CODE AGRICULTURE (HOLDINGS) LIMITED
科地農業控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8153)

INTERIM RESULTS ANNOUNCEMENT FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 SEPTEMBER 2013 AND RESUMPTION OF TRADING

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the "Directors") of Code Agriculture (Holdings) Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this announcement misleading.

FINANCIAL AND BUSINESS HIGHLIGHTS

- The Group's turnover amounted to approximately HK$404.6 million for the six months ended 30 September 2013, which represented a decrease of approximately 25.1% as compared with that in the corresponding period.

- The Group reported a loss amounted to approximately HK$96.1 million for the six months ended 30 September 2013 as compared with a loss of approximately HK$14.8 million last year. The Group reported a loss attributable to owners of the Company for the period ended 30 September 2013 amounted to approximately HK$93.7 million (2012: HK$13.7 million).

- Loss per share for the loss attributable to owner of the Company for the six months ended 30 September 2013 was approximately 3.45 HK cents (2012: 0.51 HK cents).

- The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2013 (2012: Nil).

- At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:09 a.m. on 24 June 2013 pending the release of this results announcement. An application has been made by the Company to the Stock Exchange for the resumption of the trading in the Shares with effect from 9:00 a.m. on 16 January 2014.

INTERIM RESULTS

The board of directors (the "Board") of Code Agriculture (Holdings) Limited ("Company") hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months and six months ended 30 September 2013, together with the comparative unaudited figures for the corresponding period in 2012, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 September 2013

		Unaudited Three months ended 30 September		**Unaudited Six months ended 30 September**	
		2013	2012	**2013**	2012
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
			(Restated)		(Restated)
Turnover	6	**148,744**	79,119	**404,595**	540,020
Cost of sales and services		**(102,235)**	(57,840)	**(271,949)**	(365,540)
Gross profit		**46,509**	21,279	**132,646**	174,480
Other revenue	7	**2,904**	2,477	**6,386**	4,620
Distribution costs		**(24,685)**	(28,017)	**(54,180)**	(52,357)
Administrative expenses		**(26,682)**	(32,072)	**(57,706)**	(61,809)
Profit/(loss) from operations		**(1,954)**	(36,333)	**27,146**	64,934
Other losses	8	**(91,652)**	(57,220)	**(104,322)**	(67,825)
Finance costs	9	**(7,664)**	(5,187)	**(14,605)**	(11,659)
Share of results of associates		**—**	—	**—**	(681)
Loss before income tax	10	**(101,270)**	(98,740)	**(91,781)**	(15,231)
Income tax (expense)/credit	11	**512**	15,793	**(4,324)**	405
Loss for the period		**(100,758)**	(82,947)	**(96,105)**	(14,826)
Other comprehensive income for the period					
Exchange differences on translating foreign operations		**—**	(1,985)	**—**	(9,527)
Total comprehensive income for the period		**(100,758)**	(84,932)	**(96,105)**	(24,353)
Loss for the period attributable to:					
Owners of the Company		**(99,586)**	(82,379)	**(93,744)**	(13,747)
Non-controlling interests		**(1,172)**	(568)	**(2,361)**	(1,079)
		(100,758)	(82,947)	**(96,105)**	(14,826)
Total comprehensive income for the period attributable to:					
Owners of the Company		**(99,586)**	(84,364)	**(93,744)**	(23,274)
Non-controlling interests		**(1,172)**	(568)	**(2,361)**	(1,079)
		(100,758)	(84,932)	**(96,105)**	(24,353)
Loss per share for loss attributable to owners of the Company during the period					
Basic and diluted — HK cents per share	12	**(3.67)**	(3.04)	**(3.45)**	(0.51)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2013

	Note	Unaudited As at 30 September 2013 HK$'000	Audited As at 31 March 2013 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**68,207**	71,746
Prepaid land lease payments		**10,591**	10,727
Goodwill		**5,069**	5,069
Other intangible assets		**148,757**	173,463
Interest in associates		**—**	—
Deferred tax assets		**3,360**	3,399
		235,984	264,404
Current assets			
Inventories		**69,524**	106,899
Trade and bills receivables	13	**492,805**	363,120
Prepayments, other receivables and deposits	13	**297,084**	310,192
Amounts due from related companies		**34,530**	20,705
Pledged deposits		**44,132**	181,237
Cash and cash equivalents		**19,972**	11,313
		958,047	993,466
Current liabilities			
Trade and bills payables	14	**101,231**	96,331
Other payables and accruals	14	**108,816**	50,688
Amount due to a non-controlling shareholder of a subsidiary	14	**979**	1,129
Amount due to a director	14	**4,759**	5,541
Borrowings		**350,806**	502,811
Tax payable		**8,370**	2,143
		574,961	658,643
Net current assets		**383,086**	334,823
Total assets less current liabilities		**619,070**	599,227

	Note	Unaudited As at 30 September 2013 HK$'000	Audited As at 31 March 2013 HK$'000
Non-current liabilities			
Deferred tax liabilities		**32,816**	36,120
Borrowings		**124,414**	—
Convertible bond		**751,045**	756,961
		908,275	793,081
Net liabilities		**(289,205)**	(193,854)
EQUITY			
Share Capital		**27,138**	27,138
Reserves		**(315,772)**	(222,782)
Equity attributable to owners of the Company		**(288,634)**	(195,644)
Non-controlling interests		**(571)**	1,790
Capital deficiency		**(289,205)**	(193,854)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2013

	Attributable to owners of the Company										
	Share capital HK$'000	**Share premium** HK$'000	**Accumulated losses** HK$'000	**Merger reserve** HK$'000 (note a)	**Statutory reserve** HK$'000 (note b)	**Share option reserve** HK$'000	**Exchange reserve** HK$'000	**Convertible bond reserve** HK$'000	**Sub-total** HK$'000	**Non-controlling interests** HK$'000	**Total** HK$'000
At 1 April 2012, as previously reported	27,138	1,056,184	(903,138)	(197)	33,014	9,499	36,433	427,825	686,758	(497)	686,261
Correction of prior periods' errors with respect to:											
Initial recognition and subsequent measurements on assets acquired and liabilities assumed in a business combination completed in 2010 (note 4(a))	—	—	(243,710)	—	(16,097)	—	44,984	(427,825)	(642,648)	—	(642,648)
Timing of recognising share option expenses (note 4(b))	—	—	1,445	—	—	(1,445)	—	—	—	—	—
At 1 April 2012, as restated	27,138	1,056,184	(1,145,403)	(197)	16,917	8,054	81,417	—	44,110	(497)	43,613
Profit for the period (as restated)	—	—	(13,747)	—	—	—	—	—	(13,747)	(1,079)	(14,826)
Other comprehensive income for the period	—	—	—	—	—	—	(9,527)	—	(9,527)	—	(9,527)
Total comprehensive income for the period	—	—	(13,747)	—	—	—	(9,527)	—	(23,274)	(1,079)	(24,353)
Share option scheme — Value of services	—	—	—	—	—	1,148	—	—	1,148	—	1,148
At 30 September 2012, as restated (unaudited)	27,138	1,056,184	(1,159,150)	(197)	16,917	9,202	71,890	—	21,984	(1,576)	20,408
At 1 April 2013	**27,138**	**1,056,184**	**(1,401,360)**	**(197)**	**24,347**	**17,524**	**80,720**	**—**	**(195,644)**	**1,790**	**(193,854)**
Profit for the period	**—**	**—**	**(93,744)**	**—**	**—**	**—**	**—**	**—**	**(93,744)**	**(2,361)**	**(96,105)**
Other comprehensive income for the period	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total comprehensive income for the period	**—**	**—**	**(93,744)**	**—**	**—**	**—**	**—**	**—**	**(93,744)**	**(2,361)**	**(96,105)**
Share option scheme — Value of services	**—**	**—**	**—**	**—**	**—**	**754**	**—**	**—**	**754**	**—**	**754**
At 30 September 2013 (unaudited)	**27,138**	**1,056,184***	**(1,495,104)***	**(197)***	**2 4,347***	**18,278***	**80,720***	**—**	**(288,634)**	**(571)**	**(289,205)**

Notes:

* These reserve accounts comprise the consolidated reserves of HK$-315,772,000 (unaudited) (31 March 2013: HK$-222,782,000) in the condensed consolidated statement of financial position as at 30 September 2013.

(a) The merger reserve of the Group represents the difference between the nominal value of the share capital of a subsidiary acquired and the nominal value of the shares issued by the Company in exchange thereof pursuant to the Group reorganisation on 20 March 2001 as set out in the prospectus of the Company dated 26 March 2001.

(b) In accordance with relevant regulations prevailing in the People's Republic of China (the "PRC"), the certain subsidiaries of the Company, established in the PRC, are required to appropriate no less than 10% of their net profits to the statutory reserves, until the respective balances of the fund reach 50% of the respective registered capital. Subject to certain restrictions as set out in the relevant PRC regulations, these statutory reserves may be used to offset respective accumulated losses or for capitalisation as paid-up capital of the subsidiaries.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 September 2013

	Unaudited 2013 HK$'000	Unaudited 2012 HK$'000 (Restated)
Net cash generated from operating activities	**2,707**	5,652
Net cash generated from investing activities	**136,344**	139,827
Net cash used in financing activities	**(130,392)**	(173,709)
Net increase/(decrease) in cash and cash equivalents	**8,659**	(28,230)
Cash and cash equivalents at 1 April	**11,313**	160,755
Effect of foreign exchange rate changes	**—**	(9,144)
Cash and cash equivalents at 30 September	**19,972**	123,381
Analysis of balances of cash and cash equivalents		
Cash at banks and in hand	**19,972**	123,381

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Code Agriculture (Holdings) Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office address of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business of the Company is Rooms 1120–26, 11th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong.

The Company is an investment holding company and the principal activities of the Group are the manufacturing and sale of tobacco flue-curing agricultural machinery products, manufacturing and sale of fertilizer and pesticide products, provision of digital television services and sale of cordyceps-related and other healthcare products in the People Republic of China (the "PRC").

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars (HK$), unless otherwise stated. The condensed consolidated financial statements for the three months and six months ended 30 September 2013 ("Interim Financial Statements") are unaudited but have been reviewed by the audit committee of the Company and approved for issue by the Board on 15 January 2014.

2. BASIS OF PREPARATION

The Interim Financial Statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules"). The Interim Financial Statements do not include all the information required in annual financial statements in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, HKAS and Interpretations issued by the HKICPA, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 March 2013 (the "Annual Report 2013").

3. SIGNIFICANT ACCOUNTING POLICIES

The Interim Financial Statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values. The accounting policies used in the preparation of the Interim Financial Statements are consistent with those set out in the Annual Report 2013, except that the Group has applied for the first time, the following new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 April 2013.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009–2011 Cycle
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 12	Disclosures of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures

Other than as noted below, the adoption of these new/revised HKFRSs did not change the Group's accounting policies as followed in the preparation of the Annual Report 2013.

HKAS 1 (Amendments) Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

HKFRS 10 Consolidated Financial Statements

HKFRS 10 replaces the requirements in HKAS 27, "Consolidated and separate financial statements" relating to the preparation of consolidated financial statements and HK-SIC 12 "Consolidation — Special purpose entities". It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or right to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 April 2013. Accordingly, the new accounting policy does not have any material impact on the financial position and the financial result of the Group.

HKFRS 13 Fair Value Measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the Interim Financial Statements. The adoption of HKFRS 13 does not have any material impact on the Interim Financial Statements of the Group except for change in fair value of convertible bond.

The HKICPA has also issued a number of new standards, amendments to standards and interpretations which are not yet effective. The Group has not early adopted these standards. The Directors are currently assessing the impact of these new and amended HKFRSs upon initial application but are not yet in a position to state whether they would have material financial impact on the Group's results and financial position.

4. RESTATEMENTS DUE TO CORRECTION OF PRIOR PERIODS' ERRORS

In the preparation of the Annual Report 2013, it had come to the attention of the Directors of the Company that the consolidated financial statements of the Group for the year ended 31 March 2012, 2011 and 2010 contained errors, among other things, the errors so identified had all been restated in corresponding years.

A detailed description of the nature of prior periods' error that identified for the three months and six months ended 30 September 2012 is set out in notes 4(a) to 4(c) below, and the relevant errors and amounts have been restated accordingly. The correction for each of the line items in the unaudited condensed consolidated statement of comprehensive income is presented in the tables in note 4(d) below.

(a) Initial recognition and subsequent measurements of assets acquired and liabilities assumed in a business combination completed in 2010

On 30 November 2009, the Company entered into an agreement with Cyberland (China) Limited ("Cyberland") to acquire the entire equity interest in Kang Yuan Universal Investment Limited and its subsidiaries (collectively referred to as "Kang Yuan Group") at a consideration of HK$1,398,000,000, comprising a cash consideration of HK$300,000,000 and a convertible bond issued by the Company with a face value of HK$1,098,000,000 (the "Acquisition"). The Acquisition was completed on 1 February 2010.

In the preparation of the Annual Report 2013, the management has come to aware that certain errors relating to the applicable accounting standards, including that: (1) the previous-mentioned business combination were not accounted for in accordance with the HKFRS 3 — Business Combination; (2) the subsequent measurement of net identifiable assets acquired in the Acquisition did not fully comply with the HKAS 36 — Impairment of Assets; and (3) the initial and subsequent measurement of the convertible bond did not fully comply with HKAS 32 — Financial Instruments: Presentation and HKAS 39 — Financial Instruments: Recognition and Measurement.

In this regard, the management had appointed an independent valuer to remeasure the valuation of purchase price allocation for the Acquisition and the valuation of the convertible bond. A summary of the effects of the errors is set out below:

(i) Identification of intangible assets arising from the Acquisition

In the previous valuation, there was only one intangible asset — "technologies" was identified on the Acquisition. The following intangible assets in addition to the previously reported "technologies" were identified after having re-performed valuation:

— tradename (with indefinite useful lives);
— patents and license rights (with indefinite useful lives);
— non-competition agreements;
— customer relationships; and
— distribution network.

Adjustments and restatements had been made to recognise these additional intangible assets.

(ii) Valuation of property, plant and equipment

The fair value of the property, plant and equipment as at the Acquisition date was re-measured and properly adjusted and, while their carrying amounts for each subsequent reporting period were also re-measured.

(iii) Convertible bond issued for the Acquisition

The convertible bond was issued as part of the consideration for the Acquisition. Previously, the convertible bond was regarded to have complied the "fixed for fixed" criteria of the relevant accounting standards. And this financial instrument was treated as to comprise of a liability component and an equity component. However, it was subsequently noted that there was an embedded call option which was inappropriately included in the equity component. After revisiting the terms and conditions of the convertible bond, the "fixed for fixed" criteria was determined to be violated and so, the entire convertible bond was designated as a financial liability through profit or loss on previous initial recognition. Appropriate adjustments had been made for the necessary rectification.

(iv) Deferred tax

In the reporting year ended 31 March 2010, no deferred tax had been recognised for the temporary differences arising from the Acquisition. In addition, a tax rate of 16.5% was inappropriately used for the deferred tax calculation in subsequent reporting periods. The Directors had revisited the deferred tax calculation and used the enacted tax rate applicable to the acquired PRC subsidiaries for each relevant accounting periods. Appropriate adjustments had been made accordingly.

(v) Capital reserve

The capital reserve of the acquired PRC subsidiaries was previously inappropriately included in identifiable net assets for goodwill calculation at the Acquisition date. Necessary adjustment and restatement had been made appropriately to report the capital reserve.

(vi) Goodwill

Having taken into consideration of above adjustments to the identifiable net assets and the issued convertible bond at the Acquisition date, goodwill was therefore re-measured and adjusted accordingly.

(vii) Impairment of goodwill and other intangible assets acquired in the Acquisition

For the purpose of impairment testing, goodwill arising from the Acquisition should be allocated to each of the relevant cash generating unit ("CGUs") that are expected to benefit from the synergy of the Acquisition.

In the previous valuation, there was only one single CGU — "Tobacco agriculture operation" identified. After the re-performance of the valuation for the business combination in 2010, two appropriate CGUs were identified by the management, namely "Tobacco agriculture operation" and "Fertilizer and pesticide operation". Consequently, the re-measured goodwill arising from the Acquisition was properly allocated to the two identifiable CGUs.

Furthermore, subsequent impairment testing of the re-measured goodwill and all other intangible assets was re-performed and the resultant impairment losses were appropriately recognised. When the goodwill of the "Tobacco agriculture operation" was fully impaired at 31 March 2011, the remaining impairment losses were allocated to the other assets of that CGU on a pro-rata basis of carrying amount.

(viii) Assets held for sale

As indicated in the consolidated financial statements for the year ended 31 March 2011, the Group had reclassified certain land use right and property, plant and equipment relating to the manufacturing of fertilizers as assets held for sale for subsequent disposal.

Assets held for sale at each relevant accounting period was properly reviewed and adjusted accordingly. Furthermore, a reassessment of the fair value less cost to sell of the assets held for sale was conducted on subsequent disposal.

(b) Timing of recognition of share option expenses

The Company had granted share options to certain employees, director, suppliers of goods or services and consultants for the year ended 31 March 2011. These options have a vesting period over 1 year. However, the entire fair value of these options was inappropriately recognised and expensed in the consolidated statement of comprehensive income for the year ended 31 March 2011.

However, in accordance with HKFRS 2 — Share-based Payment, expenses of this nature should be recognised over the vesting period of each share option. As a result, the Share-based Payment expense included in administrative expenses was adjusted for the three months and six months ended 30 September 2012. The related share option reserve of the Company and the Group have been adjusted as at 30 September 2012.

(c) Reclassification of cost of sales and services and distribution costs

In the reporting period, certain line items in the unaudited condensed consolidated statement of comprehensive income have been reclassified to better reflect the relevance of financial information relating to the Group's activities. Prior Periods' figures have also been re-presented to reflect the new presentation format. The resultant reclassification has had no net effect on the results of the Group for the three months and six months ended 30 September 2012.

(d) Summary of effects of restatements due to correction of prior periods' errors

(I) Effect of error corrections on the Group's unaudited condensed consolidated statement of comprehensive income for the three months ended 30 September 2012; and

(II) Effect of error corrections on the Group's unaudited condensed consolidated statement of comprehensive income for the six months ended 30 September 2012.

(I) Effect of error corrections on the Group's unaudited condensed consolidated statement of comprehensive income for the three months ended 30 September 2012

	As previously reported HK$'000	Initial recognition and subsequent measurements of assets acquired and liabilities assumed in a business combination note 4(a) HK$'000	Timing of recognition of share option expenses note 4(b) HK$'000	Reclassification of cost of sales and services and distribution costs note 4(c) HK$'000	As restated HK$'000
Turnover	79,119	—	—	—	79,119
Cost of sales and services	(74,786)	—	—	16,946	(57,840)
Gross profit	4,333			16,946	21,279
Other revenue	2,477	—	—	—	2,477
Distribution costs	(11,071)	—	—	(16,946)	(28,017)
Administrative expenses	(21,525)	(9,796)	(751)	—	(32,072)
Loss from operations	(25,786)	(9,796)	(751)	—	(36,333)
Other (losses)/gains	4	(57,224)	—	—	(57,220)
Finance costs	(7,271)	2,084	—	—	(5,187)
Gain on disposal of assets held for sales	36	(36)	—	—	—
Loss before income tax	(33,017)	(64,972)	(751)	—	(98,740)
Income tax credit/(expense)	(6,064)	21,857	—	—	15,793
Loss for the period	(39,081)	(43,115)	(751)	—	(82,947)
Other comprehensive income for the period					
Exchange differences on translating foreign operations	(1,150)	(835)	—	—	(1,985)
Total comprehensive income for the period	(40,231)	(43,950)	(751)	—	(84,932)
Loss for the period attributable to:					
Owners of the Company	(38,513)	(43,115)	(751)	—	(82,379)
Non-controlling interests	(568)	—	—	—	(568)
	(39,081)	(43,115)	(751)	—	(82,947)
Total comprehensive income for the period attributable to:					
Owners of the Company	(39,663)	(43,950)	(751)	—	(84,364)
Non-controlling interests	(568)	—	—	—	(568)
	(40,231)	(43,950)	(751)	—	(84,932)
Loss per share for loss attributable to owners of the Company during the period					
Basic and diluted — HK cents per share	(1.42)				(3.04)

(II) Effect of error corrections on the Group's unaudited condensed consolidated statement of comprehensive income for the six months ended 30 September 2012

	As previously reported HK$'000	Initial recognition and subsequent measurements of assets acquired and liabilities assumed in a business combination note 4(a) HK$'000	Timing of recognition of share option expenses note 4(b) HK$'000	Reclassification of cost of sales and services and distribution costs note 4(c) HK$'000	As restated HK$'000
Turnover	540,020	—	—	—	540,020
Cost of sales and services	(396,752)	—	—	31,212	(365,540)
Gross profit	143,268			31,212	174,480
Other revenue	4,620	—	—	—	4,620
Distribution costs	(21,145)	—	—	(31,212)	(52,357)
Administrative expenses	(41,068)	(19,593)	(1,148)	—	(61,809)
Profit from operations	85,675	(19,593)	(1,148)	—	64,934
Other (losses)/gains	4	(67,829)	—	—	(67,825)
Finance costs	(16,421)	4,762	—	—	(11,659)
Share of results of associates	(681)	—	—	—	(681)
Loss on disposal of interest in an associate	(1,504)	1,504	—	—	—
Gain on disposal of assets held for sale	67,204	(67,204)	—	—	—
(Loss)/Profit before income tax	134,277	(148,360)	(1,148)	—	(15,231)
Income tax credit/(expense)	(20,089)	20,494	—	—	405
(Loss)/Profit for the period	114,188	(127,866)	(1,148)	—	(14,826)
Other comprehensive income for the period					
Exchange differences on translating foreign operations	(263)	(9,264)	—	—	(9,527)
Total comprehensive income for the period	113,925	(137,130)	(1,148)	—	(24,353)
(Loss)/Profit for the period attributable to:					
Owners of the Company	115,267	(127,866)	(1,148)	—	(13,747)
Non-controlling interests	(1,079)	—	—	—	(1,079)
	114,188	(127,866)	(1,148)	—	(14,826)
Total comprehensive income for the period attributable to:					
Owners of the Company	115,004	(137,130)	(1,148)	—	(23,274)
Non-controlling interests	(1,079)	—	—	—	(1,079)
	113,925	(137,130)	(1,148)	—	(24,353)
(Loss)/Earnings per share attributable to owner of the Company during the period					
Basic and diluted — HK cents per share	4.25				(0.51)

5. 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 resource allocation in 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 by the Group's major product and service lines.

During the period, the Group has amended the presentation of management information provided to the chief operating decision-maker. Previously, the business of the tobacco agricultural and fertilizer is reported under one single segment. From 1 April 2012 onwards, the fertilizer and pesticide operation segment is separately disclosed as an individual operating segment. Income and expenses that are directly attributable to the reportable segments are also affected. Comparative figures have been restated to conform to the current period presentation.

The Group has identified the following reportable segments:

— Tobacco agricultural operation;
— Fertilizer and pesticide operation;
— Digital television operation; and
— Healthcare products operation.

Segment results represent the profit earned or loss incurred by each segment, but exclude interest income, unallocated gains, corporate and other unallocated expenses, finance costs, other losses and share of results of associates.

Segment assets include all assets, but exclude interests in associates, deferred tax assets and unallocated corporate assets.

Segment liabilities include all liabilities, but exclude amount due to a director, deferred tax liabilities, convertible bond and unallocated corporate liabilities.

(a) Segment results

	Unaudited Six months ended 30 September 2013					Unaudited Six months ended 30 September 2012				
	Tobacco Agricultural operation HK$'000	Fertilizer and Pesticide operation HK$'000	Digital Television operation HK$'000	Healthcare Products operation HK$'000	Total HK$'000	Tobacco Agricultural operation HK$'000 (Restated)	Fertilizer and Pesticide operation HK$'000 (Restated)	Digital Television operation HK$'000	Healthcare Products operation HK$'000	Total HK$'000 (Restated)
Segment revenue										
Sales to external customers	393,917	8,652	1,977	49	404,595	514,095	22,865	2,686	374	540,020
Other revenue	1	28	—	—	29	126	—	—	—	126
	393,918	8,680	1,977	49	404,624	514,221	22,865	2,686	374	540,146
Segment results	39,664	(5,848)	(1,022)	(2,480)	30,314	76,317	(3,511)	(490)	(2,355)	69,961
Reconciliation:										
Interest income					2,069					4,489
Unallocated gains					4,288					5
Corporate and other unallocated expenses					(9,525)					(9,521)
Finance costs					(14,605)					(11,659)
Other losses					(104,322)					(67,825)
Share of results of associates					—					(681)
Loss before income tax					(91,781)					(15,231)

(b) Segment assets and liabilities

	Unaudited At 30 September 2013					Audited At 31 March 2013				
	Tobacco Agricultural operation HK$'000	Fertilizer and Pesticide operation HK$'000	Digital Television operation HK$'000	Healthcare Products operation HK$'000	Total HK$'000	Tobacco Agricultural operation HK$'000 (Restated)	Fertilizer and Pesticide operation HK$'000 (Restated)	Digital Television operation HK$'000 (Restated)	Healthcare Products operation HK$'000 (Restated)	Total HK$'000 (Restated)
Segment assets	1,038,871	60,632	6,706	42,076	1,148,285	1,093,194	74,174	6,606	42,620	1,216,594
Reconciliation:										
Deferred tax assets					3,360					3,399
Corporate and other unallocated assets					42,386					37,877
Total assets					1,194,031					1,257,870
Segment liabilities	555,900	9,774	22,771	45,654	634,099	578,358	3,942	21,234	39,598	643,132
Reconciliation:										
Deferred tax liabilities					32,816					36,120
Convertible bond					751,045					756,961
Corporate and other unallocated liabilities					65,276					15,511
Total liabilities					1,483,236					1,451,724

(c) Geographical information

The following tables provide an analysis of the Group's revenue from external customers and non-current assets other than deferred tax assets.

	Unaudited Six months ended 30 September	
	2013	2012
	HK$'000	HK$'000
Revenue from external customers		
The PRC	**404,595**	540,020
Hong Kong	**—**	—
	404,595	540,020

	Unaudited As at 30 September 2013	Audited As at 31 March 2012
	HK$'000	HK$'000 (Restated)
Non-current assets		
The PRC	**232,074**	260,490
Hong Kong	**550**	515
	232,624	261,005

6. TURNOVER

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Sales of agricultural machinery and provision of construction services	**141,133**	68,926	**393,917**	514,095
Sales of fertilizer and pesticide	**6,852**	8,480	**8,652**	22,865
Provision of digital television services	**736**	1,424	**1,977**	2,686
Sales of cordyceps-related and other healthcare products	**23**	289	**49**	374
	148,744	79,119	**404,595**	540,020

7. OTHER REVENUE

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2013	2012	**2013**	2012
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)
Government grants (note below)	**—**	123	**—**	123
Interests income	**754**	2,346	**2,069**	4,489
Waiver of interest expenses on convertible bond	**2,149**	—	**4,274**	—
Sundry income	**1**	8	**43**	8
	2,904	2,477	**6,386**	4,620

Government grants mainly include government grants received for investments in Jiangsu province in the PRC. There are no unfulfilled conditions or contingencies relating to these grants.

8. OTHER LOSSES

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2013	2012	**2013**	2012
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)
Change in fair value of financial assets designated at fair value through profit or loss	**—**	(3)	**—**	(3)
Gain on disposal of assets held for sale	**—**	—	**—**	(35,469)
Loss on redemption of convertible bond	**—**	—	**12,670**	44,570
Loss on disposal of interests in associates	**—**	—	**—**	1,504
Change in fair value of convertible bond	**36,918**	57,223	**36,918**	57,223
Impairment loss on trade receivables	**54,734**	—	**54,734**	—
	91,652	57,220	**104,322**	67,825

9. FINANCE COSTS

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2013	2012	**2013**	2012
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)
Interests on bank loans wholly repayable within five years	**2,752**	3,342	**6,354**	8,226
Interests on other loans	**4,912**	1,845	**8,251**	3,433
	7,644	5,187	**14,605**	11,659

10. LOSS BEFORE INCOME TAX

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2013	2012	**2013**	2012
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)
Staff costs				
Contributions to defined contribution retirement plans	**744**	543	**1,318**	1,041
Equity-settled share-based payment expenses	**63**	125	**126**	191
Salaries, wages and other benefits	**10,413**	9,998	**17,900**	18,086
	11,220	10,666	**19,344**	19,318
Other items				
Amortisation				
— prepaid land lease payments	**68**	68	**136**	136
— other intangible assets	**9,008**	16,500	**24,705**	33,004
Depreciation on property, plant and equipment	**2,322**	1,752	**4,158**	3,789
Gain on disposal of assets held for sale	**—**	—	**—**	35,469
Loss on disposals of property, plant and equipment	**—**	267	**—**	267
Loss on write-off of property, plant and equipment	**—**	98	**142**	171
Impairment loss on trade receivables	**54,734**	—	**54,734**	—
Operating lease charges: minimum lease payments				
— hire of building	**2,136**	1,418	**2,794**	2,571
— hire of office equipment	**17**	9	**34**	23
Auditors' remuneration				
— audit services in current period	**163**	313	**475**	625
— audit services under provided in prior years	**—**	65	**—**	65
— other services	**243**	8	**244**	9
Cost of inventories recognised as expense	**100,218**	57,944	**269,342**	362,590
Research and development costs	**6,102**	1,088	**7,731**	2,643

11. INCOME TAX EXPENSE/(CREDIT)

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2013	2012	**2013**	2012
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)
Current tax — Hong Kong Profits Tax				
Provision for the period	**—**	—	**—**	—
Current tax — PRC Enterprise Income Tax				
Provision for the period	**1,118**	13	**7,589**	15,124
	1,118	13	**7,589**	15,124
Deferred tax				
Origination and reversal of temporary differences	**(1,630)**	(15,806)	**(3,265)**	(15,529)
Income tax expense/(credit)	**(512)**	(15,793)	**4,324**	(405)

No provision for Hong Kong profits tax has been made in the financial statements of subsidiaries in Hong Kong as there were no estimated assessable profits for the six months ended 30 September 2013 and 2012.

In accordance with the relevant tax laws and regulations in the PRC, the PRC subsidiaries are subject to an enterprise income tax rate of 25% (2012: 25%) on its taxable income. However, one of the PRC subsidiaries is entitled to exemption of enterprise income tax for two years starting from the first year of profitable operations after offsetting prior year tax losses, followed by a three years 50% tax reduction. Accordingly, the PRC subsidiary enjoyed 50% tax deduction. After the expiry of the above tax concession on 31 December 2012, that subsidiary had been designated as a High-Tech Enterprise and its PRC enterprise income tax rate was subjected to 15% in accordance with the relevant PRC tax laws and regulations. The remaining subsidiaries of the Company in the PRC are subject to PRC enterprise income tax at 25% (2012: 25%) on their taxable income.

12. LOSS PER SHARE FOR LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

Basic loss per share is calculated by dividing the loss for the period attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the period excluding ordinary shares purchased by the Company.

	Unaudited Three months ended 30 September		**Unaudited Six months ended 30 September**	
	2013	2012	**2013**	2012
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)
Loss				
Loss attributable to the owners of the Company	**(99,586)**	(82,379)	**(93,744)**	(13,747)
	2013	2012	**2013**	2012
	'000	'000	**'000**	'000
Numbers of shares				
Weighted average number of ordinary shares in issue during the period	**2,713,798**	2,713,798	**2,713,798**	2,713,798

Basic and diluted loss per share for the three months and six months ended 30 September 2013 and 2012 have been presented as equal because the exercise prices of the Company's share options were higher than the average market price for these periods and therefore the effect is considered as anti-dilutive.

No adjustment has been made to the basic loss per share amounts presented for the three months and six months ended 30 September 2013 and 2012 in respect of a dilution as the impact of the convertible bond outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

13. TRADE AND OTHER RECEIVABLES

	Unaudited As at 30 September 2013 HK$'000	Audited As at 31 March 2013 HK$'000 (Restated)
Trade and bill receivable	**547,539**	363,120
less: Impairment loss (note b)	**(54,734)**	—
	492,805	363,120
Other receivables and deposits	**179,246**	108,703
Prepayments	**117,838**	201,489
	297,084	310,192
	789,889	673,312

Notes:

(a) Based on the invoice dates, the ageing analysis of the trade and bills receivables (net of impairment loss) is as follows:

	Unaudited As at 30 September 2013 HK$'000	Audited As at 31 March 2013 HK$'000
Current	**71,345**	65,067
30–90 days	**110,011**	20,567
91–180 days	**194,758**	66,694
Over 180 days	**116,691**	210,792
	492,805	363,120

The average credit period on sales of goods within 180 to 270 days from invoice date.

(b) The movement in provision for impairment of trade receivables during the period is as follows:

	Unaudited Six months ended 30 September 2013 HK$'000
At 1 April 2013	**—**
Impairment loss recognised during the period	**54,734**
At 30 September 2013	**54,734**

14. TRADE AND OTHER PAYABLES

	Unaudited As at 30 September 2013 HK$'000	Audited As at 31 March 2013 HK$'000
Trade and bills payables (note a)	**101,231**	96,331
Other payables and accruals	**108,816**	50,688
Amount due to a non-controlling shareholder of a subsidiary (note b)	**979**	1,129
Amount due to a director (note c)	**4,759**	5,541
	215,785	153,689

Notes:

(a) Ageing analysis of trade and bills payables as at the end of the reporting periods were as follow:

	Unaudited As at 30 September 2013 HK$'000	Audited As at 31 March 2013 HK$'000
Current	**33,868**	35,534
30–90 days	**23,602**	25,275
91–180 days	**18,683**	11,687
Over 180 days	**25,078**	23,835
	101,231	96,331

(b) The amount due to a non-controlling shareholder of a subsidiary is unsecured, interest free and repayable on demand.

(c) The amount due to a director amounting to HK$4,620,000 (31 March 2013: HK$5,447,000) is unsecured, bears interest at 7% per annum and is repayable within a year.

INTERIM DIVIDEND

The directors do not recommend the declaration of the payment of an interim dividend for the six months ended 30 September 2013 (2012: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Tobacco agricultural operation

The tobacco agricultural operation has a significant setback of revenue of HK$393.9 million (2012: HK$514.1 million) for the period under review. The decrease was primarily due to the sales shrinkage of tobacco flue-curing barns in the PRC and uncertain market sentiment. In light of this, the management is taking measures to enrich the product scope and reallocating resources to enhance the sale of greenhouse and other transplanting machinery. The flue-curing machinery products "KH" series remain as the well recognised product in the industry.

Fertilizer and pesticide operation

The sale of fertilizer and pesticide has only recorded HK$8.7 million (2012: HK$22.9 million) revenue which represented a material decrease as compared to same period last year. The major products of this operation are flumetralin and biological fertilizers which are generally applied in soil transformation for tobacco cultivation and the growing of organic tobacco. As the market sentiment and demand of fertilizers are uncertain, the management are of the view the performance of this operation is not optimistic in the second half of the financial year.

Digital television operation

The digital television operation has recorded a revenue of HK$2.0 million (2012: HK$2.7 million) representing a decrease of 26.4% as compared to same period last year. During the period under review, advertising income, being the major source of revenue of this operation, has been hindered by unfavour broadcasting policy in Hunan Province, the PRC. In additional to the peer competition, other product substitution in the internet media has imposed immense pressure to this operation. Management believe that the performance of this operation is unlikely to improve in the foreseeable future. Despite of that, the Company will continue to explore new business opportunities and improve its program quality.

Other operation

The healthcare products operation was severely underperformed with tiny sales of HK$49,000 for the period under review (2012: HK$374,000). The decrease was mainly due to shrinkage in the demand of cordyceps-related healthcare products and the diminishing sales network, immense pressure from peer competition and rising operating costs. The Group is now considering possible disposal of this operation if opportunity arises.

FINANCIAL REVIEW

Turnover

For the period under review, the Group‘s turnover was HK$404.6 million, representing a significant decrease of 25.1% (2012: HK$540.0 million) as compared to the same period last year. Such decrease was mainly due to the sales shrinkage of tobacco flue-curing barns and uncertain market sentiment in major tobacco-growing areas in the PRC. As to the unique characteristic of the seasonal effect of tobacco agricultural industry, it is foreseen that less sales will be recorded in the second half of the financial year.

Cost of sales and services and gross profit

For the period under review, the Group’s cost of sales and services was decreased to HK$272.0 million (2012: HK$365.5 million) which mainly included costs of goods sold, sheet steel, direct wages and delivery costs, and the Group’s gross profit was reduced to HK$132.6 million (2012: HK$174.5 million). As a result of the enhancement of cost control, the Group’s overall gross profit margin has slightly improved by 0.5% to 32.8% (2012: 32.3%) as compared to same period last year. The management will continue to keep close monitoring the sheet steel prices, logistic costs, production overheads and product mix in order to maximize the profit margin.

Distribution costs and administrative expenses

For the period under review, the Group recorded total distribution costs of HK$54.2 million (2012: HK$52.4 million). The distribution costs mainly consisted of transportation, labour costs, travelling expenses and business soliciting expenditures. The increase in distribution costs was mainly attributable to the surge in number of times of delivery turnaround and transportation cost as a result of more sales orders with less quantity involved that need to be fulfilled particularly in the first quarter of the financial year.

The Group has adopted austerity measures to trim down the Group’s overall administrative expenses to cope with the challenging business environment. As results, the administrative expenses for the period under review have slightly decreased by 6.6% to HK$57.7 million (2012: HK$61.8 million).

Other losses

The convertible bond of certificate number 3 of aggregate principal amount of HK$50 million issued by the Company was redeemed and thereby a loss of HK$12.7 million was recognised during the period under review. At 30 September 2013, the Company’s convertible bond of the principal amount of HK$852.4 million remains outstanding with maturity date in year 2015.

After assessing the recoverability of account receivables, an impairment on trade receivable was made and an impairment loss of HK$54.7 million (2012: Nil) was recognized.

Finance costs

The finance costs were increased by 24.7% to HK$14.6 million (2012: HK$11.7 million). The increase in financing cost was partially attributed to the private placement bonds as mentioned below.

Loss attributable to owners of the Company

For the six months ended 30 September 2013, the loss attributable to owners of the Company was HK$93.7 million (2012: HK$13.7 million), representing an increase of almost six times as compared to the same period last year. The increase in loss attributable to owners of the Company was mainly due to a change in fair value of convertible bond, the impairment loss on trade receivables, loss on redemption of convertible bond, shrinkage of overall revenue and financing cost as well.

Liquidity, financial resources and capital structure

At 30 September 2013, the Group's cash and bank balances were HK$19.9 million (31 March 2013: HK$11.3 million), and it also had current assets of HK$958.0 million (31 March 2013: HK$993.4 million) and liquid assets of HK$913.9 million (31 March 2013: HK$812.2 million), excluding pledged bank deposits secured for bank borrowings. The Group's current ratio at the period ended date, calculated based on current assets of HK$958.0 million (31 March 2013: HK$993.4 million) divided by current liabilities of HK$574.9 million (31 March 2013: HK$658.6 million), was at a healthy ratio of 1.67 (31 March 2013: 1.51).

The Group's outstanding borrowings were HK$475.2 million as at 30 September 2013 (31 March 2013: HK$502.8 million) and all of which were denominated in Renminbi. The borrowings of HK$350.8 million are due to mature within one year and other borrowings within two years.

The management will endeavor to enhance the financial strengths. Cost control measures have already been in place to monitor the operational and administrative expenses. Management will also continue to closely monitor the Group's financial resources in a cautions manner and explore opportunities to streamline the capital structure for the sake of long term development of the Group.

PRIVATE PLACEMENT BONDS

Jiangsu Kedi Modern Agriculture Company Limited, an indirectly wholly owned subsidiary of the Company, pursuant to the applicable regulations and rules in the PRC, has successfully issued two years small and medium-sized enterprise private placement bonds with aggregate principal amount of RMB60 million (equivalent to HK$74.0 million) carrying terms of 24 months tenure, unlisted, unsecured and bearing interest at the rate of 9.0% per annum. The bonds were registered in the Shenzhen Stock Exchange and the subscribers of which were financial institutions designated and approved by the Shenzhen Stock Exchange.

LEGAL PROCEEDINGS

The litigation in relation to the winding-up petition filed by Zhang Weibing (the "Petitioner") against the Company has been dismissed for the period under review. For another High Court Action No. HCA 776/2013 in relation to the Writ of Summon issued by Cyberland (China) limited ("Cyberland") claiming against the Petitioner and the Company, the Company has subsequently reached a settlement on 24 September 2013 with Cyberland for discontinuation of the action with no order as to costs.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATE

The majority of the Group's borrowings and transactions were primarily denominated in Renminbi and Hong Kong dollars. Both the operating expenses and revenue were primarily denominated in Renminbi. The continued growth in the economy of China is expected to warrant a continued appreciation of Renminbi. The Group's reported assets, liabilities and results may be affected by the Renminbi exchange rates. Although Renminbi exchange risk exposure did not have significant impact on the Group during the period under review, the Group will keep on reviewing and monitoring the fluctuation in exchange rates between Renminbi and Hong Kong dollars, and may make appropriate foreign exchange hedging arrangements when necessary.

EMPLOYEE

At 30 September 2013, the Group had 379 employees including directors (30 September 2012: 392). Total staff costs,incluing directors' emoluments for the six months ended 30 September 2013 was HK$19.2 million (30 September 2012: HK$19.1 million). Salary package for employees are benchmarked to market conditions, staff's experience and individual performance. Other benfits offered by the Group included medical insurance, mandatory provident fund scheme, training subsidies, share option scheme and discretionary bonus.

PROSPECTS

As a major player in the PRC's tobacco agricultural industry, one of the Group's business directions is to assist the continuous modernisation of the industry and to implement policies in the best interests of our shareholders, business partners, employees, and tobacco farmers in the PRC and other stakeholders. With a mature technical competence, products of quality and effective operational management team, the Group has established a sustainable development foundation, and a reputable branding with high quality within the tobacco agricultural industry in the PRC. However, in view of the tough business environment in the PRC and the uncertainties over the market sentiment of intensive flue-curing barns machinery, evaluation of credit control and cost control measures have already been in place to enhance the Group overall competitiveness in the tobacco industry.

With an aim to maximise shareholders' long term return, the Group will take a prudent and cautious approach to capture and evaluate possible business opportunities, and will continue to reinforce its position in the intensive fluecuring machinery, by streamlining its business model, financing, aspiring further advancement in its product quality and innovation, and enhancing the Group's resources utilisation in an cost-effective approach.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

At 30 September 2013, the interests and short positions of the Directors and chief executives of the Company in the ordinary share of HK$0.01 each in the share capital of the Company ("Shares"), underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO")), as recorded in the register which is required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the SFO or the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") were as follows:

Long positions in the Shares and underlying Shares

Name of Director	Capacity and nature of interests	Number of Shares and underlying Shares held	Approximate percentage of shareholding
Ms. Jingquan Yingzi	Interests held by controlled corporation and beneficial owner	2,027,546,744 (note (b))	74.71%
Mr. Wong Man Hung Patrick	Beneficial owner	32,000,000	1.18%
Mr. Shan Xiaochang	Interests held by controlled corporation and beneficial owner	1,984,776,744 (note (a) and (b))	73.14%
Mr. Feng Xiaoping (note (c))	Interests held by controlled corporation	31,618,750	1.17%

Notes:

(a) 1,982,326,744 underlying Shares are held by Cyberland (China) Limited, which is legally and beneficially owned as to 54.63% by Stepwise International Holdings Limited ("Stepwise"). Stepwise is legally and beneficially wholly owned by Mr. Shan Xiaochang ("Mr. Shan"). Mr. Shan has resigned as an executive Director of the Company on 2 November 2013.

(b) The interests refer to the same parcel of underlying Shares.

(c) 31,618,750 Shares are held by Sino Unicorn Technology Limited, a company in which Mr. Feng Xiaoping ("Mr. Feng") has an indirect interest of 51% therein. Mr. Feng retired as an executive Director of the Company on 28 September 2012.

Save as disclosed above, at 30 September 2013, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of GEM Listing Rules relating to securities transactions by Directors.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

At 30 September 2013, so far as was known to the Directors, the following persons (not being Directors or chief executives of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Long positions in the Shares and underlying Shares

Name of shareholders	Capacity	Number of Shares/ underlying Shares held	Percentage of shareholding
Mr. Lee Yuk Lun	Beneficial interest	219,298,244	8.08%
Cyberland (China) Limited	Beneficial interest	1,982,326,744 (note (a) and (d))	73.05%
Stepwise International Holdings Limited	Interest of a controlled corporation	1,982,326,744 (note (a), (b) and (d))	73.05%
Ms. Wu Shuhua	Interest of child under 18 or spouse	1,984,776,744 (notes (c) and (d))	73.14%

Notes:

(a) Cyberland (China) Limited is legally and beneficially owned as to 54.63% by Stepwise.

(b) Stepwise is legally and beneficially wholly owned by Mr. Shan. Mr. Shan has resigned as an executive Director of the Company on 2 November 2013.

(c) Ms. Wu Shuhua is the spouse of Mr. Shan. By virtue of the SFO, Ms. Wu is also deemed to be interested in all Shares in which Mr. Shan is interested and/or deemed to be interested.

(d) The interests refer to the same parcel of underlying Shares.

Save as disclosed above, no other person had any interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

A share option scheme was adopted by the shareholders of the Company and became effective on 2 February 2009 and shall remain in force for a period of 10 years from that date. There is no movement of share options for the period under review and the outstanding share options at 30 September 2013 is presented as follows:

				Number of share options				
Category of participants	Date of grant	Exercise price per share HK$	Validity period	At 01.04.2013	Granted during the period	Exercised during the period	Lapsed during the period	At 30.9.2013
Consultants	10.12.2010 (note)	0.163	03.10.2012 to 02.10.2014	50,000,000	—	—	—	50,000,000
	03.10.2012	0.163	03.10.2012 to 02.10.2014	135,000,000	—	—	—	135,000,000
Employees	10.12.2010 (note)	0.163	03.10.2012 to 02.10.2014	10,000,000	—	—	—	10,000,000
Director	03.10.2012	0.163	03.10.2012 to 02.10.2014	7,000,000	—	—	—	7,000,000
				202,000,000	—	—	—	202,000,000

Note:

On 3 October 2012, the Company had resolved to modify the share options for a total of 60,000,000 previously granted to certain consultants and full-time employees of the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' and Chief Executives' interests and short positions in Shares, underlying Shares and debentures of the Company or any associated corporation" and the share option scheme above, at no time during the six months ended 30 September 2013 was rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

CORPORATE GOVERNANCE CODE

The Company is governed by the Board, which is responsible for overseeing the overall strategy and development of the Company, as well as monitoring the internal control policies and evaluating the financial performance of the Group. The Board sets the overall strategies and directions for the Group with a view to develop its business and enhance the shareholders' value. Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual and interim accounts for approval by the Board before publication, execution of business strategies and initiatives made by the Board, implementation of adequate internal control systems and risk management procedures, and compliance with relevant statutory requirements and rules and regulations. In the opinion of the Board, the Company has complied with all the code provisions as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 to the GEM Listing Rules (the "CG Code") for the six months ended 30 September 2013.

INTERNAL CONTROL

As disclosed in the Annual Report 2013, there was non-compliance with the HKFRSs in the consolidated financial statement for the years ended 31 March 2010, 2011 and 2012. The non-compliance was resulted from errors in accounting treatments and inappropriate judgment on very substantial acquisition in 2010. The errors have already been properly dealt with and restated via correction of prior periods' errors in the Annual Report 2013 and subsequent financial statements. To avoid similar non-compliance in the future, the Board has engaged an independent accounting firm to review the effectiveness of the Group's internal control procedures and financial reporting system. The accounting firm has completed the review and issued the Corporate Governance Review & Internal Control Report ("CGIC Report") in November 2013.

The CGIC Report indicated that the management has been proactively dealt with the non-compliance and has taken specific procedures in improving the controls on financial reporting procedures, including but not limited to (a) a mechanism was in place that if there is significant transaction taken place during the financial year that requires significant management judgment and involves complex accounting treatments, the financial controller can seek independent review opinion from a qualified professional firm if necessary; (b) the Audit Committee's terms of reference clearly stated that the Audit Committee should obtain, at the Company's expenses, independent professional advice or to secure assistance from external parties with relevant experience and expertise if necessary.

The Company has proper internal control and procedures over the financial reporting that enables the Board to ensure the accuracy and completeness of the information in the financial statements. However, the findings of CGIC Report show that there are areas where further steps could be taken by the Board to enhance the corporate governance and internal control as below:

The findings and recommendations of CGIC Report are set out as below:

(i) Supervision over subsidiaries in the PRC and month end closing control policies

The Hong Kong finance team visits the PRC subsidiaries only on an occasional basis, so there is no regular on-site supervision and review of the financial reporting process over the subsidiaries in the PRC. The financial information submitted by the subsidiaries of the Company should include qualitative and narrative information on the subsidiaries' operation and latest development;

(ii) Composition of Audit Committee

The Audit Committee is currently chaired by an Independent Non-Executive Director who has extensive legal experience in the industry and Listing Rule provisions. It is recommended that the Audit Committee should be chaired by a person who has extensive accounting and related financial reporting expertise;

(iii) Training and continuing professional development

Although the Company has a formal staff and director training budget policy, there is no formal policies regarding the continuous professional development requirement of each Board member and there is no designated personnel to manage the training issues. It is recommended that a minimum hour of trainings by each Director in a year to be e.g. 8 hours, and the Nomination Committee should be responsible for reviewing whether the Directors are spending sufficient time performing their duties and monitoring the training of Directors;

(iv) Adopting good governance practice beyond the CG Code requirement

The Board is recommended to disclose information set out in the paragraph Q-T of the Appendix 15 of GEM Listing Rules and consider to adopt the CG Code beyond requirement;

(v) Areas of further improvement on the corporate governance terms of reference

It is recommended that the Company could revise the terms of reference of various committee, for instance, incorporating the whistle-blowing handling in the terms of reference of Audit Committee; and

(vi) Establish of corporate governance committee

It is recommended that the Company should establish a corporate governance committee which plays a critical role in overseeing matters of corporate governance for the Board, including formulating and recommending governance principles and policies.

In response to the findings and recommendation of CGIC Report:

During the review period, the Company has complied with all the CG Code. In response to the recommendations of the CGIC Report, the Company has proactively reviewed the recommendations and has adopted most of the recommended measures which are already in place subsequent to the release of CGIC Report including but not limited those as set out below:

(a) The Company has adopted the recommendations regarding the enhancement of financial reporting procedures;

(b) The composition of the Audit Committee is subsequently enhanced and chaired by Mr. Lee Chi Hwa Joshua ("Mr. Lee"), being an existing member of the Audit Committee. Mr. Lee is a fellow member of the Association of Chartered Certified Accountants and a member of Hong Kong Institute of Certified Public Accountants;

(c) Regarding the continuous professional development of the Board members, specific personnel is designated to manage Directors' training issues, including the recommendation of programs, seminars, articles in relation to the corporate governance, financial reporting and prevailing regulations. Non-executive Directors are eagerly engaged in the program. The Board has advised all members to meet the minimum hour of training at the best effort basis; and

(d) For the recommendation of (v) above, the Board will consider to revise or enhance the terms of reference of the Audit Committee and the Nomination Committee. To the matter of facts, the Board has established the whistle-blowing procedures and they are already in place.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the period under review, the Company continued to adopt a code of conduct regarding Director's securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct regarding securities transactions by the Directors for the six months ended 30 September 2013.

COMPETING BUSINESS

None of the Directors or management shareholders of the Company (as defined in the GEM Listing Rules) has an interest in a business that competed or may compete with the business of the Group.

PURCHASES, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its listed securities during the six months ended 30 September 2013. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the six months ended 30 September 2013.

AUDIT COMMITTEE

The Company had established an Audit Committee on 20 March 2001 with written terms of reference in compliance with the requirements as set out in the GEM Listing Rules. The terms of reference was revised on 29 March 2012 in order to comply with the revised provision of the CG Code. The primary duties of the Audit Committee are to review the Group's annual report and accounts, half-year report and quarterly reports and to provide advice and comments thereon to the Board and to review and to provide supervision over the financial reporting process and internal control system of the Group. The Audit Committee comprises of all the independent non-executive directors of the Company, namely Mr. Sousa Richard Alvaro, Mr. Lee Chi Hwa, Joshua and Mr. Zhao Zhizheng. The Audit Committee is chaired by Mr. Lee with effect form 7 January 2014. The Audit Committee together with the management has reviewed the accounting principles and practices adopted by the Group, the unaudited interim results for the six months ended 30 September 2013, and discussed the financial control, internal control and risk management systems.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:09 a.m. on 24 June 2013 pending the release of this results announcement. An application has been made by the Company to the Stock Exchange for the resumption of the trading in the Shares with effect from 9:00 a.m. on 16 January 2014.

On behalf of the Board
Code Agriculture (Holdings) Limited
Jingquan Yingzi
Chairman

Hong Kong, 15 January 2014

As of the date of this announcement, the executive Directors are Ms. Jingquan Yingzi (Chairman), Mr. Wong Man Hung Patrick, Mr. Wu Zhongxin and Mr. Stephen William Frostick; the non-executive Director is Prof. Liu Guoshun; and the independent non-executive Directors are Mr. Sousa Richard Alvaro, Mr. Lee Chi Hwa Joshua and Mr. Zhao Zhizheng.

This announcement will remain on the "Latest Company Announcements" page of the GEM website for 7 days from the date of its publication and on the Company's website at http://www.code-hk.com.