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

(Incorporated in Bermuda with limited liability)

(Stock code: 8153)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2015

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 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 particular given in compliance with the Rules Governing the Listing of Securities on 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.

UNAUDITED THIRD QUARTERLY RESULTS

The board of directors of the Company (the "Board") hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months and nine months ended 31 December 2015, together with the unaudited comparative figures for the corresponding period in 2014 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months and nine months ended 31 December 2015

		Three months ended 31 December		**Nine months ended 31 December**	
	Notes	**2015** ***HK$'000***	2014 *HK$'000*	**2015** ***HK$'000***	2014 *HK$'000* (Restated)
Continuing operations					
Revenue	*3*	**2,598**	28,864	**17,622**	109,074
Cost of sales and services		**(4,835)**	(20,750)	**(15,155)**	(73,395)
Gross (loss)/profit		**(2,237)**	8,114	**2,467**	35,679
Other revenue and net income	*4*	**24**	2,326	**113**	6,710
Distribution costs		**(1,902)**	(5,786)	**(8,421)**	(21,793)
Administrative expenses		**(8,389)**	(7,353)	**(24,484)**	(27,110)
Loss from operations		**(12,504)**	(2,699)	**(30,325)**	(6,514)
Other losses	*5*	**(4,675)**	–	**(44,951)**	(40,171)
Finance costs	*6*	**(7,589)**	(5,445)	**(21,773)**	(20,925)
Loss before income tax	*7*	**(24,768)**	(8,144)	**(97,049)**	(67,610)
Income tax credit/(expense)	*8*	**2,084**	(2,528)	**2,029**	(1,894)
Loss for the period from continuing operations		**(22,684)**	(10,672)	**(95,020)**	(69,504)
Discontinued operations					
Profit for the period from discontinued operations	*9*	**–**	–	**–**	7,703
Loss for the period		**(22,684)**	(10,672)	**(95,020)**	(61,801)
Loss attributable to:					
Owners of the Company		**(22,154)**	(10,643)	**(94,504)**	(60,823)
Non-controlling interests		**(530)**	(29)	**(516)**	(978)
		(22,684)	(10,672)	**(95,020)**	(61,801)
		HK$	*HK$* (Restated)	***HK$***	*HK$* (Restated)
Loss per share attributable to owners of the Company	*10*				
Basic and Diluted					
– From continuing and discontinued operations		**(0.20)**	(0.16)	**(0.90)**	(0.90)
– From continuing operations		**(0.20)**	(0.16)	**(0.90)**	(1.02)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 31 December 2015

	Three months ended 31 December		Nine months ended 31 December	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
				(Restated)
Loss for the period	**(22,684)**	(10,672)	**(95,020)**	(61,801)
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations	**2,466**	–	**7,196**	–
Exchange differences reclassified on disposal of subsidiaries	**–**	–	**–**	(3,548)
Other comprehensive income/(expense) for the period	**2,466**	–	**7,196**	(3,548)
Total comprehensive expense for the period	**(20,218)**	(10,672)	**(87,824)**	(65,349)
Total comprehensive expense attributable to:				
Owners of the Company	**(19,688)**	(10,643)	**(87,436)**	(64,371)
Non-controlling interests	**(530)**	(29)	**(388)**	(978)
	(20,218)	(10,672)	**(87,824)**	(65,349)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2015

	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$'000* *(note (b))*	Contributed surplus *HK$'000* *(note (c))*	Share option reserve *HK$'000*	Exchange reserve *HK$'000*	Equity component of convertible bonds *HK$'000*	Sub-total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
As at 1 April 2014	27,138	1,056,184	(1,638,679)	(197)	24,347	–	7,915	87,643	–	(435,649)	(3,472)	(439,121)
Loss for the period	–	–	(60,823)	–	–	–	–	–	–	(60,823)	(978)	(61,801)
Other comprehensive income												
– Exchange differences reclassified on disposal of subsidiaries	–	–	–	–	–	–	–	(3,548)	–	(3,548)	–	(3,548)
Total comprehensive expense for the period	–	–	(60,823)	–	–	–	–	(3,548)	–	(64,371)	(978)	(65,349)
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	(1,410)	(1,410)
Share option scheme												
– Lapsed during the period	–	–	7,915	–	–	–	(7,915)	–	–	–	–	–
As at 31 December 2014	27,138	1,056,184	(1,691,587)	(197)	24,347	–	–	84,095	–	(500,020)	(5,860)	(505,880)
As at 1 April 2015	37,829	1,503,719	(1,764,255)	(197)	24,347	–	–	84,665	–	(113,892)	(5,993)	(119,885)
Loss for the period	–	–	(94,504)	–	–	–	–	–	–	(94,504)	(516)	(95,020)
Other comprehensive income												
– Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	7,068	–	7,068	128	7,196
Total comprehensive expense for the period	–	–	(94,504)	–	–	–	–	7,068	–	(87,436)	(388)	(87,824)
Issue of shares	5,420	33,181	–	–	–	–	–	–	–	38,601	–	38,601
Capital reduction	(43,206)	–	–	–	–	43,206	–	–	–	–	–	–
Share premium reduction	–	(1,495,000)	–	–	–	1,495,000	–	–	–	–	–	–
Set-off contributed surplus against accumulated losses	–	–	1,538,206	–	–	(1,538,206)	–	–	–	–	–	–
Issue of convertible bonds	–	–	–	–	–	–	–	–	28,146	28,146	–	28,146
As at 31 December 2015	43	41,900	(320,553)	(197)	24,347	–	–	91,733	28,146	(134,581)	(6,381)	(140,962)

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 Company's subsidiaries established and operating in the PRC are required to appropriate 10% of their profit after income tax calculated under the accounting principles generally applicable to the PRC enterprises to the statutory reserve until the fund aggregates 50% of their respective registered capital. The statutory reserve can be utilised to offset prior years' losses or to increase capital. However, the balance of the statutory reserve must be maintained at a minimum of 25% of capital after these usages.

(c) Pursuant to a special resolution passed by the shareholders of the Company (the "Shareholders") at the special general meeting of the Company (the "SGM") held on 21 August 2015, the following steps on capital reorganisation had been taken place and completed on 24 August 2015:

(i) every ten shares of nominal value of HK$0.01 each in the issued and unissued share capital of the Company were consolidated into one consolidated share of nominal value of HK$0.10 each;

(ii) capital reduction whereby the nominal value of all the issued consolidated shares was reduced from HK$0.10 each to HK$0.0001 each by cancelling the paid-up capital to the extent of HK$0.0999 on each consolidated share;

(iii) share sub-division of each of the authorised but unissued consolidated shares of HK$0.10 each into one thousand adjusted shares of HK$0.0001 each;

(iv) the credits arising from the capital reduction and share premium reduction of approximately HK$43,206,000 and HK$1,495,000,000 respectively were transferred to the contributed surplus account of the Company; and

(v) the credit of the contribution surplus account of the Company was set off against the accumulated losses of the Company as permitted under the laws of Bermuda and the bye-laws of the Company.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the GEM. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business 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 manufacture and sale of tobacco agricultural machinery in the PRC, provision of digital television services in the PRC and provision of car beauty and maintenance services in Hong Kong.

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 nine months ended 31 December 2015 (the "Third Quarterly Financial Statements") are unaudited but were reviewed by the audit committee of the Company (the "Audit Committee") and approved for issue by the Board on 12 February 2016.

2. BASIS OF PREPARATION

The Third Quarterly Financial Statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules. The Third Quarterly 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, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 March 2015 (the "Annual Report 2015").

The accounting policies and methods of computation applied in the preparation of the Third Quarterly Financial Statements are consistent with those applied in preparing the Annual Report 2015 except for (i) the adoption of new or revised standards, amendments and interpretations issued by the HKICPA mandatory for annual periods beginning 1 April 2015, and (ii) the convertible bonds of the Company issued on 5 November 2015. The adoption of these new or revised standards, amendments and interpretations did not result in any substantial changes to the accounting policies of the Group. In addition, the Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Third Quarterly Financial Statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values.

The preparation of the Third Quarterly Financial Statements in conformity with HKFRSs requires the use of certain critical accounting estimates. The significant judgments, estimates and assumptions applied in the preparation of the Third Quarterly Financial Statements are consistent with those used in the Annual Report 2015.

Convertible bonds

The component parts of compound instruments (convertible bonds) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. When the conversion option remains unexercised at the maturity date of the convertible bonds, the balance recognised in equity will be transferred to accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of conversion option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible bonds using the effective interest method.

Going concern

The Group incurred unaudited loss for the nine months ended 31 December 2015 of approximately HK$95.0 million and as at 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 as stated in the Annual Report 2015 have taken the following actions to mitigate the liquidity issues facing by the Group:

(a) Two substantial shareholders and a director of the Company have confirmed that they will provide continuous financial support to the Company for a period of twelve months from the date of approval of the Company's financial statements for the year ended 31 March 2015 by the Directors;

(b) Possible fund raising activities including but not limited to, placing, rights issues or open offer and issuance of convertible bonds are to be attempted;

(c) The Group is in negotiation with financial institutions for possible settlement of borrowings or other refinancing arrangement; and

(d) The management has improved the Group's financial performance by taking steps to reduce discretionary expenses and administrative costs and exploring new business which is expected to provide a growing and recurring source of income.

During the reporting period, the Company has successfully raised approximately HK$38.6 million and HK$123 million through the placings of an aggregate of 542 million new shares under general mandate and convertible bonds under specific mandate respectively.

In light of the measures and arrangements as described above, the Directors consider the Group and the Company will have sufficient working capital to meet their financial obligations as they fall due for the foreseeable future. Accordingly, the Third Quarterly Financial Statements have been prepared 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 Third Quarterly Financial Statements.

3. REVENUE (UNAUDITED)

	Three months ended 31 December		**Nine months ended 31 December**	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
				(Restated)
Continuing operations				
Sale of agricultural machinery	**2,158**	27,055	**13,169**	102,367
Provision of digital television services	**420**	1,809	**4,433**	6,707
Provision of car beauty and maintenance services *(note)*	**20**	–	**20**	–
	2,598	28,864	**17,622**	109,074

Note:

The car beauty and maintenance services commenced on 30 December 2015, and only two days revenue was recorded during the reporting period.

4. OTHER REVENUE AND NET INCOME (UNAUDITED)

	Three months ended 31 December		**Nine months ended 31 December**	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
				(Restated)
Continuing operations				
Gain on disposal of property, plant and equipment	**–**	–	**–**	165
Government grants	**–**	125	**–**	375
Interest income	**24**	539	**34**	1,223
Waiver of interest expenses on convertible bond	**–**	1,644	**–**	4,915
Sundry income	**–**	18	**79**	32
	24	2,326	**113**	6,710

5. OTHER LOSSES (UNAUDITED)

	Three months ended 31 December		Nine months ended 31 December	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
				(Restated)
Continuing operations				
Change in fair value of financial assets at fair value through profit or loss	**–**	–	**–**	25
Change in fair value of convertible bond	**–**	–	**–**	17,307
Impairment loss on trade receivables	**4,664**	–	**44,871**	10,246
Impairment loss on other receivables	**11**	–	**80**	12,593
	4,675	–	**44,951**	40,171

6. FINANCE COSTS (UNAUDITED)

	Three months ended 31 December		Nine months ended 31 December	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
				(Restated)
Continuing operations				
Interest on bank loans wholly repayable within five years	**3,202**	2,615	**14,315**	12,795
Interest on other loans wholly repayable within five years	**2,029**	2,830	**5,100**	8,130
Interest on convertible bonds	**2,358**	–	**2,358**	–
	7,589	5,445	**21,773**	20,925

7. LOSS BEFORE INCOME TAX (UNAUDITED)

Loss before income tax from continuing operations is arrived at after charging:

	Three months ended 31 December		Nine months ended 31 December	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
				(Restated)
(a) Staff costs (including directors' remuneration)				
Salaries, wages and other benefits	**3,503**	3,982	**11,197**	13,663
Retirement benefit scheme contributions	**592**	430	**1,110**	1,140
	4,095	4,412	**12,307**	14,803
(b) Other items				
Amortisation				
– prepaid land lease payments	**67**	69	**205**	207
– other intangible assets	**2**	2	**6**	4,777
Depreciation on property, plant and equipment	**1,134**	1,284	**3,501**	3,000
Impairment loss on trade receivables	**4,664**	–	**44,871**	10,246
Impairment loss on other receivables	**11**	–	**80**	12,593
Operating lease charges:				
Minimum lease payments				
– hire of building	**840**	1,267	**2,526**	3,177
– hire of office equipment	**14**	15	**42**	45
Cost of inventories recognised as expense	**4,866**	20,285	**14,803**	71,265
Research and development costs	**73**	989	**224**	2,689

8. INCOME TAX (CREDIT)/EXPENSE (UNAUDITED)

	Three months ended 31 December		Nine months ended 31 December	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
				(Restated)
Continuing operations				
Current tax – Hong Kong Profits Tax				
– Provision for the period	**–**	–	**–**	–
Current tax – PRC Enterprises Income Tax ("EIT")				
– Provision for the period	**88**	45	**88**	77
– (Over)/under provision in respect of prior period	**(2,160)**	2,466	**(2,129)**	2,481
	(2,072)	2,511	**(2,041)**	2,558
Deferred tax				
– Origination and reversal of temporary differences	**(12)**	17	**12**	(664)
Income tax (credit)/expense	**(2,084)**	2,528	**(2,029)**	(1,894)

No provision for Hong Kong profits tax has been made in the financial statements as there were no estimated assessable profits for the nine months ended 31 December 2015 and 2014.

Under the Law of the People's Republic of China on Enterprises Income Tax (the "EIT Law"), in general, the applicable EIT rate of enterprises in the PRC is 25%. Pursuant to relevant requirements, enterprises recognised as "High-Tech Enterprises" are entitled to a favorable statutory tax rate of 15% according to the EIT Law. Jiangsu Kedi Modern Agriculture Co., Ltd ("Jiangsu Kedi"), an indirectly wholly owned subsidiary of the Company, has been approved and certified by relevant authorities as a "High-Tech Enterprise" and is entitled to the favorable statutory tax rate of 15% from 2013 to 2015. Other subsidiaries of the Company in the PRC are subject to EIT rate at 25% (2014: 25%) on their taxable income.

9. DISCONTINUED OPERATIONS (UNAUDITED)

Disposal of healthcare products operation

On 30 May 2014, the Group entered into a sales and purchase agreement with an independent third party for disposal of the Group's entire equity interests in Hong Kong New Success International Group Investment Company Limited and its subsidiaries, which were engaging in manufacturing and trading of healthcare products. The transaction was completed on 31 May 2014. Further details are included in note 37 to the Annual Report 2015.

Disposal of fertilizer and pesticide operation

On 30 May 2014, the Group entered into a sales and purchase agreement with a non-controlling shareholder for disposal of the Group's 50.5% equity interests in Henan Baorong Biological Technology Company Limited, which was engaging in manufacturing and trading of fertilizer and pesticide. The transaction was completed on 30 May 2014. Further details are included in note 37 to the Annual Report 2015.

The results of the above-mentioned business segments were as below:

	Nine months ended 31 December 2014 *HK$'000*
Revenue	13
Cost of sales and services	(57)
Gross loss	(44)
Other revenue and net income	27
Distribution costs	(213)
Administrative expenses	(934)
Loss from operations	(1,164)
Finance costs	(2,188)
Gain on disposal of subsidiaries	11,055
Profit before income tax from discontinued operations	7,703
Income tax expense	–
Profit for the period from discontinued operations	7,703
Profit/(loss) attributable to:	
Owners of the Company	8,642
Non-controlling interests	(939)
	7,703

10. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (UNAUDITED)

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

	Three months ended 31 December		**Nine months ended 31 December**	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
				(Restated)
(Loss)/earnings				
(Loss)/profit attributable to owners of the Company				
From continuing operations	**(22,154)**	(10,643)	**(94,504)**	(69,465)
From discontinued operations	**–**	–	**–**	8,642
	(22,154)	(10,643)	**(94,504)**	(60,823)
Number of shares	***'000***	*'000*	***'000***	*'000*
		(Restated)		(Restated)
Weighted average number of ordinary shares in issue *(note)*	**108,123**	67,845	**105,377**	67,845

Note:

The weighted average number of shares for the purpose of calculating the basic loss per share has been retrospectively adjusted for the three months and nine months ended 31 December 2014 to reflect the impact of the two share consolidations of the Company which completed on 24 August 2015 and 15 October 2015, respectively.

(b) No adjustment has been made to the basic loss per share from continuing operations and discontinued operation presented for the three months and nine months ended 31 December 2015 and 2014 in respect of a dilution as the impact of the convertible bonds outstanding had an anti-dilutive effect.

11. DIVIDEND

The Board does not recommend the payment of a dividend for the nine months ended 31 December 2015 (2014: Nil).

12. LITIGATION

For the detailed information of litigation cases, please refer to page 16 in the paragraph headed "Legal Proceedings" in this announcement. Based on the legal opinion of the PRC legal advisors, the Directors are of the view that no provision for litigation was made for the nine months end 31 December 2015.

13. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation or restated to disclose the impact of the discontinued operations, the capital reorganisation and the share consolidation. These reclassifications have no impact on the Group's loss for the three months and nine months ended 31 December 2015 and the Group's total equity as at 31 December 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the nine months ended 31 December 2015, the Group was principally engaged in manufacture and sale of tobacco agricultural machinery in the PRC, provision of digital television services in the PRC and provision of car beauty and maintenance services in Hong Kong. The overall business performance was not satisfactory because of the shrinking demand, market uncertainties, sluggish economy and other unfavour factors in the PRC. The management has been making its best effort to overcome such hurdles by adoption of stringent cost control, corporate repositioning and closure of persistent non-performance business. The Company has been actively engaged in liaison for potential business opportunities and has launched out a new business - car beauty and maintenance workshop. The Company is at the final stage for the application of the Money Lenders License and plans to launch the business in the first half of 2016.

Tobacco agricultural operation

Revenue from this operation for the period under review was significantly decreased by 87.1% to HK$13.2 million (2014: HK$102.4 million). Such decrease was primarily due to the shrinkage of sales and uncertain market factors of tobacco flue-curing barns. The third quarterly sales was further shrunk as a result of the sluggish performance in major operation provinces. Similar to the last financial periods, the production costs and direct overheads have continued to engulf the profit from this operation. Despite management's efforts on the cost control, this operation is still far from satisfaction for the period under review. The Company will not obviate the possibility to dispose of this segment if the opportunity arises.

Digital television operation

This operation is operated by Hunan Xiaoxiang Digital Television Broadcast Company Limited ("Hunan Digital TV"), an indirectly owned subsidiary of the Company. Hunan Digital TV is currently operating three broadcasting channels, namely channel 92, 93 and 94 in Hunan Province. Revenue from this operation for the period under review was decreased by 33.9% to HK$4.4 million (2014: HK$6.7 million), accounted for 25.2% (2014: 6.1%) of the Group's revenue from continuing operations. The decrease in revenue was mainly due to the reduction in advertising income generated from the broadcasting channels. Nevertheless, the subscription fee of pay-television programs slightly increased and became the major source of revenue of this operation. The culture, media and entertainment related business in the PRC are fast growing along with the increase in the disposable personal income, the management believes the performance of digital television broadcasting could be uplifted and there is full of expansion capacity in the future. To substantiate the segmental growth, the Company has resolved to increase its capital injection in Hunan Digital TV for further development of its operation.

Car beauty and maintenance operation

The Group has launched out a car beauty and maintenance workshop in Hong Kong on 30 December 2015 which targets on mid-to-high end private cars. The main service of the workshop at present operation is coating, that gives the better protection and excellent resistance against water, weather and temperature for car body. The Company plans to expand its market share by opening two more new workshops in 2016. In the long run, the management anticipates that this segment will expand into used car dealing and trading of motor parts. The Company believe this operation could provide a steady cash inflow for the Group.

Financial Review

Revenue

For the nine months ended 31 December 2015, the Group's revenue from continuing operations was HK$17.6 million (2014: HK$109.1 million), representing a decrease of 83.8% as compared to the same period last year. Revenue from sale of agricultural machinery, which accounted for 74.7% of the Group's total revenue, slipped by 87.1% to HK$13.2 million (2014: HK$102.4 million). The significant decline in revenue was mainly due to the sales shrinkage of tobacco flue-curing barns, unfavorable operation factors and other market uncertainties in the major tobacco-growing areas in the PRC.

Cost of sales and services and gross profit

The Group recorded a total cost of sales and services from continuing operations for the period under review of HK$15.2 million (2014: HK$73.4 million). Overall gross profit from continuing operations for the period under review was significantly decreased by 93.1% to HK$2.5 million (2014: HK$35.7 million). The gross profit margin decreased to 14.0% (2014: 32.7%) due to declining price advantage and soaring direct costs and production overheads. Most of the revenue for the three months ended 31 December 2015 was derived from the sales of aged inventories which led to gross loss of approximately HK$2.2 million.

Distribution costs

The Group recorded distribution costs from continuing operations for the period under review of HK$8.4 million (2014: HK$21.8 million). The decrease in distribution costs was mainly attributable to the decrease in number of delivery as a result of fewer sales orders were recorded during the period under review. Direct labour costs involved in distribution costs were HK$4.2 million (2014: HK$6.1 million) which accounted for approximately 49.8% (2014: 28.1%) of the total distribution costs from continuing operations of the period under review.

Administrative expenses

Since last financial year, the Group has adopted austerity measures which included cease of avoidable administrative expenditures. As a result, the administrative expenses from continuing operations for the period under review were reduced by 9.7% to HK$24.5 million (2014: HK$27.1 million). The staff costs of HK$8.1 million (2014: HK$8.0 million) that included in the administrative expenses were similar to same period last year. The Group will review its austerity measures and continue to fine-tune its cost structure in the forthcoming periods.

Finance costs

Interest expenses from continuing operations for the period under review was HK$21.8 million, representing an increase of 4.1% compared with same period last year of HK$20.9 million. Such increase was mainly due to the newly issued convertible bonds in November 2015, the interest of which was calculated at the effective interest rate of 17.3% per annum. Given the heavy finance costs and the default risk arising from the bank borrowings in Jiangsu Kedi, the Company has been actively negotiating with major bankers in the PRC for the possible settlement or alternative refinancing arrangement.

Loss attributable to owners of the Company

The loss attributable to owners of the Company for the nine months ended 31 December 2015 was HK$94.5 million (2014: HK$60.8 million). The loss per share was HK$0.90 (2014: HK$0.90). The loss per share from continuing operations was HK$0.90 (2014: HK$1.02).

CAPITAL STRUCTURE AND FUND RAISING ACTIVITIES

As at 31 December 2015, the Company's issued shares were 108,123,473 (31 March 2015: 3,782,938,941). Additional shares may be issued by way of conversion of the convertible bonds which if fully converted would result in the issuance of 2,600,000,000 shares of the Company.

Placing of new shares under general mandate

During the nine months ended 31 December 2015, the Company has completed three tranches of the placing of new shares under general mandate and a total of 542 million new ordinary shares of the Company were allotted and issued to independent third parties. The aggregate net proceeds raised from the placing were approximately HK$38.6 million and was subsequently used as general working capital including the repayment of borrowings and interests.

Capital reorganisation

During the nine months ended 31 December 2015, the Board has implemented the reorganisation of the share capital of the Company (the "Capital Reorganisation") which involved, among other things, (i) the share consolidation, (ii) change in board lot size, (iii) capital reduction, (iv) share sub-division, (v) share premium reduction and (vi) credit to contributed surplus account. The Capital Reorganisation was duly passed by the Shareholders as the special resolution at the SGM held on 21 August 2015 and took effect on 24 August 2015. Details and effect of the Capital Reorganisation were disclosed in the Company's announcements dated 17 July 2015 and 21 August 2015 and the Company's circular dated 29 July 2015.

Placing of convertible bonds under specific mandate

On 28 August 2015, the Company entered into the placing agreement with the placing agent, pursuant to which the placing agent agreed amongst other things to procure not less than six placees to subscribe for up to HK$250 million of the convertible bonds on a best effort basis by one or more tranches of not less than HK$10 million each. Details and effect of the placing of convertible bonds under specific mandate were disclosed in the Company's announcements dated 28 August 2015, 22 September 2015 and 14 October 2015 and the Company's circular dated 24 September 2015. During the nine months ended 31 December 2015, the Company has finally completed the placing of convertible bonds in the aggregate principal amount of HK$130 million took place on 5 November 2015. The net proceeds from the placing of convertible bonds were approximately HK$123 million, out of which approximately HK$40.1 was used for settlement of borrowings, HK$5.0 million for investment in a financial asset, approximately HK$2.0 million for the launch of car beauty and maintenance workshop and approximately HK$6.6 million was used as other general working capital.

Share consolidation

During the nine months ended 31 December 2015, the Board has implemented the consolidation of every four issued and unissued shares of par value of HK$0.0001 each into one consolidated share of par value of HK$0.0004 each. Such resolution was duly passed by the Shareholders at the SGM held on 14 October 2015 and the share consolidation took effect on 15 October 2015. Details and effect of the share consolidation were disclosed in the Company's announcements dated 11 September 2015, 21 September 2015 and 14 October 2015 and the Company's circular dated 24 September 2015.

LEGAL PROCEEDINGS

(2015) Xi Min Chu Zi No. 0005#

As disclosed in the Company's announcement dated 18 June 2015, there is a legal proceedings in the PRC (the "PRC Proceedings"), namely (2015) Xi Min Chu Zi No. 0005#（(2015)錫民初字第0005號）whereby Jiangsu Kedi, an indirectly wholly-owned subsidiary of the Company, together with Jiangsu Zhongsai Environment Technology Company Limited#（中賽環境科技有限公司）, Shan Xiaochang#（單曉昌）and Shan Zhuojun#（單茁君）, were named as co-defendants in their capacity of guarantors to the Alleged Loan (as defined in aforesaid announcement) owing by Jiangsu Yonglu Fertilizer Company Limited ("Jiangsu Yonglu")#（江蘇永祿肥料有限公司）to the plaintiff. The hearing of the PRC Proceedings was held on 4 August 2015. A judgment was subsequently handed down against Jiangsu Yonglu and the co-defendants. Jiangsu Yonglu was required to pay RMB44.6 million together with the interests incurred thereon to the plaintiff, and the other co-defendants were required to undertake the responsibilities of joint guarantee but were granted the right of recourse against Jiangsu Yonglu. Jiangsu Yonglu and the co-defendants have jointly lodged an appeal to the court and are still pending for the date of hearing as at the date of this announcement. The Company will make further announcement(s) on any significant development of the PRC Proceedings when it consider necessary.

(2015) Xi Zhong Bao Zi No. 0062#

The Company received a civil judgment of (2015) Xi Zhong Bao Zi No. 0062#（錫仲保字第0062號）(the "Judgment") on 2 September 2015, which was related to a dispute (the "Dispute") arising from the small and medium-sized enterprise placement bonds (the "SME Private Bonds") of outstanding aggregate principal amount of RMB33.3 million. According to the Judgment, the applicants of the Dispute (the "Applicants") had applied for arbitration. The Applicants had demanded to freeze the sum of RMB41 million in the bank account of Jiangsu Kedi or other assets of equivalent amount of Jiangsu Kedi. Up to the date of this announcement, the Company has repaid RMB15.6 million together with relevant accrued interest of the SME Private Bonds. For the remaining outstanding principal, the Company, through its legal consultant, is actively in negotiating with the Applicants in the PRC. The Company will make further announcement on any substantial progress towards the Dispute when it considers necessary. For details, please refer to the Company's announcement dated 4 September 2015.

The English name in this announcement is for reference only. The official name is in Chinese.

PROSPECTS

Economic growth in the PRC was slowed down amidst credit tightening and the anticorruption measures taken by the PRC government, these factors coupled with the shrinking demand and soaring production cost have severely hindered the operation of tobacco related agricultural machines. The Company is very cautious and prudent in running the business of manufacturing and sale of agricultural flue-curing barns. The Company will not rule out any possibility to have overhaul on the whole tobacco related segment, and on the other hand the Company is also exploring the possibility of disposing of Jiangsu Kedi.

The Company has resolved to reallocate more resources through capital injection to the digital television operation in order to grasp the opportunities arising from the flourishing culture, media and entertainment industry in the PRC. Hunan Digital TV will strengthen its operation to the existing three broadcasting channels 92, 93 and 94 in Hunan Province by expanding the scope and quality of the TV program, featured films and advertisements.

The Company is at the final stage for the application of the Money Lenders Licence. The money lending operation is expected to commence on the first half of 2016. The principal services of money lending are expected to cover second mortgage loan for real estate and secured small and medium-sized enterprise loan. Besides, the Group will continue to streamline its business model and structure and explore other business opportunities.

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

As at 31 December 2015, the interests and short positions of the Directors and chief executives of the Company in the ordinary share of HK$0.0004 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 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	Percentage of shareholding
Ms. Jingquan Yingzi ("Ms. Jingquan")	Interests held by controlled corporation and beneficial owner	27,859,017 *(note)*	25.77%

Note:

There are totally 26,728,517 Shares held by Cyberland (China) Limited ("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 is wholly owned by Ms. Jingquan, 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 (Chapter 571 of the Laws of Hong Kong), Ms. Jingquan is deemed to be interested in the Shares to be held by Cyberland.

Save as disclosed above, as at 31 December 2015, 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 31 December 2015, 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 held	Number of underlying Shares held	Percentage of issued share capital of the Company
Cyberland (China) Limited	Beneficial owner	26,728,517 *(notes (a) and (b))*	–	24.72%
Stepwise International Holdings Limited	Interest of a controlled corporation	26,728,517 *(notes (a) and (b))*	–	24.72%
Yiu Kwok Ming Tommy	Beneficial owner	–	500,000,000 *(note (c))*	462.43%
Lee Yuk Lun	Beneficial owner	–	400,000,000 *(note (c))*	369.95%
Lam Kai Tai	Beneficial owner	–	200,000,000 *(note (c))*	184.97%
Lau Kevin	Beneficial owner	–	200,000,000 *(note (c))*	184.97%
Ng Kwok Wing	Beneficial owner	–	200,000,000 *(note (c))*	184.97%

Name of Shareholders	Capacity	Number of Shares held	Number of underlying Shares held	Percentage of issued share capital of the Company
Kitchell Osman Bin	Beneficial owner	–	180,000,000 *(note (c))*	166.48%
Wong Ying Seung Asiong	Beneficial owner	–	180,000,000 *(note (c))*	166.48%
Chan Chak Kai Kenneth	Beneficial owner	–	160,000,000 *(note (c))*	147.98%
Chow Kam Wah	Beneficial owner	–	160,000,000 *(note (c))*	147.98%
Ip Po Ki	Beneficial owner	–	160,000,000 *(note (c))*	147.98%
Kwong Kai Sing Benny	Beneficial owner	–	160,000,000 *(note (c))*	147.98%
Lee Ying Ki	Beneficial owner	–	100,000,000 *(note (c))*	92.49%

Notes:

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

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

(c) These Shares may be allotted and issued upon exercise of the conversion rights attaching to the convertible bonds issued by the Company.

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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "Directors' and Chief Executives' interests and short positions in Shares, underlying Shares and debentures of the Company or any associated corporation" and "Share Option Scheme", at no time during the nine months ended 31 December 2015 were 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 subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

A share option scheme was adopted by the Shareholders and became effective on 2 February 2009 and shall remain in force for a period of 10 years from that date. The share option scheme mandate limit was refreshed to 10% of the issued Shares at the date of annual general meeting of the Company held on 14 September 2015 (the "AGM 2015"). As at 31 December 2015, the number of Shares available for issue under the scheme was 10,812,347 Shares, after the adjustment in respect of the share consolidation taken effect on 15 October 2015. As at the date of this announcement, no share option has been granted under the share option scheme of the Company.

CORPORATE GOVERNANCE PRACTICES

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 nine months ended 31 December 2015, save and except for the following:

1. Code provision E.1.2 specifies that the chairman of the board should attend the annual general meeting. Ms. Jingquan Yingzi, the chairman of the Board has been heavily involved in the business operations of the Group. Despite her utmost intention to be present at the AGM 2015, Ms. Jingquan was unable to attend the AGM 2015 due to other urgent business commitments of the Group. Mr. Chin Wai Keung Richard, an executive Director, has taken the chair; and

2. Code provision A.1.3 requires that notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. For all other board meetings, reasonable notice should be given. Due to the practical reasons, 14 days' advanced notifications have not been given to all meetings of the Board. Reasons have been given in the notifications in respect of those meetings of the Board where it is not practical to give 14 days' advanced notification. The Board will use its best endeavor to give 14 days' advanced notifications of Board meeting to the extent practicable.

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 nine months ended 31 December 2015.

COMPETING INTEREST

During the nine months ended 31 December 2015, none of the Directors or management shareholders of the Company (as defined in the GEM Listing Rules) had any interests in any 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 nine months ended 31 December 2015. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the nine months ended 31 December 2015.

AUDIT COMMITTEE

The Audit Committee has its terms of reference revised on 8 January 2016. 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 the oversight of the financial reporting system, risk management and internal control system of the Group. The Audit Committee consists of three independent non-executive Directors, namely Mr. Lee Chi Hwa Joshua ("Mr. Lee"), Mr. Sousa Richard Alvaro and Mr. Zhao Zhizheng. Mr. Lee is the chairman of the Audit Committee. The Audit Committee has reviewed the unaudited third quarterly results for the nine months ended 31 December 2015, and discussed the financial control, internal control and risk management systems.

By order of the Board
Code Agriculture (Holdings) Limited
Jingquan Yingzi
Chairman

Hong Kong, 12 February 2016

As at the date of this announcement, the executive Directors are Ms. Jingquan Yingzi (Chairman), Mr. Chin Wai Keung Richard, Mr. Wang Anyuan and Mr. Wu Zhongxin; 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.