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

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

ANNUAL RESULTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

RESULTS

The board of directors (the "Board") of Chaoda Modern Agriculture (Holdings) Limited (the "Company") announces the audited consolidated annual results of the Company and its subsidiaries (collectively referred to as the "Group" or "Chaoda") for the financial year ended 30 June 2019, together with the comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	Notes	**2019** **RMB'000**	2018 RMB'000
Revenue	3	**82,333**	213,389
Cost of sales		**(54,670)**	(261,711)
Gross profit/(loss)		**27,663**	(48,322)
Other revenues	4	**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	6	**(24,026)**	(572,060)
Loss from operations		**(52,682)**	(743,065)
Finance costs	7(a)	**(27)**	(36)
Share of results of associates		**(32)**	(273)
Gain on disposal of subsidiaries		**-**	1,881
Loss before income tax	7	**(52,741)**	(741,493)
Income tax (expense)/credit	8	**(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)
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	10(a)	**RMB(0.02)**	RMB(0.22)
– Diluted	10(b)	**RMB(0.02)**	RMB(0.22)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Notes	**2019**	2018
		RMB'000	RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**40,378**	39,986
Investment properties		**75,792**	79,914
Prepaid premium for land leases	11	**26,305**	30,488
Biological assets	12	**-**	-
Deferred expenditure		**-**	-
Interests in associates		**5,450**	5,482
		147,925	155,870
Current assets			
Prepaid premium for land leases	11	**4,180**	4,178
Inventories		**-**	129
Trade receivables	13	**14,669**	15,213
Other receivables, deposits and prepayments		**6,545**	27,395
Cash and bank balances		**132,681**	155,884
		158,075	202,799
Current liabilities			
Trade payables	14	**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
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**333,149**	333,149
Reserves		**(66,323)**	(16,588)
		266,826	316,561
Non-controlling interests		**1,759**	1,131
Total equity		**268,585**	317,692

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collectively includes all applicable individual Hong Kong Financial Reporting Standard ("HKFRS"), Hong Kong Accounting Standard ("HKAS") and Interpretation issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

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

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

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

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

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

The consolidated financial statements for the year ended 30 June 2019 were approved for issue by the Board on 27 September 2019.

2. APPLICATION OF NEW, AMENDED OR REVISED HKFRSs

In the current year, the Group has applied, for the first time, all the new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 July 2018. The application of the new HKFRSs in the current year has had no material effect on the amounts reported in the consolidated financial statements and/or disclosures set out in the consolidated financial statements.

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

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 note 3.

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.

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

HKFRS 9 – Financial Instruments (continued)

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.

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 – Lease

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.

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

HKFRS 16 – Lease (continued)

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

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

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

As at 30 June 2019, the Group has non-cancellable operating lease commitments of approximately RMB10,604,000. HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties that are currently classified as operating leases as based on preliminary assessment, the Group will be required to recognise the right-to-use asset and corresponding lease liability. However, the directors of the Company are undergoing a detailed assessment on the implementation of HKFRS 16.

In addition, the Group currently considers refundable rental deposits paid of 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.

3. REVENUE

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

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

	2019	2018
	RMB'000	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.

4. OTHER REVENUES

	2019	2018
	RMB'000	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

5. SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major operations. The Group's operating business are organised and managed separately according to the nature of products, which each segment representing a strategic business segment that offers different products in the PRC market. However, the Group's executive directors considered that over 90% of the Group's revenue, operating results and assets for both years ended 30 June 2019 and 2018 were mainly derived from its growing and sales of crops. Consequently, no operating segment analysis is presented.

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

5. 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 total revenue of the Group.

6. OTHER OPERATING EXPENSES

	2019	2018
	RMB'000	RMB'000
Expenses incurred for fallow farmlands	**-**	62,553
Impairment loss on property, plant and equipment	**-**	1,350
Natural crop losses	**-**	1,682
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
Other receivables written off	**-**	1,765
Provision for claim (Note)	**17,000**	-
Others	**1,957**	9,976
	24,026	572,060

6. OTHER OPERATING EXPENSES (continued)

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.

7. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

(a) Finance costs

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

(b) Staff costs (including directors' remuneration)

	2019	2018
	RMB'000	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	2018
	RMB'000	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

8. INCOME TAX (EXPENSE)/CREDIT

The amount of income tax (expense)/credit 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) Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the years ended 30 June 2019 and 2018.

9. DIVIDENDS

The Directors do not recommend any payment of dividend for the year ended 30 June 2019 (2018: Nil).

10. LOSS PER SHARE

(a) Basic loss per share

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

11. PREPAID PREMIUM FOR LAND LEASES

	Long-term prepaid rentals RMB'000	Land use rights RMB'000	Total RMB'000
Cost			
At 1 July 2017	623,173	127,970	751,143
Early termination of leases	(217,784)	(2,335)	(220,119)
Exchange realignment	(6,754)	-	(6,754)
At 30 June 2018 and 1 July 2018	398,635	125,635	524,270
Exchange realignment	(954)	-	(954)
At 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	(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

12. BIOLOGICAL ASSETS

	Livestock RMB'000	Vegetables RMB'000	Total RMB'000
At 1 July 2017	15,606	58,272	73,878
Additions	3,824	132,808	136,632
Decrease due to harvest or sales	(19,430)	(191,080)	(210,510)
At 30 June 2018 ,1 July 2018 and 30 June 2019	**-**	**-**	**-**

13. TRADE RECEIVABLES

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

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

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

	2019 RMB'000	2018 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

14. TRADE PAYABLES

Ageing analysis of trade payables is 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

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.

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.

FINANCIAL REVIEW

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 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).

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).

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.

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

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

REVIEW OF ANNUAL RESULTS BY THE AUDIT COMMITTEE

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

The Audit Committee has met with Elite Partners CPA Limited ("Elite Partners"), the Company's auditors, to review the audited consolidated financial statements of the Group for the financial year ended 30 June 2019.

SCOPE OF WORK OF ELITE PARTNERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the financial year ended 30 June 2019 as set out in this preliminary announcement have been agreed by the Group's auditor, Elite Partners, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Elite Partners in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Elite Partners on this preliminary announcement.

CORPORATE GOVERNANCE

The Board recognises that good corporate governance will not only safeguard the interests and assets of the Company and deliver long-term return to our shareholders, but will also lay a good foundation for sustainable growth of the Company. During the financial year ended 30

June 2019, the Company has complied with the applicable code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for the deviation stated below:

Code provision A.2.1 of the CG Code

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

Code provision E.1.2 of the CG Code

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.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors, after specific enquiries by the Company, confirmed that they had complied with the required standard set out in the Model Code throughout the financial year ended 30 June 2019.

CLOSURE OF REGISTER OF MEMBERS

To ascertain the eligibility of the shareholders of the Company (the "Shareholders") to attend and vote at the forthcoming annual general meeting of the Company to be held on Thursday, 19 December 2019 (the "Annual General Meeting"), the register of members of the Company will be closed from Friday, 13 December 2019 to Thursday, 19 December 2019 (both days inclusive), during which period no transfer of shares of the Company will be registered. All properly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. (Hong Kong time) on Thursday, 12 December 2019. The Shareholders whose names appear on the register of members of the Company on Thursday, 19 December 2019 are entitled to attend and vote at the Annual General Meeting.

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

Hong Kong, 27 September 2019

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

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