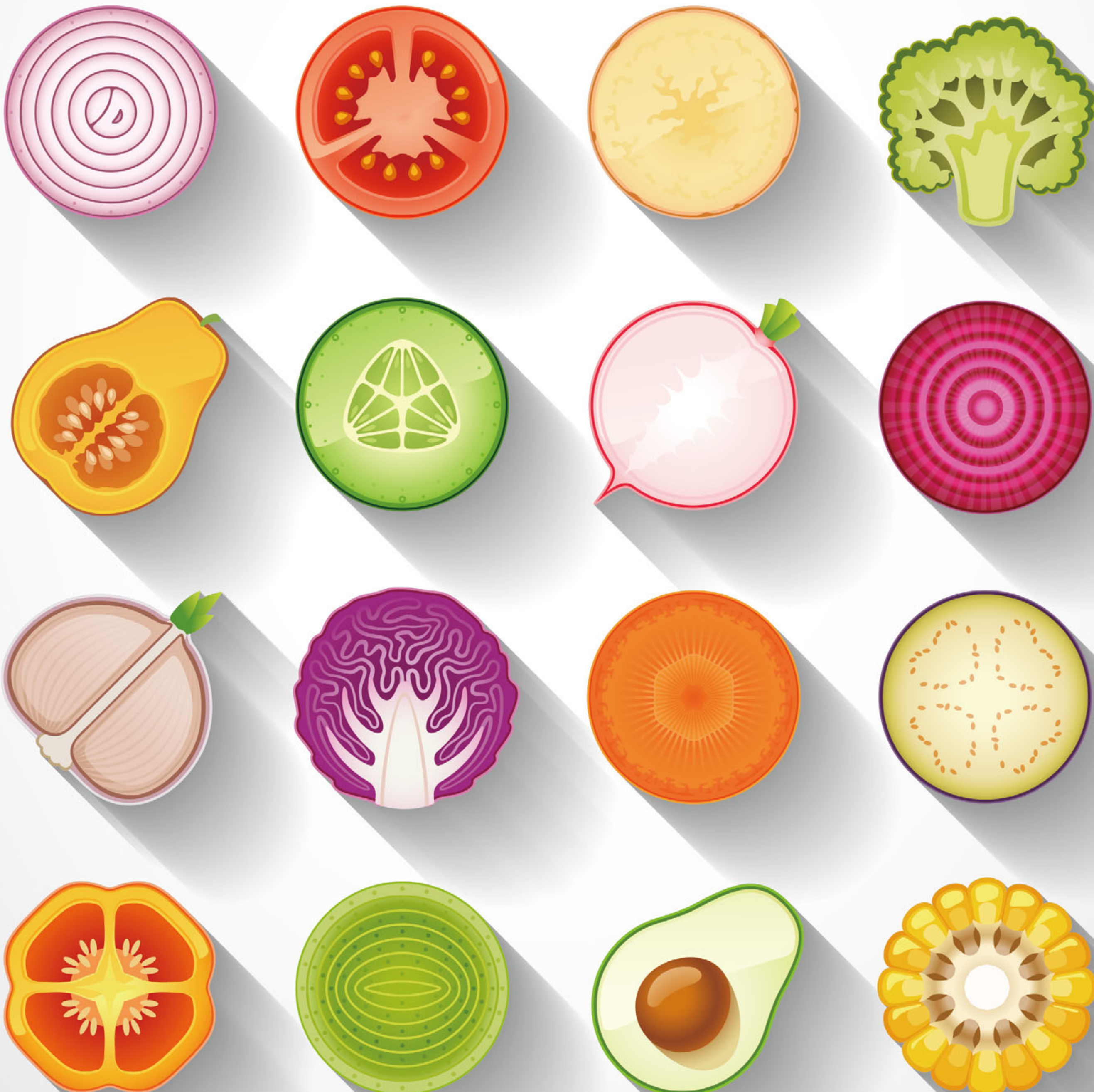
CHAODA MODERN AGRICULTURE (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 682)

2018/2019
ANNUAL REPORT



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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

COMPANY SECRETARY

Mr. Yeung Man Chit

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 B, 21st Floor
Times Media Centre
133 Wan Chai Road
Wanchai, Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Abacus Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY'S WEBSITE

http://www.chaoda.com.hk
http://www.irasia.com/listco/hk/chaoda

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 2019 on behalf of the board of directors (the "Board") of the Company.

REVIEW

In reviewing the past financial year, it is an important year for the pilot reform of the Chaoda business. At the beginning of 2019, the State Council issued the "Several Opinions on Prioritizing the Development of Agriculture and Rural Areas to Address the Issues Relating to Agriculture, Rural Areas and Rural People" (堅持農業農村優先發展做好「三農」工作的若干意見), proposed concentrate on precise policy, decisive battle to overcome poverty and tackle difficulties, consolidate the agricultural foundation, and ensure the effective supply of important agricultural products. This is the 16th consecutive year of the PRC government released the "No. 1 document" (一號文件) to show its concerns over the problem of "Agriculture, Rural Areas and Rural People" in the PRC.

General Secretary Xi Jinping emphasized that the source of food safety is in agricultural products and the foundation is in agriculture. It is necessary to clear the root of the problems by producing high quality products. Taking the quality and safety of agricultural products as a key link in transforming agricultural development methods and accelerating modern agricultural construction. With the most stringent standards, the strictest supervision, the most severe punishments, and the most serious accountability, we can ensure the whole nation "Safety on the tip of the tongue". Following the issuance of the "Regulations on the Food Safety Responsibility System of Local Party and Government Leading Cadres" (地方黨政領導幹部食品安全責任制規定) issued by the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council in February 2019, the Central Committee of the Communist Party of China and the State Council issued the "Opinions on deepening reform and strengthening food safety task" (關於深化改革，加強食品安全工作的意見) in May 2019, food safety has become an important duty and key task of party committees and governments at all levels in China.

As for the above-mentioned central government's proposal to help the rural areas get rid of poverty, ensure the effective supply of important agricultural products, food safety, etc., being a national key leading enterprise that has been rooted in China for 30 years, Chaoda has taken an initiative role in structural reforms on the supply side of agriculture and tackle the problem of poverty alleviation. The Chaoda new business operation model was highly consistent with national guidelines and policies, which 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. Once again it proves the forward-looking nature, correctness, great development prospects and potential of Chaoda new business operation model.

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 2019 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 2019, Chaoda was continuously recognised as "China's 500 Most Valuable Brands" by the World Brand Laboratory, ranking 83rd with a brand value of RMB56.285 billion.

Chairman's Statement *(continued)*

FUTURE OUTLOOK

To build up the "Chaoda + Impoverished Households + Farmers + Rural Cooperatives + Agricultural Enterprises + Village Collectives" new business operation model, Chaoda is exploring the "Cost + Reasonable profit" pricing model which hope to lead the whole society to understand and respect the fair value of agricultural products, provide experience for the reform of agricultural product price formation mechanism, and promote a new equilibrium of China's agricultural supply and demand relationship at a higher level. Through the empowerment and platform support of the Internet and Internet of Things technologies, the Group will actively promote partnership management and customized new agricultural models, leading the major changes in the agricultural industry!

Looking forward, the Group will adapt to the situation, closely follow national policies, resolutely push for the restructuring and adjustment of its existing businesses, to seek new momentum for its future profit growth, and achieve the vision of "better livelihood with Choada 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, 27 September 2019

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.

During the financial year under review, the Group recorded a revenue of RMB82 million representing a drop of approximately 61% as compared to RMB213 million for the previous financial year. The drop in revenue was mainly attributable 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. As such, the Group does not derive any revenue from China (excluding Hong Kong) during the financial year (2018: approximately 63% of total revenue). The Group has turnaround from gross loss of RMB48 million from previous financial year to achieved gross profit of RMB28 million, gross profit margin was 34%.

During the financial year under review, selling and distribution expenses decreased from RMB51 million to RMB13 million as a result of decrease in sales volume and revenue. General and administrative expenses decreased by 46% to RMB60 million. Other operating expenses decreased to RMB24 million (2018: RMB572 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 year.

As a result of the above, during the financial year under review, the loss from operations of the Group amounted to RMB53 million (2018: RMB743 million) as well as loss for the year attributable to owners of the Company amounted to RMB54 million (2018: RMB719 million).

AGRICULTURAL LAND

As at 30 June 2019, the Group no longer hold or lease any farmland (2018: Nil).

INDUSTRY OUTLOOK

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.

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.

Management Discussion and Analysis *(continued)*

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.

FUTURE 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 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. The Chaoda new business operation model was highly consistent with the national guidelines and policies, and once again proves the forward-looking and correctness of the Group.

During the financial year under review, Chaoda has signed two partnership contracts with Rural Cooperatives located at Huaian city of the Jiangsu province as a pilot for the implementation of Chaoda new business operation model. The financial results these two contracts were expected to be reflect in the first half of financial year of 2019-2020. 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.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2019, cash and bank balances of the Group amounted to RMB133 million (2018: RMB156 million), which includes RMB17 million restricted bank balance (2018: Nil). In addition, the Group has no secured banking facilities (2018: secured banking facilities of RMB17 million).

As at 30 June 2019, the total equity of the Group (including non-controlling interests) amounted to RMB269 million (2018: RMB318 million). Since the Group did not have any outstanding bank loans or long term debts due to third party as at 30 June 2019, the debt to equity ratio (bank loans over total equity) of the Group was nil (2018: Nil). The current ratio (dividing total current assets by total current liabilities) was 4 times (2018: 5 times).

Management Discussion and Analysis *(continued)*

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 foreign exchange 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.

CHARGE ON ASSETS

As at 30 June 2019 and 2018, the Group did not charge any of its assets to any bank or other financial institutions.

CONTINGENT LIABILITIES

As at 30 June 2019 and 2018, 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 2019, the Company has issued ordinary share capital of 3,295,582,491 shares. There was no change in the issued share capital of the Company during the financial year under review.

HUMAN RESOURCES

As at 30 June 2019, the Group employed 190 employees (2018: 465).

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 2019 are set out in this report.

CORPORATE GOVERNANCE PRACTICES

During the financial year ended 30 June 2019, the Company has applied the principles and complied with the applicable code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (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" and "Annual General Meeting" of this report. The current corporate governance practices will be reviewed and assessed from time to time for the compliance with 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 2019. The directors' interests as at 30 June 2019 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 2019, the Board convened a total of 5 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 2019 is set out below:

Name of directors	Attendance
Executive directors:	
Mr. Kwok Ho *(Chairman)*	5/5
Mr. Kuang Qiao	5/5
Mr. Yang Gang	5/5
Non-executive director:	
Mr. Ip Chi Ming	5/5
Independent non-executive directors:	
Mr. Fung Chi Kin	5/5
Mr. Tam Ching Ho	5/5
Professor Lin Shun Quan	5/5
Mr. Chan Yik Pun	5/5

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 2019 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 separated 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 websites.

No director or manager shall be involved in any decisions as to 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 2019, 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 2019, 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.

Corporate Governance Report *(continued)*

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 websites.

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 year and as at the date of this annual report, the Board comprises eight Directors, all of whom are male. The following tables further illustrate the diversity of the Board members as of the date of this annual report:

	Age Group		
Name of directors	**30-60**	**Over 60**	**Directorship with The Company**
Mr. Kwok Ho *(Chairman)*		✓	18
Mr. Kuang Qiao	✓		15
Mr. Yang Gang	✓		3
Mr. Ip Chi Ming	✓		18
Mr. Fung Chi Kin		✓	15
Mr. Tam Ching Ho	✓		15
Professor Lin Shun Quan		✓	18
Mr. Chan Yik Pun	✓		3

During the financial year ended 30 June 2019, the Nomination Committee had convened one meeting to review the structure, number, composition and diversity of the Board.

Corporate Governance Report *(continued)*

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

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 2019, the Audit Committee held six meetings to perform the following works, including but not limited to:

(i) reviewed and discussed with the external auditors the general scope of their audit and review works for auditing the final results for financial year ended 30 June 2018 and reviewing the interim results for six-month period ended 31 December 2018;

(ii) reviewed the audited financial statements for financial year ended 30 June 2018 as well as the financial statements for the six-month period ended 31 December 2018; 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 2019 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)*	6/6
Mr. Fung Chi Kin	6/6
Mr. Chan Yik Pun	6/6

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 2019, 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 2019 in respect of audit and non-audit services were as follows:

Services rendered	Fee paid/payable HK$'000
Audit services	1,200
Non-audit services (interim review)	350

DIRECTORS' RESPONSIBILITY FOR PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

The directors acknowledged their responsibility for preparing 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 for the financial year ended 30 June 2019 of the Group, 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 systems, and report to the Board and the Audit Committee on the effectiveness of these systems. Systems and internal controls 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. Risk 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 reviewed 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 2019, 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 review will be performed annually. For the financial year ended 30 June 2019, the Board considers that the Group's risk management and internal control systems are adequate and effective. The Audit Committee has also reviewed and is satisfied with the adequacy of resources, qualification, experience and the training programs of the Group's internal audit, accounting and financial reporting functions.

DIVIDEND POLICY

The Directors propose the dividend, if any, in accordance with the dividend policy of the Company ("Dividend Policy") which essential features are summarised below:

To propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia, the following factors:

(i) financial results;
(ii) cash flow situation;
(iii) business conditions and strategies;
(iv) future operations and earnings;
(v) capital requirements and expenditure plans;
(vi) interests of shareholders;
(vii) any restrictions on payment of dividends; and
(viii) any other factors that the Board may consider relevant.

Such declaration and payment of the dividend by the Company is also subject to any restrictions under the Companies Laws of the Cayman Islands, any applicable laws, rule and regulations and the articles of association of the Company.

Any declaration and payment of future dividends under the Dividend Policy are subject to the Board's determination that the same would be in best interests of the Group and the shareholders of the Company as a whole. The Board will review the Dividend Policy from time to time and may exercise at its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time as it deems fit and necessary. There is no assurance that dividends will be paid in any particular amount for any given period.

INSIDE INFORMATION

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 inside information is truthfulness, accuracy, completeness and timeliness 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 "Model Code for Securities Transactions by the Directors" 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 2019, the Company Secretary had complied with the professional training requirements under Rule 3.29 of the Listing Rules.

Corporate Governance Report *(continued)*

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.

Annual General Meeting

The attendance of individual directors at the annual general meeting of the Company held on 18 December 2018 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	✓

Corporate Governance Report *(continued)*

Code provision E.1.2 of the CG Code provides that the chairman of the board should attend the annual general meeting. He should invite the chairman of the audit, remuneration, nomination committee and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. Mr. Kwok Ho, the chairman of the Company, did not attend the 2018 AGM, due to his own official engagement. However, arrangements including the attendance of another member of the Board had been in place to ensure the AGM was in order.

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

INTRODUCTION AND APPROACH TO ENVIRONMENTAL, SOCIAL AND GOVERNANCE

This Environmental, Social and Governance Report (the "ESG Report") summarizes Chaoda Modern Agriculture (Holdings) Limited's (the "Company" together with its subsidiaries, the "Group" or "we") environmental, social and governance ("ESG") initiatives, plans and performance, 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 Group's ESG issues as a core part of our business strategy since we believe this is the key to our continued success in the future.

THE ESG GOVERNANCE STRUCTURE

The Group has established an ESG Taskforce (the "Taskforce"). The Taskforce comprises 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 Taskforce reports to the Board, assists in identifying and assessing the Group's ESG risks and evaluates the effectiveness of the Group's ESG and internal control mechanisms. The Taskforce also examines and assesses our performance on 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 internal control mechanism.

REPORTING FRAMEWORK

The ESG Report has been prepared in compliance with all applicable provisions set out in the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") contained in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The corporate governance practices of the Group are published in the "Corporate Governance Report" on pages 9 to 20 of this annual report.

REPORTING PERIOD

The ESG Report covered the ESG activities, challenges and measures taken by the Group during the year ended 30 June 2019 (the "Reporting Period").

REPORTING SCOPE

During the Reporting Period, we neither have any production bases nor operate businesses in relation to cultivation and production of agricultural products. We only operate businesses in wholesale and distribution of agricultural products. Therefore, the ESG Report only focuses on the three offices and business centers of the Group and its subsidiaries in Hong Kong and the Mainland China, which are the shop and the processing center in Kwun Tong, the office in Wanchai and the Group's headquarter in Fuzhou respectively. Unless specifically stated, we obtain ESG key performance indicator ("KPI") data through the operational control mechanisms of the Group and its subsidiaries. We will continue to expand the scope of disclosure in the future when the Group's data collection system becomes more mature and the sustainability work is enhanced.

Environmental, Social and Governance Report *(continued)*

STAKEHOLDER ENGAGEMENT

We value our stakeholders and their feedback on our business and ESG issues. Therefore, stakeholder participation is an integral part of the Group's continuous improvement in its sustainability performance. To fully understand, respond and address the core concerns of different stakeholders, we have maintained close communication with major stakeholders, including but not limited to shareholders and investors, customers, suppliers, employees, government and regulatory bodies, communities, non-governmental organizations ("NGOs") and media.

Through diversified cooperation methods and communication channels shown in the table below, we bring the stakeholders' expectations into our operation and ESG strategies.

Major Stakeholders	Communication Channels
Shareholders and Investors	Annual general meeting and other shareholders meetings Annual reports and interim reports Announcements and circulars
Customers	Customer service center Account manager
Suppliers	Supplier management meetings and events Supplier on-site audit and management system
Employees	Regular work performance evaluations Channels for employees' feedback (forms, suggestion boxes, etc.) Staff newsletters and broadcast Intranet
Government and Regulating Bodies	Regular work meetings Regular performance reports Field inspections
Communities, NGOs and Media	Seminars, lectures and workshops Charity fund Community investment plans ESG reports

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

Environmental, Social and Governance Report *(continued)*

MATERIALITY ASSESSMENT

The Group's management and staff in major functions are involved in the preparation of the ESG Report, so to assist the Group in reviewing its operations and identifying the relevant ESG issues, and assesses the importance of those relevant matters to our business and 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 the ESG Report:

The ESG Reporting Guide		The Group's Material ESG Aspects	
A.	**Environmental**		
A1.	Emissions	Exhaust Gas Emissions	P. 25
		Greenhouse Gas ("GHG") Emissions	P. 25
		Waste Management	P. 26
A2.	Use of Resources	Energy Management	P. 28
		Water Management	P. 29
A3.	The Environment and Natural Resources	Working Environment	P. 30
B.	**Social**		
B1.	Employment	Remuneration and Benefits	P. 30
		Recruitment, Promotion and Dismissal	P. 31
		Equal Opportunities and Anti-discrimination	P. 31
B2.	Health and Safety	Health and Safety Management	P. 32
		Health Management and Occupational Safety Training	P. 32
		Fire Safety	P. 32
B3.	Development and Training	Training Management	P. 33
		Training System and Curriculum	P. 33
B4.	Labour Standards	Prevention of Child Labour and Forced Labour	P. 34
B5.	Supply Chain Management	Supplier Quality Review	P. 34
		Review on Environmental and Social Risks of Suppliers	P. 35
		Fair and Open Procurement	P. 35
B6.	Product Responsibility	Product Quality and Safety	P. 35
		Customer Service	P. 36
		Advertising and Labelling	P. 36
B7.	Anti-corruption	Internal Control Mechanism	P. 37
		Anti-corruption	P. 37
B8.	Community Investment	Philanthropy Management	P. 38
		Social Responsibility Education	P. 38

During the Reporting Period, 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 ESG Reporting Guide.

CONTACT US

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

A. ENVIRONMENTAL

A1. Emissions

General Disclosures and KPIs

The Group attaches great importance to good environmental management and strives to protect the environment so to fulfill social responsibilities of the Group. The Group has established related environmental management systems and procedures for the daily operations of the offices and business centers in Hong Kong and the Mainland China to regulate GHG and non-hazardous waste generated during operations, so to contribute to environmental protection and pursuing the goal of sustainable development.

The responsible personnel of the Group's environmental affairs will supervise the implementation of environmental management measures and related environmental policies. Under strict supervision and guidance, all departments will do their best to implement the Group's environmental protection policies, and ensure all business processes comply with legal requirements. The responsible personnel of environmental affairs at all levels will continue to review the Group's policies and implementation procedures, and report to the management when appropriate, recommended measures will also be suggested when necessary.

The Group regularly updates with the latest national and regional environmental protection laws and regulations, and strengthens the environmental protection measures to comply with local laws and regulations and relevant environmental policies. The Group strictly complies with the "Environmental Protection Law of the People's Republic of China", "Water Pollution Prevention and Control Law of the People's Republic of China", "Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution", Hong Kong's "Waste Disposal Ordinance", Hong Kong's "Water Pollution Control Ordinance", Hong Kong's "Product Eco-responsibility Ordinance" and other related environmental protection laws and regulations in the Mainland China and Hong Kong.

During the Reporting Period, the Group did not have any violation of relevant environmental laws and regulations in relation to exhaust gas and GHG emissions, water and land discharge, and the generation of hazardous and non-hazardous wastes that have a significant impact on the Group.

Environmental, Social and Governance Report *(continued)*

Exhaust Gas Emissions

During the course of commercial operation, the Group's emissions are mainly derived from petrol and diesel consumed by transportation. In response to the above sources, we actively take the following emission reduction measures:

- Maintain vehicles on a monthly basis so to effectively reduce fuel consumption, thereby reducing carbon emissions and exhaust air emissions;

- Dispose vehicles that are not up-to-standard based on the requirements of local emissions policies;

- Purchase regular diesel and petrol for vehicles, and conduct annual inspections to ensure vehicles are meeting relevant emission standards; and

- Actively adopt measures to reduce emissions, and the relevant measures will be described in the section "GHG Emissions" under this Aspect.

During the Reporting Period, the Group's exhaust gas emissions performance is as follows:

Type of Exhaust Gas	Unit	Total Emissions
Sulfur Oxides (SO_x)	kg	0.82
Nitrogen Oxides (NO_x)	kg	309.87
Particulate Matter (PM)	kg	29.61

GHG Emissions

The Group's major GHG emissions come from direct GHG emissions resulting from the consumption of petrol and diesel by transportation, and the burning of coal for power generation (Scope 1), as well as the indirect GHG emissions from purchased electricity (Scope 2). The Group actively adopts electricity saving and energy saving measures to reduce GHG emissions, including but not limited to:

- Actively adopt environmental protection and energy conservation measures, and the relevant measures will be described in the section"Energy Management" under Aspect A2; and

- Reduce 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 newsletters to employees to raise their environmental awareness. In addition, notices and posters with green information are posted in offices in order to promote the best practices of environmental management. Through the above mentioned GHG emission reduction measures, employees' awareness on GHG emissions has been raised.

Environmental, Social and Governance Report *(continued)*

During the Reporting Period, the Group's GHG emissions performance is as follows:

Indicator[1]	**Unit**	**Total Emissions**
Direct GHG emissions (Scope 1)	tCO_2e	200.42
Indirect GHG emissions (Scope 2)	tCO_2e	479.84
Total GHG emissions (Scope 1 and 2)	tCO_2e	680.26
Intensity	tCO_2e/square meter[2]	0.09
	tCO_2e/employee[3]	3.58

Note:

1. GHG emissions data is presented in terms of carbon dioxide equivalent and are based on, including but not limited to, the "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, "How to prepare an ESG Report? — Appendix II: Reporting Guidance on Environmental KPIs" issued by the HKEX, the latest released emission factors of China's regional power grid basis, the "Global Warming Potential Values" from the IPCC Fifth Assessment Report, 2014 (AR5), CLP 2018 Sustainability Report, and HK Electric Investments Sustainability Report 2018.

2. As at 30 June 2019, the total area of the three offices and business centers of the Group was 7,624 square meters. This data is also used for calculating other intensity data.

3. As at 30 June 2019, the Group had a total of 190 full-time employees. The data is also used for calculating other intensity data.

Domestic Sewage

Since our business activities do not consume significant volume of water during our daily operation, therefore we did not generate material portion of sewage. As the sewage discharged by the Group will be discharged into the municipal sewage pipe network to the regional water purification plant, the water consumed by the Group is considered as sewage discharged. The data on water consumption will be described in the section "Water Management" in Aspect A2.

Waste Management

Hazardous waste

Despite the Group did not generate hazardous wastes during the Reporting Period, the Group has established guidelines in governing the management and disposal of hazardous wastes. In case if there are any hazardous wastes produced, the Group must engage a qualified chemical waste collector to handle such wastes, and comply with relevant environmental rules and regulations.

Non-hazardous waste

The Group adheres to the principles of waste management, and is committed to handling and disposing all waste generated by our business activities through abiding by the principle of sustainability and the methodology of "Reduce, Reuse, Recycle and Replace". All of our waste management practices comply 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 collecting and sorting, such wastes will eventually be collected and processed by the general waste service providers, recyclable wastes (such as paper) will be recycled for reuse.

Environmental, Social and Governance Report *(continued)*

We regularly monitor the usage of paper, toner cartridges and ink cartridges, and implement a number of measures to minimize the use of different resources by employees. 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 waste reduction, reuse and recycling in the course of operations. The Group maintains high level of waste reduction standard and educates employees the importance of sustainable development and provides relevant support to develop their skills and knowledge for sustainable development. During the Reporting Period, the amount of recycled paper was approximately 0.06 tonnes.

The Group is committed to building an electronic office. We have implemented the following measures to encourage employees to take the responsibility of waste management and minimizing waste production:

- Utilized the online system in offices, conduct general transaction notification and data transmission through the network system to establish an electronic workflow;
- Avoided printing and copying documents;
- Used double-sided printing or photocopying;
- Reused used envelopes and recycled paper, cartons, envelopes and folders; and
- Minimized the use of disposable paper products such as paper cups and paper towels.

In addition, the Group also emphasizes environmental protection to employees by posting "Environmental Information" reminders on office equipment so to enhance employees' environmental awareness. Through the above measures, our employees' awareness towards waste management has been raised.

During the Reporting Period, the Group's major non-hazardous waste discharge performance is as follows:

Type of Non-hazardous Waste	Unit	Total Emissions
Paper[4]	tonnes	1.10
Paper intensity	tonnes/hundred square meters	0.01
	tonnes/employee	0.006
Domestic waste	tonnes	595.00
Domestic waste intensity	tonnes/hundred square meters	7.80
	tonnes/employee	3.13
Toner cartridge	pieces	24
Toner cartridge intensity	pieces/hundred square meters	0.31
	pieces/employee	0.13
Ink cartridge	pieces	50
Ink cartridge intensity	pieces/hundred square meters	0.66
	pieces/employee	0.26

Note:

4. The amount of paper recycled has been deducted.

A2. Use of Resources

General Disclosures and KPIs

The Group actively promotes the effective use of resources, and monitors the potential impact that our business operations brought to the environment. We promote green office and operating environmentally through the four basic principles of waste reduction "Reduce, Reuse, Recycle and Replace" so as to minimize the environmental impact by the operation of the Group and its subsidiaries. As stated in Aspect A1, the Group has formulated relevant environmental management policies and procedures to manage the use of water, electricity, diesel and petrol. We also focus on the management of the major energy consuming equipment, standardize the operational flow and process to consume energy fully and effectively.

Energy Management

During daily production operations, the Group's major energy consumption is electricity consumption due to operation, petrol and diesel consumed by transportation, and coal burned for power generation purposes. The Group has formulated rules and regulations to achieve the goal of electricity saving and efficient use of electricity, specific measures are as follows:

- Using energy-saving equipment and electrical appliances in offices, and gradually replacing outdated equipment with energy-certified equipment;

- Forbidding the use of high energy-consuming electrical appliances, such as electric heaters, electric kettles, refrigerators, etc., to avoid overloading of electricity. Employees should turn off all electrical appliances when they leave office;

- Switching off lights, air conditioners, computers and other office equipment in office areas, conference rooms and corridors when not in use so to avoid wastage;

- Prohibiting employees to stay in office area during non-office hours unless there necessary so as to avoid power wastage;

- Using energy-saving or LED lights instead of traditional lights;

- Strictly regulating the use of air conditioners to avoid wasting of power;

- Encouraging employees to turn off their computers (host or monitor) when they leave the office for a long period of time, and they should set the computer to standby or suspension mode during lunch breaks; and

- Strengthening the maintenance and repair of equipment, maintain the electronic equipment at optimal state so to use electricity effectively.

Besides, the Group promotes the awareness of energy conservation and environmental protection to employees by posting power-saving slogans. Through these energy saving measures, employees' awareness on energy saving has been enhanced.

Environmental, Social and Governance Report *(continued)*

During the Reporting Period, the Group's energy consumption performance is as follows:

Type of Energy	Unit	Consumption
Diesel[5]	MWh	249.79
Diesel consumption intensity	MWh/square meter	0.03
	MWh/employee	1.31
Petrol[6]	MWh	277.05
Petrol consumption intensity	MWh/square meter	0.04
	MWh/employee	1.46
Coal[7]	MWh	195.36
Coal consumption intensity	MWh/square meter	0.03
	MWh/employee	1.03
Electricity	MWh	815.27
Electricity consumption intensity	MWh/square meter	0.11
	MWh/employee	4.29

Note:

5. Actual diesel consumption was approximately 24,531.00 liters.

6. Actual petrol consumption was approximately 28,670.36 liters.

7. Actual coal consumption was approximately 24 tonnes.

Water Management

The Group's water use is mainly domestic water in office areas. The water supply managed by the Group includes toilet water and water for washing and cleaning. We encourage all employees and customers to develop the habit of saving water consciously. The Group has been strengthening water-saving promotions, posting water-saving slogans and guiding employees to use water reasonably. Through these water conservation measures, employees' awareness on water conservation has been enhanced.

During the Reporting Period, the Group's water consumption performance is as follows:

	Unit	Consumption
Water	cubic meters	12,046.56
Water consumption intensity	cubic meters/square meter	1.58
	cubic meters/employee	63.40

Due to the Group's business nature, the issue in sourcing water that is fit for purpose is not relevant to the Group.

Use of Packaging Materials

The Group does not have any industrial and agricultural facilities in its operation, and the packaging procedures during the processing procedures are mainly managed by contractors, therefore, we do not consume a significant amount of packaging materials in our daily operations.

Environmental, Social and Governance Report *(continued)*

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 to protect the natural environment, the Group also integrates the concept of environmental and natural resource protection into the internal management and operation activities so to achieve the goal of sustainable development.

Working Environment

To enhance working efficiency, the Group is committed to providing employees 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 will inspect the living areas and office areas to implement preventive measures management, while identify the problems and hidden dangers and solve the issues in a timely manner so to maintain a high standard working environment.

On the other hand, the Group regularly monitors and measures the indoor air quality of 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.

B. SOCIAL

B1. Employment

General Disclosures

Human resource serves as the basis for the continuous development of the Group. 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 labour 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 to build a harmonious labor relationship.

The Group complies with all related laws and regulations, including but not limited to the "Labour Law of the People's Republic of China", the "Labour Contract Law of the People's Republic of China" and Hong Kong's "Employment Ordinance". 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. 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 the Group's development strategies, and its overall benefits, so to adjusts the employee compensation accordingly.

Environmental, Social and Governance Report *(continued)*

The Group signs and executes labour contracts with all employees in the Mainland China in accordance with the "Labour Contract Law of the People's Republic of China". The signing rate of the labour contracts is 100%. The Group pays "five social insurance and one housing fund" for its employees in the Mainland China in compliance with the laws and regulations, 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 laws and regulations including the "Labour Law of People's Republic of China" and the Hong Kong's "Employment Ordinance", respects the rights of employees to rest and leave, regulates 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 employees' exceeding statutory working hours.

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

The Group classifies employees into different categories for managing. We clarify the basis and process for promotion, transfer and downgrade management, and standardize the resignation process to protect the interests for both employees and the Group. The Group implements a fair and open assessment system, provides employees with opportunities for promotion and development in accordance with their work performance and internal assessment results so to explore their potential capability. Our internal assessment is based on the principle of meritocracy and talents, the principle of position requirement and focus on performance, and the principle of openness, fairness, competitiveness and merit respectively.

Besides, the Group does not tolerate the dismissal of employees under any unreasonable basis. The dismissal process will only be carried out on a reasonable basis, and issues will be fully communicated before formal dismissal.

Equal Opportunities and Anti-discrimination
The Group strictly complies with all national and local governmental laws and regulations by adopting a fair, equitable and open recruitment process, and developing relevant policies to prevent discrimination in the recruitment process to ensure no discrimination regardless of race, social status, religion, nationality, disability, age, marital status, gender, pregnancy, sexual orientation, trade union membership or political association, allowing them to enjoy fair treatment in every aspect including recruitment, remuneration, training and promotion, dismissal, retirement or other aspects in relation to employment so to attract professionals with diverse backgrounds to join the Group. Any employee who is intimidated, humiliated, bullied or harassed (including sexual harassment) may report to the employee's representative, or file complaints directly to the management representative or the general manager, and the Company will seriously approach to resolve these issues upon receiving the said complaints.

Environmental, Social and Governance Report *(continued)*

B2. Health and Safety

General Disclosures

The Group highly values employees' health and safety, and is always committed to providing employees with a healthy, safe and comfortable working environment. We strive to eliminate potential workplace health and safety hazards, and implement safety management in all aspects to ensure employees' health and safety during work. We strictly enforce the "Labour 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", the "Fire Control Law of the People's Republic of China", the Hong Kong's "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.

Health and Safety Management

The Group regularly audits and reviews safety issues in offices to ensure health and safety of its employees during its business operation. We actively encourage employees to report health and safety incidents and risks identified. The information we understood from proactive monitoring and the issues we identified from the incident review will be used for further review and improvements for our training programs, policies and work practices.

Health Management and Occupational Safety Training

The Group protects the health and safety of employees through trainings, multi-form promotions, emergency drills and regular safety inspections etc. We also hold lectures and provide professional counseling from time to time so to raise employees' attention on their physical and mental health, thus improving the physical and mental qualities during the work. At the same time, we provide medical examinations to our employees annually to care for their health.

We are also concerned with employees' work-life balance. The Group encourages employees to balance their work and life by organizing various cultural and recreational activities, such as cycling, badminton competitions, team development trainings, etc. These activities can also allow employees to enhance team cohesion, deepened the understanding and communication between colleagues, so to achieve higher working efficiency.

Fire Safety

The Group has developed a 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 safety awareness of all employees and improve our fire evacuation plan. In addition, we have first aid kits and fire extinguishers at workplaces to deal with emergencies. We will invite fire experts to enhance the fire safety knowledge for employees to raise their awareness on fire safety.

B3. Development and Training

General Disclosures

The Group has concerned the established internal management training and development system. Through 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 the requirements and needs of different positions and levels. This enables the employee to continually provide high-quality services in helping the Group's sustainable development while improve employees' personal growth and development.

Environmental, Social and Governance Report *(continued)*

Training Management

The Group has developed relevant training procedures to standardize the management of employees' training. Our management adjusts training plans from the beginning of each year and establishes the corporate training files. The Group's training content includes:

- Developing suitable training plans and syllabuses;
- Determining the content of the training material based on the type of training;
- Organizing the management personnel, experienced technical personnel, or external expertise, to form a team of teachers; and
- Organizing the training administrative staff 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 categorized as pre-job training, on-the-job training and professional training.

New recruits will receive short-term pre-job training, and the contents include the introduction of the Group's history, enterprise spirit, operating strategy, 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 of the Group, as well as the nature, requirements and business characteristics of the occupation.

We also organize on-the-job trainings 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 strengths to promote employees' growth and integrates them into the production environment. The Group arranges employees to attend skill trainings according to the needs of the position. At the same time, the Group invites external lecturers and senior management personnel to conduct management and technical trainings for department managers and technicians.

The Group also provides professional trainings for its employees. We conduct professional trainings according to the needs of the work with off-the-job training, assignment and commissioning; we also assign employees who require training to work in temporary positions or become assistants, so that they can learn from the leaders and experts with professional experiences. Results and achievements will be linked to their year-end assessment and promotion.

B4. Labour Standards

General Disclosures

Prevention of Child Labour and Forced Labour

The Group complies with laws on employment of teenagers under the age of 16 and their legal rights including the "Labour Law of the People's Republic of China", "Regulations on the Prohibition of the Use of Child Labour in the People's Republic of China" and Hong Kong's "Employment Ordinance". During the Reporting Period, the Group did not identify any material non-compliance with the laws and regulations related to the prevention of child labour and forced labour.

The Group strictly prohibits the employment of child labour and forced labour in its operations in the 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 labour or forced labour in its operation.

In addition, employees of the Group working overtime are based on voluntary principle so to avoid the violation of labour standards and safeguard the rights and interests of employees. No matter with any reason, the Group also prohibits 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 labour or forced labour in their operations to provide administrative supplies and services for 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:

- Aligning product quality with the national or industry standards or the requirements of the Group;
- Setting competitive and reasonable product prices;
- Ensuring sufficient production capacity and supply capacity to meet the production needs of the Group; and
- Comparing and best pick the one with the best quality and price.

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 on the suppliers in the Qualified Supplier List annually.

Environmental, Social and Governance Report *(continued)*

Review on Environmental and Social Risks of Suppliers

The Group expects suppliers to meet our standards in terms of environment, quality, society, corporate governance, business ethics, etc. We have developed regulatory documents on environmental, social and ethical standards that require suppliers to 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 our major suppliers are in compliance with relevant laws, regulations and other standards for health, safety, forced labour and child labour, and to examine suppliers' awareness on these aspects.

We will terminate the contract with suppliers who causes serious pollution or serious social harm, or suppliers which has 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 strictly complies with relevant provisions of the "Bidding Law of the People's Republic of China" and is conducted in an open, fair and equitable condition. It will not discriminate against any suppliers, and does not allow any forms of corruption or bribery. Employees and other individuals with interest in the suppliers will not be allowed to participate in relevant procurement activities. The Group stresses heavily on 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 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", Hong Kong's "Trade Description Ordinance" 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.

Product Quality and Safety

The Group regards 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 sending to market. Consumers can check relevant planting and testing records anytime through the source code by achieving quality and safety traceability. From the initial product "ID card" to the traceability bar code, to today's electronic QR code, we continue to innovate and provide consumers with "seeable" security guarantee. Consumers can use mobile phones to easily retrieve relevant traceability information by scanning the QR code. We also have a provincial-level testing laboratory to conduct various safety tests on agricultural products to ensure product safety.

Customer Service

The Group provides quality and warm service experience to consumers and customers through standardized service quality, humanized service process and standardized service management. Customers can file complaints through mail, phone or in person. The Group will process and record the complaint with dedicated personnel and facilities, and keep the process and record confidential to protect the interests of all parties involved so 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.

The Group requires each complaint to be properly submitted and processed through relevant function, and prohibits employees to reach private settlement with the complainant so to ensure that the Group can accurately receive feedback from customers as an essential basis for enhancing the quality of business operations. 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’s complaint, identifying responsible parties and areas for improvement, making recommendations and ensuring that relevant departments has made necessary improvements in order to enhance the quality of the Group's services, to enable customers’ loyalty to the Group's services and to retain a customer base for promoting the future development of the Group.

Customer Privacy Protection

The Group strictly adheres to regulatory requirements of data privacy through practicing high security and confidentiality. We are committed to maintaining and protecting personal data.

The Group has established internal policy for collecting and handling personal data received. In accordance to our data protection principles, we adhere to the Privacy Policy Statement and enable our customers to ascertain the general policies and practices in relation to the collection, storing and use of individual personal data. Furthermore, in accordance to our information protection principles, we adhere to the Personal Information Collection Statement in collecting personal information from individuals so to notify our customers on certain matters in relation to specific collections of personal information from them. The Group will not use or provide personal data to for marketing purposes unless we have obtained the customer’s written consent. Meanwhile, the Group maintains protective measures to prevent unauthorized use of personal data.

Advertising and Labelling

The Group understands the risks inherent in food labelling. We have developed a product labelling system in accordance with the “Trade Descriptions Ordinance” and “Food and Drugs (Composition and Labelling) Regulations” and other relevant laws and regulations, and strictly regulate and inspect all labelled products to ensure the description and information are consistent with the actual product. Under inspection and verification, the Group’s labels will not have false descriptions, misleading or incomplete information, false marks and false statements so to protect the interest of consumers from being deteriorate by label descriptions.

Due to the business nature, the Group conducts limited advertising activities, hence does not involve any material advertising related matters.

B7. Anti-corruption

General Disclosures

The Group believes that the corporate 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 Hong Kong's "Prevention of Bribery Ordinance" and the other relevant laws and regulations.

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.

Internal Control Mechanism

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 report any suspected bribery and corruption incidents to the person in charge of the anti-bribery function immediately. The anti-bribery function responsible personnel will then conduct further investigation and determine the appropriate course of action if necessary. The Group also emphasizes the importance of potential bribery and corruption in the procurement process, so we formulated the rules and regulations to govern it, which has been described in section "Fair and Open Procurement" in Aspect B5.

Anti-corruption

The Group does not allow any form of corruption, punishment measures will be taken once corruption is identified and confirmed. The Group has established a stringent internal control system and has set policies, systems and agreements on anti-corruption, such as the "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, and 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 authorization 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.

B8. Community Investment

General Disclosures

The Group believes giving back to society through participating in social activities and contributing to society is a form of corporate citizenship. Therefore, the Group always pays attention to the difficulties and needs of the society and the disadvantaged groups, and actively returns and contributes to society in promoting 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, as well as develop the corporate charity undertakings, the Group has established the "Chaoda Love Foundation" on 9 February 2007. 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 foundation is targeted to support groups including:

- Employees 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;

- 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 addition, the Group had arranged employees to participate in environmental charities, donations and social services during the Reporting Period. We have also donated RMB50,000 to the Fuzhou Gulou District Charity Federation.

In the future, the Group plans to strengthen the Group's support in charity through different means, such as donations and holding charity activities so to fulfill the responsibility as a corporate citizen.

Social Responsibility Education

The Group wishes to create a sense of social responsibility among its employees. Therefore, we always encourage employees to participate in charitable activities during their work and private time so to make greater contributions to the community. We have also arranged the Group's employees to participate in environmental charity activities, donations and social services. We believe that by participating in activities that contributes to the community, we can enhance the civic awareness of our employees and establish correct values for them.

Environmental, Social and Governance Report *(continued)*

THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Aspects, General Disclosures and KPIs	Description	Section/Declaration	Page
Aspect A1: Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to Exhaust Gas and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions	P. 24
KPI A1.1 (“comply or explain”)	The types of emissions and respective emissions data.	Emissions — Exhaust Gas Emissions, GHG Emissions	P. 25
KPI A1.2 (“comply or explain”)	GHG emissions in total (in tonnes) and intensity.	Emissions — GHG Emissions	P. 26
KPI A1.3 (“comply or explain”)	Total hazardous waste produced (in tonnes) and intensity.	Not applicable — Explained	P. 26
KPI A1.4 (“comply or explain”)	Total non-hazardous waste produced (in tonnes) and intensity.	Emissions — Waste Management	P. 27
KPI A1.5 (“comply or explain”)	Description of reduction initiatives and results achieved.	Emissions — Exhaust Gas Emissions, GHG Emissions	P. 25
KPI A1.6 (“comply or explain”)	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Emissions — Waste Management	P. 26
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 (“comply or explain”)	Direct and/or indirect energy consumption by type in total and intensity.	Use of Resources — Energy Management	P. 29
KPI A2.2 (“comply or explain”)	Water consumption in total and intensity.	Use of Resources — Water Management	P. 29
KPI A2.3 (“comply or explain”)	Description of energy use efficiency initiatives and results achieved.	Use of Resources — Energy Management	P. 28
KPI A2.4 (“comply or explain”)	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 Management	P. 29
KPI A2.5 (“comply or explain”)	Total packaging material used for finished products (in tonnes) and with reference to per unit produced.	Not applicable — Explained	P. 29

Environmental, Social and Governance Report *(continued)*

Aspects, General Disclosures and KPIs	Description	Section/Declaration	Page
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 ("comply or explain")	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources — Working Environment	P. 30
Aspect B1: Employment			
General Disclosure	Information on: (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, antidiscrimination, and other benefits and welfare.	Employment	P. 30
Aspect B2: Health and Safety			
General Disclosure	Information on: (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. 32

Environmental, Social and Governance Report *(continued)*

Aspects, General Disclosures and KPIs	Description	Section/Declaration	Page
Aspect B4: Labour Standards			
General Disclosure	Information on: (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 labour.	Labour Standards	P. 34
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management	P. 34
Aspect B6: Product Responsibility			
General Disclosure	Information on: (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. 35
Aspect B7: Anti-corruption			
General Disclosure	Information on: (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. 38

Profiles of Directors and Senior Executives

EXECUTIVE DIRECTORS

Mr. KWOK Ho, aged 64, 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 Company. 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, and was named "Model Worker of Fujian Province" and "Fujian Province First of May Medal Winner". 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, Chairman of China Food Safety Alliance, Officer of China Green Food Association Food Safety Integrity Professional Committee, the Vice President of China Association of Agricultural Leading Enterprises, the Deputy Chairman of Integration of Primary, Secondary and Tertiary Industries Development Alliance, Branch President of China Vegetable Marketing Association, and the first, second and third Presidents of Fujian Agricultural Industrialization Leading Enterprise Association.

Mr. KUANG Qiao, aged 48, 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 24 years of experience in the agricultural industry.

Mr. YANG Gang, aged 45, 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 23 years of extensive assets management and construction projects experience in the PRC.

NON-EXECUTIVE DIRECTOR

Mr. IP Chi Ming, aged 58, 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.

Profiles of Directors and Senior Executives *(continued)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. FUNG Chi Kin, aged 70, 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 an executive director of Loco Hong Kong Holdings Limited (stock code: 8162) and China Trustful Group Limited (stock code: 8265), which he also served as an executive director from September 2014 to May 2017, both listed on GEM Board of The Stock Exchange of Hong Kong Limited. He is also currently an independent non-executive director of Geotech Holdings Limited (stock code: 1707), which is listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Fung was an independent non-executive director of China Overseas Nuoxin International Holdings Limited (Formerly known as Kenford Group Holdings Limited) (stock code: 464), which is listed on the Main Board of The Stock Exchange of Hong Kong Limited, from August 2017 to April 2019.

Mr. TAM Ching Ho, aged 48, 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 Xinyang Maojian Group Limited (Formerly known as 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 64, 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 37, 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. Prior to joining the Company, 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 51, joined the Group in 2002. Mr. Chen is the Vice President of General Affairs of the Group, mainly responsible for assisting the CEO in production base development, quality management and other related management tasks. 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 26 years of experience in agricultural and administrative management.

Mr. YEUNG Man Chit, aged 46, joined the Company as the Financial Controller and Company Secretary in May 2019. Mr. Yeung 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. Yeung is a member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He has extensive experience in auditing, finance, accounting functions and corporate compliance for listed companies.

Mr. YANG Jin Fa, aged 43, joined the Group in 1999. Mr. Yang is Secretary of the Party Committee of the Group, 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, business operation, corporate planning and promotion and other related management tasks. 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 37, joined the Group in 2006. Mr. Chen is the Vice President 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 42, 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 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 44, 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 the Vice President of Finance Department 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 19 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 the Vice President of the Group, responsible for production and management of the bases of the Group. 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. LU Hong Qi, aged 38, joined the Group in 2004. Mr. Lu is the Vice President of the Group, 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.

Mr. LU Yun Tian, aged 41, 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.

Directors' Report

The directors submit herewith their annual report together with the audited financial statements for the year ended 30 June 2019.

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 32 to the consolidated financial statements.

An analysis of the Group's revenue for the financial year ended 30 June 2019 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 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 65 to 66.

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 2019 are set out in the "Chairman Statement" and "Management Discussion and Analysis" sections respectively on pages 4 to 8 of this annual report.

Key risks and uncertainties

A nature 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 34 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 21 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 regulation 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 21 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 130 of this annual report.

DIVIDENDS

The directors do not recommend the payment of dividend for the financial year ended 30 June 2019 (2018: 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 29 and 37 to the consolidated financial statements. The reserves of the Company available for distribution to shareholders as at 30 June 2019 amounted to RMB652,703,000 (2018: RMB664,026,000).

DONATIONS

Donations made by the Group during the financial year under review amounted to approximately RMB50,000.

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 2019, the Company has issued ordinary share capital of 3,295,582,491 shares. Details of the share capital of the Company are set out in note 27 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. Yang Gang, and Mr. Ip Chi Ming shall retire by rotation at the forthcoming annual general meeting (the "2019 AGM") and being eligible, offer themselves for re-election.

No retiring directors proposed for re-election at the 2019 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 2019, 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 as set out in the Listing Rules 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	2,028,000	645,092,644	19.57%
	Corporate interests (Note)	643,064,644		

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			Exercise price	Number of share options			
		Starting		Ending	HK$	Balance as at 01/07/2018	During the financial year under review Granted	Lapsed	Balance as at 30/06/2019
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 01/07/2018	During the financial year under review: Granted	During the financial year under review: Lapsed	Balance as at 30/06/2019
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 2019, 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) which has been recorded in the register maintained by the Company under Section 352 of the SFO or which has been 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, their respective spouses or children under 18 years of age, 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 2019, the following parties (not being directors or chief executives of the Company) were directly or indirectly interested in 5% or more of the issued share capital and 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 2019, 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 2019.

None of the related party transactions set out in note 31 to the consolidated financial statements constitutes discloseable non-exempted connected transaction or non-exempted continuing connected transaction under the Listing Rules.

SHARE OPTION SCHEME

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 as 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 basing 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 the 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 2019, 61,300,000 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 28(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:

		Exercisable period				Number of share options		
Category of participants	Grant date	Starting		Ending	Exercise price HK$	Balance as at 01/07/2018	Lapsed during the financial year under review	Balance as at 30/06/2019
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	20,800	(20,800)	—
in aggregate	24/10/2008	24/10/2009	to	23/10/2018	3.846	20,800	(20,800)	—
	24/10/2008	24/10/2010	to	23/10/2018	3.846	20,800	(20,800)	—
	24/10/2008	24/10/2011	to	23/10/2018	3.846	20,800	(20,800)	—
	24/10/2008	24/10/2012	to	23/10/2018	3.846	20,800	(20,800)	—
	26/11/2010	26/11/2010	to	25/11/2020	6.430	53,025,000	—	53,025,000
	26/11/2010	26/11/2011	to	25/11/2020	6.430	25,000	—	25,000
	26/11/2010	26/11/2012	to	25/11/2020	6.430	25,000	—	25,000
	26/11/2010	26/11/2013	to	25/11/2020	6.430	25,000	—	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						61,404,000	(104,000)	61,300,000

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 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 as 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.

The 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 2019, 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 2019, 250,580,000 share options granted under the 2015 Share Option Scheme remained unexercised and outstanding, which represents approximately 7.60% 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 28(a) 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 01/07/2018	During the financial year under review: Exercised	During the financial year under review: Lapsed	Balance as at 30/06/2019
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
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

Category of participants	Grant date	Exercisable period Starting		Exercisable period Ending	Exercise price HK$	Number of share options: Balance as at 01/07/2018	During the financial year under review: Exercised	During the financial year under review: Lapsed	Balance as at 30/06/2019
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	47,586,000	—	(11,970,000)	35,616,000
		13/07/2017	to	12/07/2026	0.187	47,586,000	—	(11,970,000)	35,616,000
		13/07/2018	to	12/07/2026	0.187	47,586,000	—	(11,970,000)	35,616,000
		13/07/2019	to	12/07/2026	0.187	47,586,000	—	(11,970,000)	35,616,000
		13/07/2020	to	12/07/2026	0.187	47,586,000	—	(11,970,000)	35,616,000
Other Participants									
in aggregate	13/07/2016	13/07/2016	to	12/07/2026	0.187	10,200,000	—	(1,400,000)	8,800,000
		13/07/2017	to	12/07/2026	0.187	10,200,000	—	(1,400,000)	8,800,000
		13/07/2018	to	12/07/2026	0.187	10,200,000	—	(1,400,000)	8,800,000
		13/07/2019	to	12/07/2026	0.187	10,200,000	—	(1,400,000)	8,800,000
		13/07/2020	to	12/07/2026	0.187	10,200,000	—	(1,400,000)	8,800,000
Total						317,430,000	—	(66,850,000)	250,580,000

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	23.4%
Five largest suppliers in aggregate	66.5%

	Percentage of total sales
The largest customer	11.6%
Five largest customers in aggregate	43.1%

None of the directors of the Company or their 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 9 to 20 of this annual report.

AUDITORS

The financial statements for the financial year ended 30 June 2019 have been audited by Elite Partners CPA Limited who will retire and, being eligible, offer themselves for re-appointment at the 2019 AGM.

On behalf of the Board

Kwok Ho
Chairman

Hong Kong, 27 September 2019

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 129, which comprise the consolidated statements of financial position as at 30 June 2019, 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 2019, 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.

Independent Auditors' Report *(continued)*

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 2019. 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 The Group has property, plant and equipment, prepaid premium for land leases and investment properties of approximately RMB40,378,000 RMB30,485,000 and RMB75,792,000 as at 30 June 2019 respectively. For the impairment assessment, the Group appointed an independent external valuer to assess the recoverable amount of property, plant and equipment, prepaid premium for land leases and investment properties. We had identified the impairment assessment of property, plant and equipment, prepaid premium for land leases and investment properties as key audit matter due to the significant judgement involved by the management in impairment assessment.	Our major audit procedures relating to management's impairment assessment of property, plant and equipment, prepaid premium for land leases and investment properties included the following: • We assessed the methodology used and the appropriateness of the key assumptions adopted; • We discussed with management whether any impairment indicator exists and basis for the impairment recognised; • We challenged the reasonableness of key assumptions based on our knowledge of the business and industry; • We checked on sampling basis, the accounting and relevance of the input data used; and • We evaluated the competency of the independent external valuer taking account its experience and qualifications.
Assessment of expected credit losses ("ECL") on trade receivables As at 30 June 2019, the Group had trade receivables amounting to RMB14,669,000. Management judgment is required in assessing and determining the recoverability of trade receivables and adequacy of allowance made using the ECL model under HKFRS 9 "Financial Instruments". We had identified impairment assessment of trade receivables as a key audit matter because the assessment of the recoverability of trade receivables and recognition of loss allowance are inherently subjective and requires significant management judgement, which increases the risk of error or potential management bias.	Our major audit procedures relating to the assessment of ECL on trade receivables included the following: • We tested the design and implementation of the relevant key controls over the assessment and monitoring of credit risks, and determination of allowance for expected credit losses; • We discussed with management and evaluated the ECL model used in determining the allowance for expected credit losses. We challenged and evaluated management's assessment on both the quantitative and qualitative information considered by them that is reasonable and supportable, including historical experience and forward looking information such as credit ratings, trade receivables ageing analysis, collections subsequent to the end of the reporting period, local economic conditions, past collection history and trend analysis and knowledge of the businesses; • We tested subsequent settlement of trade receivables balances on a sample basis; • We assessed whether the time value of money was considered in the expected credit loss impairment model and checked the mathematical accuracy of the calculations; and • We assessed the adequacy of the Group's disclosures in relation to trade receivables included in the consolidated financial statements.

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.

Independent Auditors' Report *(continued)*

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 Leung Man Kin with Practising Certificate number P07174.

Elite Partners CPA Limited
Certified Public Accountants

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

Hong Kong, 27 September 2019

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2019

	Notes	**2019 RMB'000**	2018 RMB'000
Revenue	5	**82,333**	213,389
Cost of sales		**(54,670)**	(261,711)
Gross profit/(loss)		**27,663**	(48,322)
Other revenues	6	**16,784**	42,856
Selling and distribution expenses		**(13,012)**	(50,791)
General and administrative expenses		**(60,091)**	(111,477)
Research expenses		**—**	(3,271)
Other operating expenses	8	**(24,026)**	(572,060)
Loss from operations		**(52,682)**	(743,065)
Finance costs	9(a)	**(27)**	(36)
Share of results of associates		**(32)**	(273)
Gain on disposal of subsidiaries	33	**—**	1,881
Loss before income tax	9	**(52,741)**	(741,493)
Income tax (expense)/credit	10	**(147)**	20,480
Loss for the year		**(52,888)**	(721,013)
Other comprehensive income/(expense), including reclassification adjustments and net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange gain/(loss) on translation of financial statements of foreign operations		**2,243**	(2,253)
Other comprehensive income/(expense) for the year, including reclassification adjustments and net of income tax		**2,243**	(2,253)
Total comprehensive expense for the year		**(50,645)**	(723,266)

Consolidated statement of profit or loss and other comprehensive income *(continued)*

For the year ended 30 June 2019

	Notes	**2019** **RMB'000**	2018 RMB'000
Loss for the year attributable to:			
Owners of the Company		**(54,151)**	(719,036)
Non-controlling interests		**1,263**	(1,977)
		(52,888)	(721,013)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(51,273)**	(721,781)
Non-controlling interests		**628**	(1,485)
		(50,645)	(723,266)
Loss per share for loss attributable to the owners of the Company during the year			
— Basic	12(a)	**RMB(0.02)**	RMB(0.22)
— Diluted	12(b)	**RMB(0.02)**	RMB(0.22)

Consolidated Statement of Financial Position

At as 30 June 2019

	Notes	**30 June 2019 RMB'000**	30 June 2018 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**40,378**	39,986
Investment properties	16	**75,792**	79,914
Prepaid premium for land leases	17	**26,305**	30,488
Biological assets	18	**—**	—
Deferred expenditure	19	**—**	—
Interests in associates	20	**5,450**	5,482
		147,925	155,870
Current assets			
Prepaid premium for land leases	17	**4,180**	4,178
Inventories	21	**—**	129
Trade receivables	22	**14,669**	15,213
Other receivables, deposits and prepayments		**6,545**	27,395
Bank balance and cash	23	**132,681**	155,884
		158,075	202,799
Current liabilities			
Trade payables	24	**2,072**	1,961
Other payables and accruals		**35,343**	39,016
		37,415	40,977
Net current assets		**120,660**	161,822
Total assets less current liabilities		**268,585**	317,692
Net assets		**268,585**	317,692

Consolidated Statement of Financial Position *(continued)*

At as 30 June 2019

	Notes	**30 June 2019 RMB'000**	30 June 2018 RMB'000
EQUITY			
Equity attributable to the owners of the Company			
Share capital	27	**333,149**	333,149
Reserves	29	**(66,323)**	(16,588)
		266,826	316,561
Non-controlling interests		**1,759**	1,131
Total equity		**268,585**	317,692

The consolidated financial statements on pages 65 to 129 were approved and authorised for issue by the Board of Directors on 27 September 2019 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 2019

	2019 **RMB'000**	2018 RMB'000
Cash flows from operating activities		
Loss before income tax	**(52,741)**	(741,493)
Adjustments for:		
Finance costs	**27**	36
Share of results of associates	**32**	273
Loss on disposal of a subsidiary	**—**	(1,881)
Interest income	**(969)**	(898)
Depreciation of property, plant and equipment	**5,855**	69,636
Depreciation of investment properties	**4,122**	4,044
Amortisation of prepaid premium for land leases	**4,181**	8,557
Amortisation of deferred expenditure	**—**	5,829
Loss on disposals/written off of property, plant and equipment	**5,069**	441,716
Loss on early termination of prepaid premium for land leases	**—**	28,620
Deferred expenditure written off	**—**	24,398
Impairment loss on property, plant and equipment	**—**	1,350
Impairment loss on other receivables	**—**	1,765
Employee share option benefits	**1,538**	6,463
Provision for claim	**17,000**	—
Operating loss before working capital changes	**(15,886)**	(151,585)
Decrease in trade receivables, other receivables, deposits and prepayments	**22,073**	136,273
Decrease in biological assets	**—**	73,878
Decrease in inventories	**129**	919
Increase in trade payables, other payables and accruals	**(20,263)**	(85,010)
Cash used in operations	**(13,947)**	(25,525)
Interest received	**969**	898
Finance costs paid	**(27)**	(36)
Income tax paid	**(783)**	(24)
Net cash used in operating activities	**(13,788)**	(24,687)

Consolidated Statement of Cash Flows *(continued)*

For the year ended 30 June 2019

	2019 **RMB'000**	2018 RMB'000
Cash flows from investing activities		
Purchases of property, plant and equipment	**(11,421)**	(5,025)
Proceeds from disposals of property, plant and equipment	**150**	342
Proceeds from disposal of a subsidiary	**—**	1,453
(Decrease)/Increase in pledged bank deposits	**16,950**	(16,950)
Increase in restricted bank	**(17,000)**	—
Net cash used in from investing activities	**(11,321)**	(20,180)
Cash flows from financing activities		
Proceeds from issuance of shares under share option scheme	**—**	417
Net cash generated from financing activities	**—**	417
Net decrease in cash and cash equivalents	**(25,109)**	(44,450)
Cash and cash equivalents at beginning of the year	**138,934**	185,570
Effect of foreign exchange rate changes, net	**1,856**	(2,186)
Cash and cash equivalents at end of the year (Note 23)	**115,681**	138,934

Consolidated Statement of Changes in Equity

For the year ended 30 June 2019

	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

Consolidated Statement of Changes in Equity *(continued)*

For the year ended 30 June 2019

	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 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
Employee share option benefits	—	—	—	1,538	—	—	—	—	1,538	—	1,538
Transactions with owners	—	—	—	1,538	—	—	—	—	1,538	—	1,538
Loss for the year	—	—	—	—	—	—	—	(54,151)	(54,151)	1,263	(52,888)
Other comprehensive income											
— Currency translation differences	—	—	—	—	—	2,878	—	—	2,878	(635)	2,243
Total comprehensive expense for the year	—	—	—	—	—	2,878	—	(54,151)	(51,273)	628	(50,645)
Lapse of share options	—	—	—	(3,901)	—	—	—	3,901	—	—	—
At 30 June 2019	333,149	5,969,570	94,894	169,501	5,247	(224,325)	681,370	(6,762,580)	266,826	1,759	268,585

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

1. GENERAL INFORMATION

Chaoda Modern Agriculture (Holdings) Limited (the "Company") is 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 32. 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 2019

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. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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

2.4 Associates *(continued)*

The Group assesses whether there is an objective evidence that the interest in an may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9/HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition (see Note 2.19). The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

2.5 Property, plant and equipment

Property, plant and equipment including 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.

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

2.5 Property, plant and equipment *(continued)*

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

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.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2019

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. 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.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2019

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, 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 2019

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.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2019

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

2.13 Revenue recognition

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 3)

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 or service (or a bundle of goods 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 obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

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

2.13 Revenue recognition *(continued)*

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 3) *(continued)*

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (sales commissions and sales discounts) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

Revenue recognition (prior to 1 January 2018)

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.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2019

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

2.14 Foreign currencies *(continued)*

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).

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.

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

2.15 Employee benefits *(continued)*

(i) Retirement benefit obligations *(continued)*

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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 except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 July 2018.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

2.19 Financial instruments *(continued)*

Financial assets *(continued)*

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3) (continued)

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

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

2.19 Financial instruments *(continued)*

Financial assets *(continued)*
Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 3)

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

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month 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 the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) 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 instrument 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 (if available) 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 regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

2.19 Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 3) (continued)

(i) 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 regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset 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.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2019

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

2.19 Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 3) (continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

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. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the past due ageing basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables, finance lease receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);

- Past-due status;

- Nature, size and industry of debtors; and

- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

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

2.19 Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 3) (continued)

(v) Measurement and recognition of ECL *(continued)*

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, where the corresponding adjustment is recognised through a loss allowance account.

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 July 2018)

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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active maket. 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 (before application of HKFRS 9 on 1 July 2018)

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.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2019

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

2.19 Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (before application of HKFRS 9 on 1 July 2018) (continued)

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.

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.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

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.

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

2.19 Financial instruments *(continued)*

Financial liabilities and equity *(continued)*
Financial liabilities
All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost
Financial liabilities including trade payables and other payables and accruals are subsequently measured at amortised cost, using the effective interest method.

2.20 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.

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

2.20 Accounting for income taxes *(continued)*

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.

2.21 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.

2.22 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.

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

2.22 Related parties *(continued)*

(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 2018. Except as described below, 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.

HKFRS 15 — Revenue from Contracts with Customers

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

The Group has applied HKFRS 15 retrospectively 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 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. 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.

The Group recognises revenue from sales of crop which arise from contracts with customers.

Information about the Group's accounting policies and performance obligations resulting from application of HKFRS 15 are disclosed in notes 2.13 and 5 respectively.

Summary of effects arising from initial application of HKFRS 15

The Directors considered that the initial application of HKFRS 15 has no material impact on opening accumulated losses of the Group or the timing and amount of revenue recognised.

HKFRS 9 — Financial Instruments

In the current year, 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 contract 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 under ECL model) 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 January 2018. The difference between carrying amounts as at 30 June 2018 and the carrying amounts as at 1 July 2018, if any, are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

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

HKFRS 9 — Financial Instruments *(continued)*

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement. Accounting policies resulting from application of HKFRS 9 are disclosed in Note 2.

Summary of effects arising from initial application of HKFRS 9

The directors of the Company considered that the initial application of HKFRS 9 has no material impact on the consolidated financial statements of the Group in respect of the classification and measurement of financial instruments nor recognised additional impairment loss allowance as amounts involved are immaterial.

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

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

HKFRS 16 — Leases

HKFRS 16 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.

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

HKFRS 16 — Leases *(continued)*

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 2019, the Group has non-cancellable operating lease commitments of approximately RMB10,604,000 as disclosed in Note 30(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 approximately RMB802,000 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.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2019

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

(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 2019, the carrying amount of the property, plant and equipment was approximately RMB40,378,000 (2018: RMB39,986,000). During the year ended 30 June 2019, no impairment loss (2018: RMB1,350,000) 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 2019, the carrying amount of investment properties, prepaid premium for land leases was approximately RMB75,792,000 and RMB30,485,000 (2018: RMB79,914,000 and RMB34,666,000) respectively. During the year ended 30 June 2019, no impairment loss was recognised on investment properties and prepaid premium for land leases respectively (2018: nil).

(iv) Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on past due aging as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with significant balances and credit impaired are assessed for ECL individually. The provision of ECL is sensitive to changes in estimates.

During the years ended 30 June 2018 and 2019, no ECL in respect of trade receivables was recognised in profit or loss.

(v) Provision for income tax

Certain subsidiaries of the Group 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.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2019

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:

	2019 **RMB'000**	2018 RMB'000
Sales of crops	**82,333**	204,434
Sales of livestock	**—**	8,955
	82,333	213,389

Revenue from sale of crops is recognised at a point in time when the control of product has transferred to the customer, net of discounts. Trading terms with customers are either on a cash basis or on credit. For those customers who trade on credit, a credit period of one month to three months is allowed according to relevant business practice.

6. OTHER REVENUES

	2019 **RMB'000**	2018 RMB'000
Interest income	**969**	898
Sales of milk	**—**	23,262
Rental income	**11,483**	10,438
Sundry income	**4,332**	8,258
	16,784	42,856

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 2019 and 2018 were mainly derived from its 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 2019

7. SEGMENT INFORMATION *(continued)*

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

	2019	2018
	RMB'000	RMB'000
The PRC (country of domicile)	**—**	134,647
Hong Kong	**82,214**	78,604
Other	**119**	138
	82,333	213,389

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 year contributing over 10% of the Group's total revenue are as follows:

	2019	2018
	RMB'000	RMB'000
Customer A	**—***	21,536
Customer B	**9,565**	—*
Customer C	**8,602**	—*

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

8. OTHER OPERATING EXPENSES

	2019	2018
	RMB'000	RMB'000
Expenses incurred for fallow farmlands	**—**	62,553
Impairment loss on property, plant and equipment *(Note 15)*	**—**	1,350
Natural crop losses	**—**	1,682
Loss on disposals/written off of property, plant and equipment *(Note 15)*	**5,069**	441,716
Loss on early termination of prepaid premium for land leases *(Note 17)*	**—**	28,620
Deferred expenditure written off *(Note 19)*	**—**	24,398
Other receivables written off	**—**	1,765
Provision for claim *(Note)*	**17,000**	—
Others	**1,957**	9,976
	24,026	572,060

Note: Provision for claim represents claim of approximately RMB17,000,000 from the local tax authority of PRC ("LTA") on the value-added tax ("VAT") in respect of certain purchases made by an indirect wholly owned subsidiary of the Group, due to financial and operational issues did not pay off the above-mentioned VAT to LTA. In fact, the Group has already settled all payables in respect of these purchases (including the related VAT) to the supplier in concern. Having considered that the Group should not be liable to the claims, the management has initiated discussions with the LTA with an aim at clarifying the Group's position and requesting for LTA's withdrawal of claims. In the opinion of the Directors, the Group has no legal liability on the claimant. The Group intends to contest the claim, and while the final outcome of the discussions is uncertain, the management made a provision for prudence.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2019

9. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

(a) Finance costs

	2019 RMB'000	2018 RMB'000
Bank and finance charges	**27**	36

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

	2019 RMB'000	2018 RMB'000
Salaries, wages and other benefits	**22,746**	160,257
Employee share option benefits	**1,538**	6,463
Retirement benefit costs	**2,820**	3,709
	27,104	170,429

(c) Other items

	2019 RMB'000	2018 RMB'000
Auditors' remuneration	**1,045**	1,131
Amortisation of prepaid premium for land leases, net of amount capitalised	**4,181**	8,557
Amortisation of deferred expenditure, net of amount capitalised	**—**	5,829
Cost of inventories sold	**54,670**	261,711
Depreciation of property, plant and equipment, net of amount capitalised	**5,855**	69,636
Depreciation of investment properties	**4,122**	4,044
Operating lease expense in respect of land and buildings	**4,905**	23,155

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2019

10. INCOME TAX CREDIT/(EXPENSE)

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

	2019	2018
	RMB'000	RMB'000
Current tax		
— PRC income tax *(Note (a))*	**—**	—
— Hong Kong profits tax *(Note (b))*	**(147)**	(175)
Deferred tax		
— Reversal of PRC withholding income tax	**—**	20,655
	(147)	20,480

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, 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% (2018: 25%).

(b) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day.

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2019

10. INCOME TAX (EXPENSE)/CREDIT *(continued)*

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

	2019 **RMB'000**	2018 RMB'000
Loss before income tax	**(52,741)**	(741,493)
Notional tax at the rate applicable to losses in the tax jurisdictions concerned	**(11,852)**	(183,125)
Net tax effect of expense and income that are not deductible and taxable in determining taxable profit and tax allowance	**6,335**	182,928
Tax effect of unrecognised tax losses	**5,807**	501
Tax effect on two-tiered profit tax rates regime	**(143)**	—
Tax effect of previous years' unrecognised tax losses utilised this year	**—**	(129)
Reversal of deferred tax on undistributed earnings of the PRC's subsidiaries	**—**	(20,655)
Income tax expense/(credit)	**147**	(20,480)

11. DIVIDENDS

The Directors do not recommend any payment of dividend for the year ended 30 June 2019 (2018: 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 RMB54,151,000 (2018: RMB719,036,000) and the weighted average number of approximately 3,295,582,000 (2018: 3,293,858,000) 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 RMB54,151,000 (2018: RMB719,036,000) and the weighted average number of approximately 3,295,582,000 (2018: 3,293,858,000) 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.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2019

13. DIRECTORS' REMUNERATION

Emoluments paid and payable to the Company's Directors for the year ended 30 June 2019 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	**—**	**962**	**—**	**16**	**978**
Kuang Qiao	**—**	**364**	**120**	**—**	**484**
Yang Gang	**—**	**206**	**48**	**—**	**254**
Non-executive Director					
Ip Chi Ming	**—**	**731**	**72**	**—**	**803**
Independent Non-executive Directors					
Fung Chi Kin	**292**	**—**	**36**	**—**	**328**
Tam Ching Ho	**292**	**—**	**36**	**—**	**328**
Chan Yik Pun	**125**	**—**	**24**	**—**	**149**
Lin Shun Quan	**42**	**—**	**6**	**—**	**48**
	751	**2,263**	**342**	**16**	**3,372**

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 2019

13. DIRECTORS' REMUNERATION *(continued)*

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 2019 and 2018.

During the years ended 30 June 2019 and 2018, 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.

14. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five individuals whose emoluments were the highest in the Group for the year include two (2018: two) Directors whose emoluments are reflected in the table presented in Note 13 above. The emoluments paid and payable to the remaining three (2018: three) highest paid individuals during the year are as follows:

	2019 **RMB'000**	2018 RMB'000
Salaries and other emoluments	**2,390**	3,042
Retirement benefit scheme contributions	**39**	26
Employee share option benefits	**467**	822
	2,896	3,890

The emoluments of three (2018: three) individuals with the highest emoluments are within the following bands:

Emoluments band	**2019** **No. of** **Individuals**	2018 No. of Individuals
HK$1,000,000 to HK$1,499,999	**3**	2
HK$1,500,000 to HK$1,999,999	**—**	1

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Buildings	Furniture, fixtures and equipments	Motor vehicles	Farmland infrastructure	Computer equipment	Bearer plants	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 *(Note (a))*	RMB'000	RMB'000	RMB'000
Cost								
At 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 and 1 July 2019	65,644	26,530	26,294	15,360	310,288	22,000	—	466,116
Additions	6,650	—	4,771	—	—	—	—	11,421
Disposals/Written off *(Note (b))*	(30,006)	—	(184)	(2,808)	(509)	—	—	(33,507)
Exchange realignment	215	—	70	294	42	—	—	621
At 30 June 2019	42,503	26,530	30,951	12,846	309,821	22,000	—	444,651
Accumulated depreciation and impairment loss								
At 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 and 1 July 2018	51,416	7,546	22,074	13,761	309,333	22,000	—	426,130
Charge for the year	3,450	570	805	886	144	—	—	5,855
Disposals/Written off *(Note (b))*	(24,789)	—	(184)	(2,808)	(509)	—	—	(28,290)
Exchange realignment	214	—	60	262	42	—	—	578
At 30 June 2019	30,291	8,116	22,755	12,101	309,010	22,000	—	404,273
Net book value								
At 30 June 2019	12,212	18,414	8,196	745	811	—	—	40,378
At 30 June 2018	14,228	18,984	4,220	1,599	955	—	—	39,986

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

Notes:

(a) Farmland infrastructure includes films, green house facilities, ditches, roads and others.

(b) During the year ended 30 June 2019, loss on disposals/written off of approximately RMB nil (2018: RMB441,716,000) was recognised due to the early termination of certain farmland areas.

16. INVESTMENT PROPERTIES

	2019 RMB'000	2018 RMB'000
Cost		
At 1 July	**125,339**	117,971
Transferred from property, plant and equipment *(Note 15)*	**—**	7,368
At 30 June	**125,339**	125,339
Accumulated depreciation		
At 1 July	**45,425**	39,365
Transferred from property, plant and equipment *(Note 15)*	**—**	2,016
Depreciation for the year	**4,122**	4,044
At 30 June	**49,547**	45,425
Net book value		
At 30 June	**75,792**	79,914

As at 30 June 2019 and 2018, 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 2019 is approximately RMB118,853,000 (2018: RMB120,621,000). 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.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2019

17. 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/write off	(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 30 June 2019	**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/write off	(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	—	4,181	4,181
Exchange realignment	(954)	—	(954)
At 30 June 2019	**397,681**	**95,150**	**492,831**
Net carrying value			
At 30 June 2019	**—**	**30,485**	**30,485**
At 30 June 2018	—	34,666	34,666

	2019 **RMB'000**	2018 RMB'000
Non-current portion	**26,305**	30,488
Current portion	**4,180**	4,178
Net carrying value at 30 June	**30,485**	34,666

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2019

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

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:

	2019 **RMB'000**	2018 RMB'000
Outside Hong Kong held on:		
Leases of over 50 years	**—**	—
Leases of between 10 to 50 years	**30,485**	34,666
	30,485	34,666

Note:

During the year ended 30 June 2019 and 2018, no impairment loss was recognised.

18. 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, 1 July 2018 and 30 June 2019	—	—	—

Notes:

(a) No biological asset held by the Group as at 30 June 2019 and 2018.

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

	2019		2018	
	Quantity Tonnes	**Amount RMB'000**	Quantity Tonnes	Amount RMB'000
Fruits	—	—	18,668	24,994
Vegetables	—	—	55,933	103,268
	—	—	74,601	128,262

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2019

19. DEFERRED EXPENDITURE

	2019 **RMB'000**	2018 RMB'000
Cost		
At 1 July	**153,830**	209,688
Written off	**(153,830)**	(55,858)
At 30 June	**—**	153,830
Accumulated amortisation		
At 1 July	**153,830**	179,461
Amortisation for the year	**—**	5,829
Written off	**(153,830)**	(31,460)
At 30 June	**—**	153,830
Net carrying value		
At 30 June	**—**	—

Notes:

(a) Deferred expenditure includes soil activation expenditure and land improvement and maintenance expenditure.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2019

20. INTERESTS IN ASSOCIATES

	2019 **RMB'000**	2018 RMB'000
Share of net assets	**5,450**	5,482

Notes:

(a) Particulars of the principal associate of the Group at 30 June 2019 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**	
				2019	2018
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:

	2019 **RMB'000**	2018 RMB'000
Non-current assets	**—**	—
Current assets	**13,957**	13,483
Current liabilities	**333**	221
Revenue	**—**	—
Loss for the year	**(81)**	(682)

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2019

21. INVENTORIES

	2019	2018
	RMB'000	RMB'000
Merchandise for resale	**—**	129

All inventories at the end of the reporting period are stated at cost.

22. TRADE RECEIVABLES

	2019	2018
	RMB'000	RMB'000
Trade receivables	**14,669**	17,616
Less: Allowance for doubtful debts *(Note (b))*	**—**	(2,403)
	14,669	15,213

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:

	2019	2018
	RMB'000	RMB'000
0–1 month	**7,030**	7,388
1–3 months	**6,686**	7,358
Over 3 months	**953**	467
	14,669	15,213

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2019

22. 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:

	2019 RMB'000	2018 RMB'000
At 1 July	**2,403**	4,887
Effect of new adoption of HKFRS 9	**(2,403)**	—
	—	4,887
Written off	**—**	(825)
Disposal of a subsidiary	**—**	(1,659)
At 30 June	**—**	2,403

As at 30 June 2018, the aggregate carrying amount of the individually impaired trade receivables included in the allowance for doubtful debts were RMB2,403,000. 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:

	2019 RMB'000	2018 RMB'000
Neither past due nor impaired	**12,172**	13,747
0–60 days past due	**2,490**	1,380
Over 60 days past due	**7**	86
	14,669	15,213

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.

23. BANK BALANCE AND CASH

	2019 **RMB'000**	2018 RMB'000
Cash at banks and on hand	**105,363**	107,987
Short-term bank deposits	**10,318**	30,947
Pledged bank deposits	**—**	16,950
Restricted bank balance	**17,000**	—
	132,681	155,884
Denominated in:		
RMB	**91,688**	67,420
HK$	**28,205**	74,732
Others	**12,788**	13,732
	132,681	155,884

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 2019 and 2018 with original maturity within three months.

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

	2019 **RMB'000**	2018 RMB'000
Bank balance and cash shows in the consolidated statement of financial position	**132,681**	155,884
Less: Restricted bank balance (2018: Pledged bank deposits) *(Note)*	**(17,000)**	(16,950)
Cash and cash equivalents shows in the consolidated statement of cash flows	**115,681**	138,934

Note: The restricted bank balance represented the provision for claim which discloses in note 8.

24. TRADE PAYABLES

Ageing analysis of trade payables are as follows:

	2019 RMB'000	2018 RMB'000
0–1 month	**2,009**	1,900
1–3 months	**—**	—
Over 3 months	**63**	61
	2,072	1,961

25. BANK LOANS

As at 30 June 2019, the Group has no secured banking facilities (2018: RMB16,950,000).

26. 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 2019, no deferred tax liabilities (2018: nil) 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 (2018: 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.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2019

26. DEFERRED TAX *(continued)*

Deferred tax assets

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

	2019 **RMB'000**	2018 RMB'000
Tax losses available to set off future assessable profits *(Note)*	**66,178**	72,706
Accelerated tax depreciation	**49**	101
	66,227	72,807

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 RMB42,490,000 (2018: RMB49,975,000) will expire in 5 years, while the remaining may be carried forward indefinitely.

27. SHARE CAPITAL

Authorised ordinary shares of HK$0.1 each

	Number of shares ('000)	HK$'000	RMB'000
At 30 June 2018 and 30 June 2019	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 2017	3,292,902	329,290	332,926
Share issued under share option scheme	2,680	268	223
At 30 June 2018, 1 July 2018 and 30 June 2019	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.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2019

28. 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.

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

	2019		2018	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Outstanding at 1 July	**61,404,000**	**6.426**	68,768,000	6.303
Lapsed during the year	**(104,000)**	**3.846**	(7,364,000)	5.285
Outstanding at 30 June	**61,300,000**	**6.430**	61,404,000	6.426
Exercisable at 30 June	**61,300,000**	**6.430**	61,404,000	6.426

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2019

28. SHARE OPTION SCHEME *(continued)*

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

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

	2019		2018	
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
24-10-2009 to 23-10-2018	**—**	**—**	20,800	3.846
24-10-2010 to 23-10-2018	**—**	**—**	20,800	3.846
26-11-2010 to 25-11-2020	**61,225,000**	**6.430**	61,225,000	6.430
24-10-2011 to 23-10-2018	**—**	**—**	20,800	3.846
26-11-2011 to 25-11-2020	**25,000**	**6.430**	25,000	6.430
24-10-2012 to 23-10-2018	**—**	**—**	20,800	3.846
26-11-2012 to 25-11-2020	**25,000**	**6.430**	25,000	6.430
26-11-2013 to 25-11-2020	**25,000**	**6.430**	25,000	6.430
	61,300,000	**6.430**	61,404,000	6.426

The Company's share options outstanding under the Old Scheme at 30 June 2019 had a weighted average remaining contractual life of 1.41 years (2018: 2.40 years).

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

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2019

28. SHARE OPTION SCHEME *(continued)*

(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.

	2019		2018	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Outstanding at 1 July	**317,430,000**	**0.187**	327,530,000	0.187
Exercised during the year	**—**	**—**	(2,680,000)	0.187
Lapsed during the year	**(66,850,000)**	**0.187**	(7,420,000)	0.187
Outstanding at 30 June	**250,580,000**	**0.187**	317,430,000	0.187
Exercisable at 30 June	**150,348,000**	**0.187**	126,972,000	0.187

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

	2019		2018	
Exercisable period:	**Number**	**Weighted average exercise price HK$**	Number	Weighted average exercise price HK$
13-07-2016 to 12-07-2026	**50,116,000**	**0.187**	63,486,000	0.187
13-07-2017 to 12-07-2026	**50,116,000**	**0.187**	63,486,000	0.187
13-07-2018 to 12-07-2026	**50,116,000**	**0.187**	63,486,000	0.187
13-07-2019 to 12-07-2026	**50,116,000**	**0.187**	63,486,000	0.187
13-07-2020 to 12-07-2026	**50,116,000**	**0.187**	63,486,000	0.187
	250,580,000	**0.187**	317,430,000	0.187

The Company's share options outstanding under the New Scheme at 30 June 2019 had a weighted average remaining contractual life of 7.04 years (2018: 8.04 years).

28. SHARE OPTION SCHEME *(continued)*

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

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

29. RESERVES

	Notes	**2019 RMB'000**	2018 RMB'000
Share premium		**5,969,570**	5,969,570
Capital reserve	(a)	**94,894**	94,894
Employee share-based compensation reserve		**169,501**	171,864
Capital redemption reserve		**5,247**	5,247
Exchange reserve		**(224,325)**	(227,203)
Statutory reserves	(b)	**681,370**	686,370
Accumulated losses		**(6,762,580)**	(6,717,330)
		(66,323)	(16,588)

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 2019

30. COMMITMENTS

(a) Capital commitments

At the end of the reporting period, the Group had no capital commitments (2018: 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:

	2019 **RMB'000**	2018 RMB'000
Within one year	**4,043**	4,373
In the second to fifth years, inclusive	**4,313**	5,783
After five years	**—**	—
Total	**8,356**	10,156

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:

	2019 **RMB'000**	2018 RMB'000
Within one year	**9,110**	9,921
In the second to fifth years, inclusive	**11,149**	21,170
After five years	**8,215**	8,215
Total	**28,474**	39,306

31. 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 2019

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries at 30 June 2019 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 2019

32. 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

33. 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. 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 22.

(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 (2018: 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.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2019

34. RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(b) Fair value estimation

The estimate of fair values of biological assets is disclosed in Note 18. 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.

35. 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 2019 and 2018. The Group monitors its capital using net debt to adjusted capital ratio. Net debt includes borrowings less cash and cash equivalents 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 bank balance and cash over total borrowings as at the end of the reporting period are presented as follows:

	2019 **RMB'000**	2018 RMB'000
Total borrowings	**—**	—
Less: bank balance and cash	**(132,681)**	(155,884)
Excess of bank balance and cash over total borrowings	**(132,681)**	(155,884)
Equity attributable to the owners of the Company	**266,826**	316,561
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 2019

36. 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

	2019 **RMB'000**	2018 RMB'000
Financial asset measured at amortised cost (2018: Loan and receivables):		
— Trade receivables	**14,669**	15,213
— Other receivables and deposits	**6,297**	17,224
— Bank balance and cash	**132,681**	155,884
	153,647	188,321

Financial liabilities

	2019 **RMB'000**	2018 RMB'000
Financial liabilities measured at amortised cost:		
— Trade payables	**2,072**	1,961
— Other payables and accruals	**35,343**	39,016
	37,415	40,977

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 30 June 2019

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019	2018
	RMB'000	RMB'000
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	**28**	40
Interests in subsidiaries	**198,153**	189,438
	198,181	189,478
Current assets		
Other receivables, deposits and prepayments	**811**	615
Loan to a subsidiary	**—**	2,964
Bank balance and cash	**11,031**	21,952
	11,842	25,531
Current liabilities		
Amounts due to subsidiaries	**4,112**	2,187
Other payables and accruals	**2,271**	4,147
	6,383	6,334
Net current assets	**5,459**	19,197
Net assets	**203,640**	208,675
EQUITY		
Share capital	**333,149**	333,149
Reserves	**(129,509)**	(124,474)
Total equity	**203,640**	208,675

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 27 September 2019 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 2019

37. 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 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 and 1 July 2018	6,170,235	171,864	5,247	(965,611)	(5,506,209)	(124,474)
Employee share option benefits	—	1,539	—	—	—	1,539
Transactions with owners	—	1,539	—	—	—	1,539
Loss for the year	—	—	—	—	(15,224)	(15,224)
Other comprehensive expense						
— Currency translation differences	—	—	—	8,650	—	8,650
Total comprehensive expense for the year	—	—	—	8,650	(15,224)	(6,574)
Lapsed of share options	—	(3,901)	—	—	3,901	—
At 30 June 2019	6,170,235	169,502	5,247	(956,961)	(5,517,532)	(129,509)

Five Year Financial Summary

For the year ended 30 June 2019

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				
	2015 RMB'000 (Restated)	2016 RMB'000 (Restated)	2017 RMB'000	2018 RMB'000	**2019** **RMB'000**
Revenue	1,316,855	1,119,599	826,317	213,389	**82,333**
Loss before income tax	(6,763,005)	(4,246,035)	(3,243,912)	(741,493)	**(52,741)**
Income tax expense	(774)	(416)	(1,156)	20,480	**(147)**
Loss for the year	(6,763,779)	(4,246,451)	(3,245,068)	(721,013)	**(52,888)**
Loss for the year, attributable to:					
Owners of the Company	(6,625,779)	(4,247,970)	(3,246,234)	(719,036)	**(54,151)**
Non-controlling interests	(138,000)	1,519	1,166	(1,977)	**1,263**
	(6,763,779)	(4,246,451)	(3,245,068)	(721,013)	**(52,888)**

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 30 June				
	2015 RMB'000 (Restated)	2016 RMB'000 (Restated)	2017 RMB'000	2018 RMB'000	**2019** **RMB'000**
Total assets	8,902,028	4,606,344	1,282,863	358,669	**306,000**
Total liabilities	(403,860)	(347,672)	(248,785)	(40,977)	**(37,415)**
Non-controlling interests	(1,729)	(1,722)	(2,616)	(1,131)	**(1,759)**
Total equity attributable to the owners of the Company	8,496,439	4,256,950	1,031,462	316,561	**266,826**