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 2020

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 2020, 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 2020

	Notes	**2020**	2019
		RMB'000	RMB'000
Revenue	3	**72,315**	82,333
Cost of sales		**(47,894)**	(54,670)
Gross profit		**24,421**	27,663
Other income	4	**27,484**	16,784
Selling and distribution expenses		**(8,344)**	(13,012)
General and administrative expenses		**(54,772)**	(60,091)
Other operating expenses	6	**(2,312)**	(24,026)
Loss from operations		**(13,523)**	(52,682)
Finance costs	7(a)	**(622)**	(27)
Share of results of associates		**(1)**	(32)
Loss on deregistration of an associate		**(285)**	-
Loss before income tax	7	**(14,431)**	(52,741)
Income tax expense	8	**-**	(147)
Loss for the year		**(14,431)**	(52,888)
Other comprehensive income, including reclassification adjustments and net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange gain on translation of financial statements of foreign operations		**2,227**	2,243
Other comprehensive income for the year, including reclassification adjustments and net of income tax		**2,227**	2,243
Total comprehensive expense for the year		**(12,204)**	(50,645)
Loss for the year attributable to:			
Owners of the Company		**(13,910)**	(54,151)
Non-controlling interests		**(521)**	1,263
		(14,431)	(52,888)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(10,984)**	(51,273)
Non-controlling interests		**(1,220)**	628
		(12,204)	(50,645)
Loss per share for loss attributable to the owners of the Company during the year			
– Basic	10(a)	**RMB(0.004)**	RMB(0.02)
– Diluted	10(b)	**RMB(0.004)**	RMB(0.02)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Notes	**2020** **RMB'000**	2019 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**37,944**	40,378
Right-of-use assets		**38,359**	-
Investment properties		**75,493**	75,792
Prepaid premium for land leases		**-**	26,305
Interests in associates		**-**	5,450
		151,796	147,925
Current assets			
Prepaid premium for land leases		**-**	4,180
Trade receivables	11	**13,684**	14,669
Other receivables, deposits and prepayments		**6,970**	6,545
Bank balances and cash		**125,150**	132,681
		145,804	158,075
Current liabilities			
Trade payables	12	**2,361**	2,072
Lease liabilities		**3,329**	-
Other payables and accruals		**30,237**	35,343
		35,927	37,415
Net current assets		**109,877**	120,660
Total assets less current liabilities		**261,673**	268,585
Non-current liabilities			
Lease liabilities		**3,824**	-
Net assets		**257,849**	268,585
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**333,149**	333,149
Reserves		**(75,976)**	(66,323)
Capital and reserves		**257,173**	266,826
Non-controlling interests		**676**	1,759
Total equity		**257,849**	268,585

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

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.

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 2020 were approved for issue by the Board on 25 September 2020.

2. APPLICATION OF NEW AND AMENDMENTS TO 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 2019. The application of the new and amendments to HKFRSs in the current year had no material effect on disclosures set out in the consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (continued)

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 "Lease" ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and not apply these standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 July 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

As at 1 July 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities, adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8 (b)(ii) transition. Any difference at the date of initial applications is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
iii. applied a single discount rate to a portfolio of leases with a similar remaining term for similar class of underlying assets in similar economic environment; and
iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessees' incremental borrowing rate applied is 7.10%.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (continued)

HKFRS 16 Leases (continued)

As a lessee *(continued)*

	RMB'000
Operating lease commitments disclosed as at 30 June 2019	9,979
Less: Recognition exemption — short-term leases	(610)
	9,369
Lease liabilities discounted at relevant incremental borrowing rates	7.10%
Lease liabilities at 1 July 2019	8,443
Analysed as	
Current	1,243
Non-current	7,200
	8,443

The carrying amount of right-of-use assets as at 1 July 2019 comprises the following:

	Notes	RMB'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		8,443
Reclassified from prepaid lease payments and land use rights	(a)	30,485
Adjustments on rental deposits at 1 July 2019	(b)	198
Accrued lease liabilities rent from period as at 1 July 2019		(3)
		39,123
By class		
Long-term prepaid rental		-
Land use rights		30,485
Leasehold properties		8,638
		39,123

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (continued)

HKFRS 16 Leases (continued)

As a lessee *(continued)*

Notes:

(a) Upfront payments for leasehold lands in the PRC were classified as prepaid premium for land leases as at 30 June 2019. Upon application of HKFRS 16, the current and non-current portion of prepaid premium for land leases amounting to approximately RMB4,180,000 and RMB26,305,000 respectively were reclassified to right-of-use assets.

(b) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits were not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, approximately RMB198,000 was adjusted to refundable rental deposits paid and right-of-use assets.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 July 2019. The application had no impact on the Group's consolidated statement of financial position at 1 July 2019. However, effective 1 July 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (continued)

HKFRS 16 Leases (continued)

As a lessee *(continued)*

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 July 2019. Line items that were not affected by the changes have not been included.

	Carrying Amount previously reported at 30 June 2019 RMB'000	Adjustments RMB'000	Carrying amount under HKFRS 16 at 1 July 2019 RMB'000
Non-current assets			
Prepaid premium for land leases	26,305	(26,305)	-
Right-of-use assets	-	39,123	39,123
Current assets			
Prepaid premium for land leases	4,180	(4,180)	-
Other receivables, deposits and prepayments	6,545	(198)	6,347
Current liabilities			
Other payables and accruals	35,343	(3)	35,340
Lease liabilities	-	1,243	1,243
Non-current liabilities			
Lease liabilities	-	7,200	7,200

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 30 June 2020, movements in working capital have been computed based on the opening statement of financial position as at 1 July 2019 as disclosed above.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (continued)

HKFRS 16 Leases (continued)

As a lessee *(continued)*

Amendment to HKFRS 16, COVID-19-Related Rent Concessions

Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the year ended 30 June 2020, certain monthly lease payments for the leases of the Group have been reduced or waived by the lessors as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 July 2019 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic during the year ended 30 June 2020. Accordingly, the reduction in the lease payments arising from the rent concessions has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss.

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 follow:

	2020	2019
	RMB'000	RMB'000
Sales of crops	**72,315**	82,333

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 INCOME

	2020	2019
	RMB'000	RMB'000
Interest income	**2,255**	969
Rental income	**11,701**	11,483
Sundry income	**3,131**	4,332
Rent concession	**397**	-
Reversal of impairment of property, plant and equipment	**4,202**	-
Reversal of impairment of right-of-use assets	**5,798**	-
	27,484	16,784

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 2020 and 2019 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:

	2020 RMB'000	2019 RMB'000
Hong Kong	**72,254**	82,214
Other	**61**	119
	72,315	82,333

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:

	2020 RMB'000	2019 RMB'000
Customer A	**9,589**	9,565
Customer B*	**-**	8,602

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

6. OTHER OPERATING EXPENSES

	2020 RMB'000	2019 RMB'000
Loss on disposals/written off of property, plant and equipment	**-**	5,069
Written off of other receivables	**1,176**	-
Allowance of expected credit loss	**1,116**	-
Provision for claim (Note)	**-**	17,000
Others	**20**	1,957
	2,312	24,026

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

	2020	2019
	RMB'000	RMB'000
Bank and finance charges	**45**	27
Interest expenses on lease liabilities	**577**	-
	622	27

(b) Staff costs (including directors' remuneration)

	2020	2019
	RMB'000	RMB'000
Salaries, wages and other benefits	**20,114**	22,746
Employee share option benefits	**1,331**	1,538
Retirement benefit costs	**1,799**	2,820
	23,244	27,104

7. LOSS BEFORE INCOME TAX (continued)

(c) Other items

	2020 **RMB'000**	2019 RMB'000
Auditor's remuneration	**1,191**	1,045
Amortisation of prepaid premium for land leases, net of amount capitalised	**-**	4,181
Cost of inventories sold	**47,894**	54,670
Depreciation of property, plant and equipment, net of amount capitalised	**4,572**	5,855
Depreciation of investment properties	**4,501**	4,122
Depreciation of right-of-use assets	**8,392**	-
Operating lease expense in respect of land and buildings	**-**	4,905
Expenses relating to short-term lease payment	**1,186**	-

8. INCOME TAX EXPENSE

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

	2020 **RMB'000**	2019 RMB'000
Current tax		
– PRC income tax *(Note (a))*	**-**	-
– Hong Kong profits tax *(Note (b))*	**-**	(147)
Deferred tax		
– Reversal of PRC withholding income tax	**-**	-
	-	(147)

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% (2019: 25%).

8. INCOME TAX EXPENSE (continued)

(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%.

9. DIVIDENDS

The Directors do not recommend any payment of dividend for the year ended 30 June 2020 (2019: 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 RMB13,910,000 (2019: RMB54,151,000) and the weighted average number of approximately 3,295,582,000 (2019: 3,295,582,000) 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 RMB13,910,000 (2019: RMB54,151,000) and the weighted average number of approximately 3,295,582,000 (2019: 3,295,582,000) 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. 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 expected credit loss) is as follows:

	2020 **RMB'000**	2019 RMB'000
0 – 1 month	**6,623**	7,030
1 – 3 months	**5,618**	6,686
Over 3 months	**1,443**	953
	13,684	14,669

12. TRADE PAYABLES

Ageing analysis of trade payables is as follows:

	2020 **RMB'000**	2019 RMB'000
0 – 1 month	**2,295**	2,009
1 – 3 months	**-**	-
Over 3 months	**66**	63
	2,361	2,072

INDUSTRY OUTLOOK

Agriculture is a strategic industry that reassure the public and is the foundation of the national economy. At the beginning of 2020, the Central Committee of the Communist Party of China released the 2020 "Number One Document", seventeen consecutive years in focusing on the agricultural industry, and clarified that the two major missions in 2020 are "Concentrating efforts to complete the battle against poverty" and "Supplement the outstanding shortcomings of comprehensively well-off Agriculture, Rural Areas, and Rural People", and proposed a series of policy initiatives.

The document points out that 2020 is the year to achieve the goal of building a well-off society in an all-round way, and it is the year to end the war to overcome poverty. The Central Committee of the Communist Party of China believes that in order to complete the above two goals and missions, the last bastion of poverty alleviation must be overcome, and the outstanding shortcomings of comprehensively well-off Agriculture, Rural Areas, and Rural People must be supplemented.

The document also confirms to concentrate the efforts on completing the two major missions of winning the battle against poverty and supplement the outstanding shortcomings of comprehensively well-off Agriculture, Rural Areas, and Rural People, continue to stabilise agricultural production, ensuring supply and increasing farmers' income, promoting the development of high-quality agriculture, maintaining a harmonious and stable rural society, improving the sense of gain, happiness, and security of the rural people and public, ensuring a successful conclusion on the battle against poverty, and ensuring that the rural areas build a well-off society simultaneously and comprehensively.

In order to support sustainable agricultural development, reduce ecological damage, and ensure food safety; green production, innovative production and technology production which has been advocated in the past, will continue to be firmly promoted in the future. Adopting the above principles, following the laws of nature, protecting environment, will effectively achieve economic, ecological and social benefits.

Chaoda as the national level leading enterprise in green and modern agriculture, we had leveraged the Chaoda Innovation Think Tank 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 RMB72 million representing a drop of approximately 12% as compared to RMB82 million for the previous financial year. The drop in revenue was mainly attributable to the continuous weakened market sentiment and recent social unrest in Hong Kong and outbreak of the novel coronavirus disease (the "COVID-19") in early 2020. The Group achieved gross profit RMB24 million (2019: RMB28 million), gross profit margin was 34%.

During the financial year under review, selling and distribution expenses decreased from RMB13 million to RMB8 million as a result of decrease in sales volume and revenue. General and administrative expenses decreased by 9% to RMB55 million.

As a result of the above, during the financial year under review, the loss from operations of the Group amounted to RMB14 million (2019: RMB53 million) as well as loss for the year attributable to owners of the Company amounted to RMB14 million (2019: RMB54 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2020, bank balances and cash of the Group amounted to RMB125 million (2019: RMB133 million), which includes RMB17 million restricted bank balance (2019: RMB17 million). In addition, the Group has no secured banking facilities (2019: Nil).

As at 30 June 2020, the total equity of the Group (including non-controlling interests) amounted to RMB258 million (2019: RMB269 million). Since the Group did not have any outstanding bank loans or long term debts due to third party as at 30 June 2020, the debt to equity ratio (bank loans over total equity) of the Group was nil (2019: Nil). The current ratio (dividing total current assets by total current liabilities) was 4 times (2019: 4 times).

FUTURE OUTLOOK

In December 2019, with the consent of the State Council, the Ministry of Agriculture and Rural Affairs, the National Development and Reform Commission, the Ministry of Finance, and the Ministry of Commerce jointly issued the "Guiding opinions on the implementation of the "Internet +" agricultural products from villages and towns project" to the governments of provinces, autonomous regions, municipalities directly under the Central Government and relevant departments of the State Council. The "Internet +" agricultural product out of village and city project is a major decision and deployment made by the Central Committee of the Communist Party of China and the State Council to solve the problem of "difficult selling" and achieve high quality and good prices of agricultural products to drive farmers' income, as an important part of the construction of digital agriculture and rural areas, it is also a major change in realizing agricultural modernisation and rural rejuvenation.

"Internet + Agriculture" will carry out in-depth transformation of all links in the agricultural industrial chain such as production, distribution, operation, financial services, and personnel training, optimise the agricultural supply side, and improve the efficiency and quality of agricultural operations. Agriculture will transform and upgrade to informatisation and intelligence. Through the application of advanced technologies such as internet, cloud technology, sensing systems, the Internet of Things, and agricultural big data, it will promote extensive and inefficient agricultural production methods, and gradually realise smart agriculture, precision agriculture, and efficient agriculture.

Chaoda's new business model, which has been studied and tested in the past few years, is highly consistent with national policies. Looking back on the financial year under review, Chaoda has continued to work hard on the main line of agricultural supply-side structural reform, combining agricultural supply-side structural reform with poverty alleviation and rural revitalisation, and striving to practice a new partnership management mechanism in which smallholder farmers and modern agriculture are closely linked. Combining agricultural supply-side structural reform with military-civilian integration, actively exploring new models of military logistical support for military-civilian integration; combining agricultural supply-side structural reform with food safety, and focusing on building a new, traceable food safety management system.

During the financial year under review, the two pilot contracts in Jiangsu Province operate smoothly in general. The Group has collected feedback from all participants, including farmers, impoverished households, cooperatives, agricultural enterprises, etc. and will implement and improve the "Chaoda system" under Chaoda's new business operation model. The Group plans to find new pilots continue to test and promote new business operation models in the coming financial year to Fujian, Jiangsu, Gansu, Shaanxi, Hainan and other provinces. In response to the new outbreak of COVID-19 in early 2020, the PRC government implemented a series of precautionary and control measures to maintain public health safety at a national level. COVID-19 will have a great impact on the Group's promotion of new business models. However, the Group yet insist on grasping the epidemic prevention and control in one hand, advancing the project on the other hand, and strive to achieve strong confidence, stable production, guarantee supply, and keep safety.

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 Professor Lin Shun Quan, 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 2020.

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 2020 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 2020, 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 2019 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 2020.

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, 17 December 2020 (the "Annual General Meeting"), the register of members of the Company will be closed from Friday, 11 December 2020 to Thursday, 17 December 2020 (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, 10 December 2020. The Shareholders whose names appear on the register of members of the Company on Thursday, 17 December 2020 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, 25 September 2020

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

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