



## **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 2014**

#### **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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**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.**

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## 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 2014, together with the comparative unaudited figures for the corresponding period in 2013, as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 September 2014

	Note	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
		2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Turnover	6	<b>26,009</b>	148,744	<b>80,223</b>	404,595
Cost of sales and services		<b>(18,626)</b>	(102,235)	<b>(52,702)</b>	(271,949)
Gross profit		<b>7,383</b>	46,509	<b>27,521</b>	132,646
Other revenue	7	<b>2,405</b>	2,904	<b>4,411</b>	6,386
Distribution costs		<b>(7,036)</b>	(24,685)	<b>(16,220)</b>	(54,180)
Administrative expenses		<b>(7,514)</b>	(26,682)	<b>(20,691)</b>	(57,706)
(Loss)/Profit from operations		<b>(4,762)</b>	(1,954)	<b>(4,979)</b>	27,146
Other losses	8	<b>(26,310)</b>	(91,652)	<b>(29,116)</b>	(104,322)
Finance costs	9	<b>(9,015)</b>	(7,664)	<b>(17,668)</b>	(14,605)
<b>Loss before income tax</b>	10	<b>(40,087)</b>	(101,270)	<b>(51,763)</b>	(91,781)
Income tax (expense)/credit	11	<b>(20)</b>	512	<b>634</b>	(4,324)
<b>Loss for the period</b>		<b>(40,107)</b>	(100,758)	<b>(51,129)</b>	(96,105)
<b>Loss for the period attributable to:</b>					
Owners of the Company		<b>(40,106)</b>	(99,586)	<b>(50,180)</b>	(93,744)
Non-controlling interests		<b>(1)</b>	(1,172)	<b>(949)</b>	(2,361)
		<b>(40,107)</b>	(100,758)	<b>(51,129)</b>	(96,105)
<b>Loss per share for loss attributable to owners of the Company during the period</b>					
Basic and diluted – HK cents per share	12	<b>(1.48)</b>	(3.67)	<b>(1.85)</b>	(3.45)

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 September 2014

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
Note	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
<b>Loss for the period</b>	<b>(40,107)</b>	(100,758)	<b>(51,129)</b>	(96,105)
<b>Other comprehensive income for the period</b>				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences reclassified on disposal of subsidiaries	—	—	<b>(3,548)</b>	—
<b>Total comprehensive income for the period</b>	<b>(40,107)</b>	(100,758)	<b>(54,677)</b>	(96,105)
<b>Total comprehensive income for the period attributable to:</b>				
Owners of the Company	(40,106)	(99,586)	(53,728)	(93,744)
Non-controlling interests	(1)	(1,172)	(949)	(2,361)
	<b>(40,107)</b>	(100,758)	<b>(54,677)</b>	(96,105)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2014

		Unaudited As at 30 September 2014 HK\$'000	Audited As at 31 March 2014 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		45,875	61,867
Prepaid land lease payments		10,448	10,586
Other intangible assets		26,885	31,661
Deferred tax assets		3,684	3,719
		<b>86,892</b>	107,833
<b>Current assets</b>			
Inventories		54,903	50,735
Financial assets at fair value through profit or loss		–	1,875
Trade receivables	13	316,297	357,589
Prepayments, other receivables and deposits	13	160,722	170,494
Tax recoverable		1,109	–
Pledged deposits		69,634	44,078
Cash and cash equivalents		4,032	2,816
		<b>606,697</b>	627,587
<b>Current liabilities</b>			
Trade and bills payables	14	97,874	68,417
Other payables and accruals	14	61,578	52,079
Amount due to a director	14	225	–
Amount due to a non-controlling shareholder of a subsidiary	14	754	852
Borrowings		344,357	383,266
Convertible bond		623,933	609,897
Tax payable		–	6
		<b>1,128,721</b>	1,114,517
<b>Net current liabilities</b>		<b>(522,024)</b>	(486,930)
<b>Total assets less current liabilities</b>		<b>(435,132)</b>	(379,097)

	<b>Unaudited</b> <b>As at</b> <b>30 September</b> Note <b>2014</b> <b>HK\$'000</b>	Audited As at 31 March 2014 HK\$'000
<b>Non-current liabilities</b>		
Borrowings	53,342	52,574
Deferred tax liabilities	<u>6,734</u>	<u>7,450</u>
	<u>60,076</u>	<u>60,024</u>
<b>Net liabilities</b>	<u><b>(495,208)</b></u>	<u>(439,121)</u>
<b>EQUITY</b>		
Share Capital	27,138	27,138
Reserves	<u>(516,515)</u>	<u>(462,787)</u>
Equity attributable to owners of the Company	<u>(489,377)</u>	(435,649)
Non-controlling interests	<u>(5,831)</u>	<u>(3,472)</u>
<b>Capital deficiency</b>	<u><b>(495,208)</b></u>	<u>(439,121)</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2014

	Attributable to owners of the Company								Non-controlling interests	Total
	Share capital	Share premium	Accumulated losses	Merger reserve	Statutory reserve	Share option reserve	Exchange reserve	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (note a)	HK\$'000 (note b)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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)
Loss 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)	<u>27,138</u>	<u>1,056,184</u>	<u>(1,495,104)</u>	<u>(197)</u>	<u>24,347</u>	<u>18,278</u>	<u>80,720</u>	<u>(288,634)</u>	<u>(571)</u>	<u>(289,205)</u>
At 1 April 2014	<b>27,138</b>	<b>1,056,184</b>	<b>(1,638,679)</b>	<b>(197)</b>	<b>24,347</b>	<b>7,915</b>	<b>87,643</b>	<b>(435,649)</b>	<b>(3,472)</b>	<b>(439,121)</b>
Loss for the period	-	-	(50,180)	-	-	-	-	(50,180)	(949)	(51,129)
Other comprehensive income for the period - Exchange difference reclassified on disposal of subsidiaries	-	-	-	-	-	-	(3,548)	(3,548)	-	(3,548)
Total comprehensive income for the period	-	-	(50,180)	-	-	-	(3,548)	(53,728)	(949)	(54,677)
Released on disposal of subsidiaries	-	-	-	-	-	-	-	-	(1,410)	(1,410)
At 30 September 2014 (unaudited)	<u>27,138</u>	<u>1,056,184</u>	<u>(1,688,859)</u>	<u>(197)</u>	<u>24,347</u>	<u>7,915</u>	<u>84,095</u>	<u>(489,377)</u>	<u>(5,831)</u>	<u>(495,208)</u>

Notes:

- (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 2014

	<b>Unaudited Six months ended 30 September 2014 HK\$'000</b>	Unaudited Six months ended 30 September 2013 HK\$'000
Net cash generated from operating activities	<b>19,647</b>	2,707
Net cash (used in)/generated from investing activities	<b>(18,431)</b>	136,344
Net cash used in financing activities	<b>–</b>	(130,392)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	<b>1,216</b>	8,659
<b>Cash and cash equivalents at beginning of period</b>	<b>2,816</b>	11,313
	<hr/>	<hr/>
Effect of foreign exchange rate changes	<b>–</b>	–
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of period</b>	<b>4,032</b>	19,972
	<hr/>	<hr/>
<b>Analysis of balances of cash and cash equivalents</b>		
Cash at banks and in hand	<b>4,032</b>	19,972
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# 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 agricultural intensive flue-curing barns and trading of related machinery, provision of digital television services 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 2014 (“Interim Financial Statements”) are unaudited but have been reviewed by the audit committee of the Company (the “Audit Committee”) and approved for issue by the Board on 13 November 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 2014 (the “Annual Report 2014”).

### Going concern

The Group incurred unaudited loss for the period ended 30 September 2014 of approximately HK\$51.1 million and as of that date, the Group recorded both unaudited net current liabilities and net liabilities. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern.

The directors of the Company (the “Directors”) as stated in the Annual Report 2014 have taken the following actions to mitigate the liquidity issues facing by the Group and the Company:

- (i) The Company received a letter from Cyberland (China) Limited (“Cyberland”), which holds the convertible bond (the “CB 2015”) of principal amount outstanding of approximately HK\$652.4 million issued by the Company, that Cyberland may consider the following arrangements: (a) unconditional and non-recourse waiver of around HK\$200 million to HK\$300 million of the CB 2015 without recourse; (b) early redemption of around HK\$200 million to HK\$300 million of the CB 2015 in cash or by way of other assets of the Group; and (c) remaining balance of which to be replaced by an unsecured loan with tenure not less than 2 years or partial or full capitalisation by exercising the right of conversion prior to the maturity of CB 2015;



- (ii) The Group is in negotiation with financial institutions for new borrowings and extension of existing borrowings upon their due date;
- (iii) A substantial shareholder and a director of the Company have confirmed to provide continuous financial support to the Company; and
- (iv) The Group has adopted austerity measures to control and minimize administrative expenses and streamline the business model by disposal or closure of non-performing operation in the PRC.

In light of the measures and arrangements as described above, the Directors consider the Group have adequate working capital to meet its financial obligation as and when they fall due. Accordingly, the Directors are of the opinion that it is appropriate to prepare these consolidated financial statements on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

### **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 2014, 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 2014.

HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
Amendments to HKAS 36	Recoverable Amount Disclosures
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRIC) 21	Levies

The adoption of the new HKFRSs had no material effect on the results and financial position for the current or prior accounting periods which have been prepared and presented. Accordingly, no prior period adjustment has been recognised.

### **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of the Interim Financial Statements in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from their estimates.

The significant judgments, estimates and assumptions applied in the preparation of the Interim Financial Statements are consistent with those used in the Annual Report 2014.

## 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.

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 gain on disposal of subsidiaries.

Segment assets include all assets, but exclude deferred tax assets and corporate and other unallocated assets.

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

### (a) Segment results

	Unaudited Six months ended 30 September 2014					Unaudited Six months ended 30 September 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	Digital television operation HK\$'000	Healthcare products operation HK\$'000	Total HK\$'000 (restated)
<b>Segment revenue</b>										
Sales to external customers	75,312	-	4,898	14	80,224	393,917	8,652	1,977	49	404,595
Other revenue	416	-	-	-	416	1	28	-	-	29
	<u>75,728</u>	<u>-</u>	<u>4,898</u>	<u>14</u>	<u>80,640</u>	<u>393,918</u>	<u>8,680</u>	<u>1,977</u>	<u>49</u>	<u>404,624</u>
<b>Segment results</b>	<u>(25,780)</u>	<u>(491)</u>	<u>(36)</u>	<u>(713)</u>	<u>(27,020)</u>	<u>(15,070)</u>	<u>(5,848)</u>	<u>(1,022)</u>	<u>(2,480)</u>	<u>(24,420)</u>
Reconciliation:										
Interest income					710					2,069
Unallocated gains					3,285					4,288
Corporate and other unallocated expenses					(4,793)					(9,525)
Finance costs					(17,668)					(14,605)
Other losses					(17,332)					(49,588)
Gain on disposal of subsidiaries					11,055					-
<b>Loss before income tax</b>					<u>(51,763)</u>					<u>(91,781)</u>

**(b) Segment assets and liabilities**

	Unaudited At 30 September 2014					Audited At 31 March 2014				
	Fertilizer Tobacco agricultural operation HK\$'000	and pesticide operation HK\$'000	Digital television operation HK\$'000	Healthcare products operation HK\$'000	Total HK\$'000	Fertilizer Tobacco agricultural operation HK\$'000	and pesticide operation HK\$'000	Digital television operation HK\$'000	Healthcare products operation HK\$'000	Total HK\$'000
<b>Segment assets</b>	<b>683,666</b>	<b>-</b>	<b>3,954</b>	<b>-</b>	<b>687,620</b>	<b>644,794</b>	<b>31,790</b>	<b>4,159</b>	<b>42,220</b>	<b>722,963</b>
Reconciliation:										
Deferred tax assets					3,684					3,719
Corporate and other unallocated assets					2,286					8,738
Total assets					<b>693,590</b>					<b>735,420</b>
<b>Segment liabilities</b>	<b>488,906</b>	<b>-</b>	<b>3,541</b>	<b>-</b>	<b>492,447</b>	<b>434,219</b>	<b>6,327</b>	<b>3,711</b>	<b>52,885</b>	<b>497,142</b>
Reconciliation:										
Deferred tax liabilities					6,734					7,450
Convertible bond					623,934					609,897
Amount due to a director					225					-
Corporate and other unallocated liabilities					65,457					60,052
Total liabilities					<b>1,188,797</b>					<b>1,174,541</b>

(c) **Other segment information**

	Unaudited					Unaudited				
	Six months ended 30 September 2014					Six months ended 30 September 2013				
	Fertilizer				Total	Fertilizer				Total
Tobacco agricultural operation	and pesticide operation	Digital television operation	Healthcare products operation	Tobacco agricultural operation		and pesticide operation	Digital television operation	Healthcare products operation		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Depreciation	1,452	-	154	363	1,969	2,777	2	193	1,028	4,000
Unallocated depreciation					111					158
					<u>2,080</u>					<u>4,158</u>
Amortisation of other intangible assets	4,772	-	4	-	4,776	18,322	6,380	3	-	24,705
Amortisation of prepaid land lease payments	138	-	-	-	138	136	-	-	-	136
Impairment loss on trade receivables	10,246	-	-	-	10,246	54,734	-	-	-	54,734
Impairment loss on other receivables	12,593	-	-	-	12,593	-	-	-	-	-
Gain on disposal of subsidiaries					(11,055)					-
Waiver of interest expenses on convertible bond					(3,271)					(4,274)
Loss on redemption of convertible bond					-					12,670
Expense recognised in respect of equity-settled share-based payment					-					754
Change in fair value of convertible bond					<u>17,307</u>					<u>36,918</u>
Capital expenditure	(13)	525	406	10	928	66	6	354	9	435
Unallocated expenditure					<u>306</u>					<u>335</u>
					<u>1,234</u>					<u>770</u>

(d) **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.

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2014</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue from external customers</b>		
The PRC	<b>80,223</b>	404,595
Hong Kong	<b>–</b>	–
	<b>80,223</b>	<b>404,595</b>
	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>30 September</b>	<b>31 March</b>
	<b>2014</b>	<b>2014</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Non-current assets</b>		
The PRC	<b>82,915</b>	103,705
Hong Kong	<b>293</b>	409
	<b>83,208</b>	<b>104,114</b>

**6. TURNOVER**

	<b>Unaudited</b>		<b>Unaudited</b>	
	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>30 September</b>		<b>30 September</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Sales of agricultural machinery	<b>23,542</b>	141,133	<b>75,312</b>	393,917
Sales of fertilizer and pesticide	<b>–</b>	6,852	<b>–</b>	8,652
Provision of digital television services	<b>2,467</b>	736	<b>4,898</b>	1,977
Sales of cordyceps-related and other healthcare products	<b>–</b>	23	<b>13</b>	49
	<b>26,009</b>	<b>148,744</b>	<b>80,223</b>	<b>404,595</b>

## 7. OTHER REVENUE

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 September		30 September	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Gain on disposal of property, plant and equipment	165	–	165	–
Government grants	–	–	250	–
Interests income	583	754	710	2,069
Waiver of interest expenses on convertible bond	1,644	2,149	3,271	4,274
Sundry income	13	1	15	43
	<u>2,405</u>	<u>2,904</u>	<u>4,411</u>	<u>6,386</u>

## 8. OTHER LOSSES/(GAIN)

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 September		30 September	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Change in fair value of financial assets designated at fair value through profit or loss	–	–	25	–
Change in fair value of convertible bond	17,307	36,918	17,307	36,918
Loss on redemption of convertible bond	–	–	–	12,670
Gain on disposal of subsidiaries	–	–	(11,055)	–
Impairment loss on other receivables	12,593	–	12,593	–
(Reversal of)/provision for impairment loss on trade receivables	(3,590)	54,734	10,246	54,734
	<u>26,310</u>	<u>91,652</u>	<u>29,116</u>	<u>104,322</u>

## 9. FINANCE COSTS

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30 September		30 September	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interests on bank loans wholly repayable within five years	6,338	2,752	10,179	6,354
Interests on other loans	2,677	4,912	7,489	8,251
	<u>9,015</u>	<u>7,664</u>	<u>17,668</u>	<u>14,605</u>

## 10. LOSS BEFORE INCOME TAX

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
<b>Staff costs</b>				
Contributions to defined contribution retirement plans	335	744	739	1,318
Equity-settled share-based payment expenses	–	63	–	126
Salaries, wages and other benefits	5,554	10,413	9,907	17,900
	<b>5,889</b>	<b>11,220</b>	<b>10,646</b>	<b>19,344</b>
	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
<b>Other items</b>				
Amortisation				
– prepaid land lease payments	69	68	138	136
– other intangible assets	1	9,008	4,775	24,705
Depreciation on property, plant and equipment	922	2,322	2,079	4,158
Gain on disposals of property, plant and equipment	(165)	–	(165)	–
Loss on write-off of property, plant and equipment	15	–	15	142
Impairment loss on trade receivables	10,246	54,734	10,246	54,734
Impairment loss on other receivables	12,593	–	12,593	–
Operating lease charges: minimum lease payments				
– hire of building	865	2,136	1,935	2,794
– hire of office equipment	15	17	30	34
Cost of inventories recognised as expense	17,222	100,218	51,036	269,342
Research and development costs	732	6,102	1,700	7,731

**11. INCOME TAX EXPENSE/(CREDIT)**

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
<b>Current tax – Hong Kong</b>				
<b>Profits Tax</b>				
Provision for the period	–	–	–	–
<b>Current tax – PRC</b>				
<b>Enterprise Income Tax</b>				
Provision for the period	3	1,118	32	7,589
Under provision in prior periods	–	–	15	–
	<u>3</u>	<u>1,118</u>	<u>47</u>	<u>7,589</u>
<b>Deferred tax</b>				
Origination and reversal of temporary differences	17	(1,630)	(681)	(3,265)
<b>Income tax expense/(credit)</b>	<u>20</u>	<u>(512)</u>	<u>(634)</u>	<u>4,324</u>

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 2014 and 2013.

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% (2013: 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% (2013: 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	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
<b>Loss</b>				
Loss attributable to owners of the Company	<u>(40,106)</u>	<u>(99,586)</u>	<u>(50,180)</u>	<u>(93,744)</u>
<b>Numbers of shares</b>				
Weighted average number of ordinary shares in issue during the period (thousand)	<u>2,713,798</u>	<u>2,713,798</u>	<u>2,713,798</u>	<u>2,713,798</u>

Basic and diluted loss per share for the three months and six months ended 30 September 2014 and 2013 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 2014 and 2013 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 2014 HK\$'000	Audited As at 31 March 2014 HK\$'000 (Restated)
Trade receivables	326,543	357,589
Less: Provision for impairment loss (note b)	<u>(10,246)</u>	<u>—</u>
	<u>316,297</u>	<u>357,589</u>
Other receivables	129,664	114,357
Less: Provision for impairment loss	<u>(12,593)</u>	<u>—</u>
Prepayments and deposits	<u>43,651</u>	<u>56,137</u>
	<u>160,722</u>	<u>170,494</u>
	<u>477,019</u>	<u>528,083</u>

Notes:

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

	<b>Unaudited</b> <b>As at</b> <b>30 September</b> <b>2014</b> <b>HK\$'000</b>	Audited As at 31 March 2014 HK\$'000
Current	6,711	7,253
30–90 days	21,662	7,860
91–180 days	59,354	44,560
Over 180 days	228,570	297,916
	<u>316,297</u>	<u>357,589</u>

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

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

	<b>HK\$'000</b>
At 1 April 2014 (audited)	–
Impairment loss recognised during the period	<u>10,246</u>
<b>At 30 September 2014 (unaudited)</b>	<u><b>10,246</b></u>

#### 14. TRADE AND OTHER PAYABLES

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 September</b>	31 March
	<b>2014</b>	2014
	<b>HK\$'000</b>	HK\$'000
Trade and bills payables (note a)	<b>97,874</b>	68,417
Other payables and accruals	<b>61,578</b>	52,079
Amount due to a director (note b)	<b>225</b>	–
Amount due to a non-controlling shareholder of a subsidiary (note b)	<b>754</b>	852
	<b>160,431</b>	121,348

Notes:

(a) Based on the invoice dates, the aging analysis of the trade and bill payables is as follows:

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 September</b>	31 March
	<b>2014</b>	2014
	<b>HK\$'000</b>	HK\$'000
Current	<b>43,188</b>	16,419
30–90 days	<b>6,953</b>	5,631
91–180 days	<b>19,395</b>	23,920
Over 180 days	<b>28,338</b>	22,447
	<b>97,874</b>	68,417

(b) The amounts due are unsecured, interest free and repayable on demand.

## 15. GAIN ON DISPOSAL OF SUBSIDIARIES

On 30 May 2014, the Group entered into a sales and purchase agreement to dispose of 100% equity interests in a subsidiary, Hong Kong New Success International Group Investment Company Limited and its subsidiaries to an independent third party at a total consideration of HK\$1. The transaction was completed on 31 May 2014, and a gain of HK\$1.97 million was recorded.

On 30 May 2014, the Group entered into a sales and purchase agreement to dispose of 50.5% equity interests in a subsidiary, Henan Baorong Biological Technology Company Limited to a non-controlling shareholder at a consideration of RMB5,050,000 (equivalent to HK\$6,312,000), and a gain on disposal of approximately HK\$9.08 million was recorded for the reporting period.

The carrying amount of the net assets/(liabilities) of the above subsidiaries at the date of disposal were as follows:

	<b>Unaudited Six months ended 30 September 2014 HK\$'000</b>
Net assets/(liabilities) disposed of:	
Property, plant and equipment	13,133
Inventories	7,545
Trade receivables	1,470
Other receivables	40,497
Cash and bank balances	132
Trade payables	(5,838)
Other payables and accruals	(16,062)
Borrowings	(40,661)
Non-controlling interests	(1,410)
	<hr/>
	(1,194)
Exchange reserve released on disposal	(3,548)
Gain on disposal of subsidiaries	11,055
	<hr/>
<b>Total consideration</b>	<b><u>6,313</u></b>

An analysis of the net cash flows in respect of the disposal of subsidiaries is as follows:

Cash consideration	6,313
Less: cash and bank balances disposed of	(132)
	<hr/>
<b>Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries</b>	<b><u>6,181</u></b>

## **INTERIM DIVIDEND**

The Directors do not recommend the payment of a dividend for six months ended 30 September 2014 (2013: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

Along with last financial year, the overall business performance of the Group for the six months ended 30 September 2014 was still not satisfactory because of the shrinking demand, uncertainties over local policies and slowing economic growth in mainland China. The management has been making its best effort to overcome such hurdles by adoption of stringent cost control, closure of persistent non-performance business section for better resources utilization, liaison for potential business opportunity and possible of capital injection from external investors. The management is in negotiation with Cyberland for possible exit of the CB 2015 of outstanding principal amount of approximately HK\$652.4 million.

#### **Tobacco agricultural operation**

The tobacco agricultural operation has a significant setback of revenue of HK\$75.7 million (2013: HK\$393.9 million) for the period under review. The decrease was primarily due to the sales shrinkage of tobacco flue-curing barns, uncertain market sentiment and other adverse and unexpected factors. It is also observed that the profit margin has been eroded by the rising production overheads. The Group, nevertheless, did not go for turnover at the expenses of the profit margin which has been maintained at around 34% for the period under review, and therefore the management has taken cautious approach for each trade transaction. Despite management's efforts taken in respect of cost control, having deployed more resources to enhance the sale of greenhouse and other transplanting machinery during the past six months, this operation is still far from satisfaction.

#### **Digital television operation**

The performance of digital television operation has been significantly improved with revenue achieved up to HK\$4.9 million (2013: HK\$2.0 million), representing an increase of 145% as compared to same period last year. Such increase was mainly attributed to strong advertising income from the operation of the broadcasting channels in Hunan Province of mainland China. Nevertheless, the management considered that the growth is fragile as this operation is facing fierce peer competition and substitutions in the internet. The Company will continue to explore new business opportunities and improve its program quality.

## **Fertilizer and pesticide operation**

There was no sale of fertilizer and pesticide for the period under review (2013: HK\$8.7 million) as a result of downsizing and repositioning of the Group. Management believe that biological fertilizers like BM series which are generally applied in soil transformation for tobacco cultivation still have market demand in mainland China. However, management is also aware that in order to secure minimal return, the Company must set up its own production plant with a research and development team. Financially, it is not feasible to establish such production plant with capacity for mass production in the short run as it involves tremendous initial capital input. As a totality of considerations, the Group finally retreated from this operation by disposal of the business vehicle – Henan Baorong Biological Technology Company Limited to a non-controlling shareholder.

## **Other operation**

The healthcare products operation was severely underperformed with insignificant sales of HK\$14,000 for the period up to 30 May 2014 (2013: HK\$49,000). The non-performance was mainly due to the significant shrinkage of the demand of cordyceps-related healthcare products, industry competition and surge in operating costs. This operation which conducted through Hong Kong New Success International Group Investment Company Limited and its two subsidiaries in PRC was disposed at a consideration of HK\$1 during the period under review. The management considers that the disposal of such non-performing business could facilitate the resources utilization within the Group.

## **FINANCIAL REVIEW**

### **Turnover**

For the period under review, the Group's turnover was HK\$80.2 million, representing a significant decrease of 80.2% (2013: HK\$404.6 million) as compared to the same period last year. The decrease was mainly due to the sales shrinkage of tobacco flue-curing barns, unexpected factors and uncertain market conditions in major tobacco-growing areas in the PRC.

### **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\$52.7 million (2013: HK\$271.9 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\$27.5 million (2013: HK\$132.6 million). As a result of the enhancement of cost control, the Group's overall gross profit margin has been slightly improved by 1.5% to 34.3% (2013: 32.8%) as compared to same period last year. The management will keep close monitoring the sheet steel prices, logistic costs, production overheads and product mix in order to maintain the profit margin.

## **Distribution costs and administrative expenses**

For the period under review, the Group recorded total distribution costs of HK\$16.2 million (2013: HK\$54.2 million). The distribution costs mainly consisted of transportation, labour costs, travelling expenses and business soliciting expenditures. The decrease in distribution costs was mainly attributable to the decrease in number of times of delivery turnaround and transportation cost as a result of less sales orders recorded during the reporting period. The management will continue to streamline the logistic flow in order to minimize distribution costs.

The Group has adopted austerity measures including lay-off of non-operating staff in order to trim down the administrative expenses and to cope with the challenging business environment. As a result, the administrative expenses for the period under review have significantly reduced by 64.1% to HK\$20.7 million (2013: HK\$57.7 million).

## **Other losses**

Other losses amounting to HK\$29.1 million (2013: HK\$104.3 million) for the six months ended 30 September 2014, mainly included gain on disposal of subsidiaries of HK\$11.1 million (2013: Nil), impairment loss on trade receivables of HK\$10.2 million (2013: HK\$54.7 million) impairment loss on other receivables of HK\$12.6 million (2013: Nil) and loss on the change in fair value of convertible bond of HK\$17.3 million (2013:HK\$36.9 million), whereas in the same period last year, a loss of HK\$12.7 million was also recorded as a result of the redemption of convertible bond certificate number 3 of aggregate principal amount of HK\$50,000,000 issued by the Company.

## **Finance costs**

Interest expenses on bank and other loans for the six months ended 30 September 2014 was HK\$17.7 million, representing an increase of 21.0% compared with same period last year of HK\$14.6 million. Such increase was mainly due to the less favourable interest rates on interest bearing loans and increase in interest expense on SME private bond for the six months ended 30 September 2014.

## **Loss attributable to owners of the Company**

For the six months ended 30 September 2014, the unaudited loss attributable to owners of the Company was HK\$50.2 million (2013: HK\$93.7 million), representing a decrease of 46.5% as compared to the same period last year. The loss attributable to owners of the Company was mainly due to a change in fair value of convertible bond, the impairment loss on trade and other receivables, shrinkage of overall revenue and finance costs as well.

## **Liquidity, financial resources and capital structure**

At 30 September 2014, the Group's cash and bank balances were HK\$4.0 million (31 March 2014: HK\$2.8 million), and it also had current assets of HK\$606.7 million (31 March 2014: HK\$627.6 million) and liquid assets of HK\$551.8 million (31 March 2014: HK\$576.9 million). The Group's current ratio at the period ended date, calculated based on current assets of HK\$606.7 million (31 March 2014: HK\$627.6 million) divided by current liabilities of HK\$1,128.7 million (31 March 2014: HK\$1,114.5 million), was 0.54 (31 March 2014: 0.56).

The Group's outstanding borrowings were HK\$397.7 million as at 30 September 2014 (31 March 2014: HK\$435.8 million) and most of which were denominated in Renminbi. The borrowings of HK\$344.4 million are due to mature within one year and other borrowings within two years. As the CB2015 with outstanding principal amount of approximately HK\$652.4 million as at 30 September 2014 is due to mature in March 2015, the Company is in close communication with the Cyberland, for the execution of possible exit of the said bond. The Company will try its best endeavor to improve its liquidity issues and wrap up the outstanding matters in relation to the unsecured loan with principal amount of approximately HK\$51.2 million borrowed from an independent third party as mentioned in the Annual Report 2014.

## **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 2014, the Group had 157 employees including Directors (2013: 379). Total staff costs, including directors' emoluments for the six months ended 30 September 2014 was HK\$10.0 million (2013: HK\$19.2 million). Salary package for employees are benchmarked to market conditions, staff's experience and individual performance. Other benefits offered by the Group included medical insurance, mandatory provident fund scheme, training subsidies, share option scheme and discretionary bonus.

## **PROSPECTS**

Being one of the major manufacturers of intensive flue-curing barn equipment in the agricultural machinery industry, one of the Group's goals is to assist a sustainable modernisation of agricultural technology in mainland China as outlined in the "Mid-to-long term Technology Development Plan" in the tobacco industry issued by State Tobacco Monopoly Administration ("STMA"), to implement policies and business strategies in the best interests of our shareholders, tobacco farmers and other stakeholders. The Company is facing tight liquidity and has encountered a difficult business environment along with the slowing down in economy in mainland China under the reporting period. Both the turnover and gross profit of the Group have recorded a significant decline for the period under review. In response to these unfavourable market factors and to minimize business risk, the Company is trying to enhance the conventional core business of manufacturing of flue-curing barn for tobacco and consideration of possible business remodeling, repositioning and new source of funding. We believe by the development of a multi-functional and cost-effective flue-curing



barn can facilitate the modernisation of agriculture and contribute to the livelihood of general farm communities in mainland China. The Group remains cautiously optimistic towards the business of agriculture machinery industry despite the uncertainties in the complicated economic environment coupled with tight liquidity issues.

## CONTINGENT LIABILITIES

At 30 September 2014 and 31 March 2014, the Group had no material contingent liabilities.

## OTHER INFORMATION

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

As at 30 September 2014, 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	1,562,430,465 (note a)	57.57%
Mr. Wong Man Hung Patrick	Beneficial owner	32,000,000 (note b)	1.18%

Notes:

- (a) Totally, there are 1,517,210,465 underlying Shares held by Cyberland which is legally and beneficially owned as to 30.37% by Rise Enterprises Limited ("Rise Enterprises") and 15% by Wealth Way Investment Limited ("Wealth Way"), respectively. Rise Enterprises is beneficially owned as to 62.96% by Eagle Bliss Limited which in turn was wholly owned by Ms. Jingquan Yingzi ("Ms. Jingquan"), an executive Director, while Wealth Way is directly and wholly owned by Ms. Jingquan. Cyberland is in aggregate indirectly 34.12% owned by Ms. Jingquan. For the purpose of Part XV of SFO, Ms. Jingquan is deemed to be interested in the Shares.
- (b) Mr. Wong Man Hung Patrick resigned as an executive Director with effect from 8 August 2014.

Save as disclosed above, as at 30 September 2014, 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**

As at 30 September 2014, 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**

<b>Name of shareholders</b>	<b>Capacity</b>	<b>Number of Shares/underlying Shares held</b>	<b>Percentage of shareholding</b>
Mr. Lee Yuk Lun	Beneficial interest	219,298,244	8.08%
Cyberland (China) Limited	Beneficial interest	1,517,210,465 (note a and d)	55.91%
Stepwise International Holdings Limited	Interest of a controlled corporation	1,517,210,465 (note a, b and d)	55.91%
Ms. Wu Shuhua	Interest of child under 18 or spouse	1,519,660,465 (notes c and d)	56.00%

Notes:

- (a) Cyberland (China) Limited is legally and beneficially owned as to 54.63% by Stepwise International Holding Limited ("Stepwise").
- (b) Stepwise is legally and beneficially wholly owned by Mr. Shan Xiaochang ("Mr. Shan"). Mr. Shan has resigned as an executive Director 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 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 2014 is presented as follows:

Category of participants	Date of grant	Exercise price per share HK\$	Validity period	At 01.04.2014	Number of share options			At 30.9.2014
					Granted during the period	Exercised during the period	Lapsed during the period	
Consultants	10.12.2010 (note a)	0.163	03.10.2012 to 02.10.2014	25,000,000	—	—	—	25,000,000
	03.10.2012	0.163	03.10.2012 to 02.10.2014	135,000,000	—	—	—	135,000,000
Employees	10.12.2010 (note a)	0.163	03.10.2012 to 02.10.2014	5,000,000	—	—	—	5,000,000
Director (note b)	03.10.2012	0.163	03.10.2012 to 02.10.2014	7,000,000	—	—	—	7,000,000
				<u>172,000,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>172,000,000</u>

Notes:

- (a) On 3 October 2012, the Company modified the details of the outstanding share options previously granted by the Company on 10 December 2010. The exercise price of 60,000,000 the outstanding share options at the date of modification was reduced from HK\$0.328 per share to HK\$0.163 per share.
- (b) The share options were held by Mr. Wong Man Hung Patrick who resigned as an executive Director with effect from 8 August 2014.

## 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 2014 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 for the six months ended 30 September 2014.

## **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 2014.

## **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 2014. 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 2014.

## **AUDIT COMMITTEE**

The Audit Committee has its terms of reference revised on 26 March 2014. 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 currently comprises of all the independent non-executive directors of the Company, namely Mr. Lee Chi Hwa Joshua ("Mr. Lee"), Mr. Sousa Richard Alvaro and Mr. Zhao Zhizheng, and it is chaired by Mr. Lee since 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 2014, and discussed the financial control, internal control and risk management systems.

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

Hong Kong, 13 November 2014

*As of the date of this announcement, the executive Directors are Ms. Jingquan Yingzi (Chairman), Mr. Chin Wan Keung Richard, 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>.*