



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 2017

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

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

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

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, for which the directors (the "Director(s)") 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.

THIRD QUARTERLY RESULTS (UNAUDITED)

The board of Directors (the "Board") hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the nine months ended 31 December 2017 (the "Period"), together with the unaudited comparative figures for the corresponding period in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

For the nine months ended 31 December 2017

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Continuing operations					
Revenue	3	2,365	10,655	15,713	41,588
Cost of sales and services		(1,041)	(3,206)	(4,798)	(13,108)
Gross profit		1,324	7,449	10,915	28,480
Other income	4	34	284	102	491
Distribution costs		(37)	(391)	(190)	(1,090)
Administrative expenses		(5,517)	(5,136)	(12,564)	(12,176)
Net fair value gain (loss) on financial assets at fair value through profit or loss		1,758	(576)	2,290	2,121
Finance costs	5	(7,680)	(8,971)	(23,824)	(22,517)
Loss before income tax	6	(10,118)	(7,341)	(23,271)	(4,691)
Income tax credit (expense)	7	116	115	378	(104)
Loss for the period from continuing operations		(10,002)	(7,226)	(22,893)	(4,795)
Discontinued operation					
Loss for the period from discontinued operation	8	–	(4,652)	–	(27,777)
Loss for the period		(10,002)	(11,878)	(22,893)	(32,572)

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Loss attributable to owners of the Company					
– from continuing operations		(9,985)	(7,195)	(22,805)	(3,773)
– from discontinued operation		–	(4,652)	–	(27,777)
		(9,985)	(11,874)	(22,805)	(31,550)
Loss attributable to non-controlling interests from continuing operations		(17)	(31)	(88)	(1,022)
		(10,002)	(11,878)	(22,893)	(32,572)
Loss per share attributable to owners of the Company		HK cents	HK cents	HK cents	HK cents
Basic and Diluted	9				
– from continuing and discontinued operations		(0.54)	(1.06)	(1.64)	(6.05)
– from continuing operations		(0.54)	(0.64)	(1.64)	(0.72)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the nine months ended 31 December 2017

	Three months ended 31 December		Nine months ended 31 December	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Loss for the period	(10,002)	(11,878)	(22,893)	(32,572)
Other comprehensive income <i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translation of foreign operations	(291)	7,686	(849)	15,326
Total comprehensive expense for the period	(10,293)	(4,192)	(23,742)	(17,246)
Total comprehensive (expense) income attributable to:				
Owners of the Company	(10,212)	(4,295)	(23,511)	(16,450)
Non-controlling interests	(81)	103	(231)	(796)
	(10,293)	(4,192)	(23,742)	(17,246)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 31 December 2017

	Attributable to owners of the Company										
	Share capital	Share premium	Equity component of convertible bonds	Capital reserve	Merger reserve	Statutory reserve	Exchange reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000
					(note (a))	(note (b))					
At 1 April 2016 (audited)	43	41,900	28,146	-	(197)	24,347	93,387	(459,448)	(271,822)	(6,458)	(278,280)
Loss for the period	-	-	-	-	-	-	-	(31,550)	(31,550)	(1,022)	(32,572)
Other comprehensive income											
- Exchange differences on translation of foreign operations	-	-	-	-	-	-	15,100	-	15,100	226	15,326
Total comprehensive expense for the period	-	-	-	-	-	-	15,100	(31,550)	(16,450)	(796)	(17,246)
Issue of convertible bonds	-	-	30,221	-	-	-	-	-	30,221	-	30,221
Conversion of convertible bonds	393	51,946	(11,315)	-	-	-	-	-	41,024	-	41,024
Shares issued or to be issued in respect of bond interest payments	13	1,674	-	-	-	-	-	-	1,687	-	1,687
At 31 December 2016 (unaudited)	449	95,520	47,052	-	(197)	24,347	108,487	(490,998)	(215,340)	(7,254)	(222,594)
At 1 April 2017 (audited)	457	92,635	46,835	6,000	(197)	-	199	(303,957)	(158,028)	(7,349)	(165,377)
Loss for the period	-	-	-	-	-	-	-	(22,805)	(22,805)	(88)	(22,893)
Other comprehensive income											
- Exchange differences on translation of foreign operations	-	-	-	-	-	-	(706)	-	(706)	(143)	(849)
Total comprehensive expense for the period	-	-	-	-	-	-	(706)	(22,805)	(23,511)	(231)	(23,742)
Conversion of convertible bonds (note (c))	160	22,902	(4,330)	-	-	-	-	-	18,732	-	18,732
Shares issued or to be issued in respect of bond interest payments (note (d))	122	14,157	-	(3,480)	-	-	-	-	10,799	-	10,799
At 31 December 2017 (unaudited)	739	129,694	42,505	2,520	(197)	-	(507)	(326,762)	(152,008)	(7,580)	(159,588)

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) During the Period, the bondholders of the 6% convertible bonds in the aggregate principal amount of HK\$130,000,000 due on 4 November 2018 (the "CB 2018") have converted the CB 2018 with the aggregate principal amount of HK\$20,000,000 at conversion price of HK\$0.05 per share into 400,000,000 ordinary shares of the Company.
- (d) During the Period, the bondholders of CB 2018 and the 6% convertible bonds in the aggregate principal amount of HK\$120,000,000 due on 28 June 2019 (the "CB 2019") have requested to pay any interest payable by way of the Company's shares. During the Period, the outstanding interests of HK\$15,345,000 have been paid by way of the Company's shares. 306,904,107 ordinary shares of the Company were issued at conversion price of HK\$0.05 per share.

NOTES TO THE 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 2037-40, 20th 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 provision of digital television services in Hong Kong and the PRC, provision of car beauty services in Hong Kong, money lending business in Hong Kong and securities investments in Hong Kong.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousands except when otherwise indicated. The condensed consolidated financial statements for the nine months ended 31 December 2017 (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 9 February 2018.

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 2017 (the "Annual Report 2017").

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 2017 except for the adoption of new or revised standards, amendments and interpretations issued by the HKICPA mandatory for annual periods beginning 1 April 2017. 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 2017.

Going concern

The Group recorded both unaudited net current liabilities and net liabilities as at 31 December 2017. 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.

As stated in the Annual Report 2017, the Directors reviewed the Group's financial and liquidity position, and have taken the following actions to mitigate the liquidity issues faced by the Group:

- (a) a shareholder of the Company has confirmed that he will provide continuous financial support to the Company for a period of twelve months from the date of approval of the consolidated financial statements for the year ended 31 March 2017 by the Directors;
- (b) possible fund raising activities including, but not limited to, further placing, rights issues or open offer and issuance of convertible bonds are to be attempted;
- (c) the Group is in negotiation with financial institutions or existing lender for new borrowings and extensions of existing borrowings upon due dates and applying for future credit facilities; and
- (d) the management plans to improve the Group's financial performance by taking steps to reduce discretionary expenses and administrative costs and exploring new business to enhance the source of income.

In light of the measures and arrangements as described above, the Directors consider the Group will have sufficient working capital to meet their financial obligations as they fall due for the foreseeable future. Accordingly, the consolidated 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 consolidated financial statements.

3. REVENUE (UNAUDITED)

	Three months ended 31 December		Nine months ended 31 December	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Continuing operations				
Digital television service income	1,386	9,890	13,052	37,158
Car beauty service income	940	688	2,507	1,933
Money lending income	39	77	154	2,497
	2,365	10,655	15,713	41,588

4. OTHER INCOME (UNAUDITED)

	Three months ended 31 December		Nine months ended 31 December	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Continuing operations				
Bank interest income	–	–	1	2
Interest income from held-to-maturity investment	–	67	–	204
Interest income from amount due from a related company	34	34	101	102
Sundry income	–	183	–	183
	34	284	102	491

5. FINANCE COSTS (UNAUDITED)

	Three months ended 31 December		Nine months ended 31 December	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Continuing operations				
Interest on other loans wholly repayable within five years	493	383	1,354	1,147
Interest on convertible bonds	7,187	8,588	22,470	21,370
	7,680	8,971	23,824	22,517

6. 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	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
(a) Employee benefit expenses (including directors' remuneration)				
Salaries, wages and other benefits	2,993	3,585	7,341	9,362
Retirement benefit scheme contributions	82	173	337	473
	3,075	3,758	7,678	9,835
(b) Other items				
Amortisation of other intangible assets	24	25	73	74
Depreciation of items of property, plant and equipment	491	525	1,482	1,480
Loss on disposal of items of property, plant and equipment	44	–	44	–
Write-off of items of property, plant and equipment	–	–	–	28
Write-down of inventories	–	–	–	21
Minimum lease payments under operating leases in respect of land and buildings	977	991	2,842	2,884
Minimum lease payments under operating leases in respect of office equipment	16	15	48	45

7. INCOME TAX CREDIT (EXPENSE) (UNAUDITED)

	Three months ended 31 December		Nine months ended 31 December	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Continuing operations				
Current tax – Hong Kong Profits Tax	6	12	24	410
Deferred tax	(122)	(127)	(402)	(306)
Income tax (credit) expense	(116)	(115)	(378)	104

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits arising in Hong Kong for the Period.

The provision for PRC Enterprise Income Tax is calculated at the standard rate of 25% on the estimated assessable income as determined in accordance with the relevant income tax rules and regulations of the PRC. No PRC Enterprise Income Tax has been provided for the nine months ended 31 December 2017 and 2016.

8. DISCONTINUED OPERATION

On 6 October 2016, the Group entered into a sale and purchase agreement with an independent third party for disposal of the Group's entire equity interests in Big Success Enterprises Limited ("Big Success") and its subsidiaries (collectively referred to as the "Disposal Group"), which was engaged in sale of tobacco agricultural machinery in the PRC. The transaction was completed on 6 February 2017. Accordingly, the Group's tobacco agricultural machinery operation was treated as discontinued operation for the nine months ended 31 December 2016.

The results of the Disposal Group for the period are presented below:

	Three months ended 31 December 2016 HK\$'000	Nine months ended 31 December 2016 HK\$'000
Revenue	–	116
Cost of sales	–	(60)
<hr/>		
Gross profit	–	56
Other income	2	7
Distribution costs	(86)	(413)
Administrative expenses	(1,813)	(18,639)
Finance costs	(2,766)	(8,777)
<hr/>		
Loss before income tax from discontinued operation	(4,663)	(27,766)
Income tax credit (expense)	11	(11)
<hr/>		
Loss for the period from discontinued operation	(4,652)	(27,777)

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

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	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Loss				
Loss attributable to owners of the Company				
– from continuing operations	(9,985)	(7,195)	(22,805)	(3,773)
– from discontinued operation	–	(4,652)	–	(27,777)
	(9,985)	(11,847)	(22,805)	(31,550)
Number of shares	'000	'000	'000	'000
Weighted average number of ordinary shares in issue	1,850,275	1,121,901	1,390,757	521,744

No adjustment has been made to the basic loss per share amounts presented for the nine months ended 31 December 2017 and 2016 in respect of a dilution as the impact of the convertible bonds outstanding had an anti-dilutive effect.

10. DIVIDEND

The Board does not recommend the payment of a dividend for the nine months ended 31 December 2017 (2016: Nil).

11. EVENTS AFTER REPORTING PERIOD

- (a) On 11 January 2018, the Board announced that the Company received a notice of termination and demand letter dated 11 January 2018 (“Termination Notice”) issued by the legal representative of Artic Blue Corporation (the “Lender”) for terminating the Deed of Settlement as the Company failed to pay the agreed sum of HK\$10,000,000 on or before 30 December 2017 in cash to the Lender. The Lender demanded for the immediate repayment of all outstanding amount due by the Company to the Lender within the next three business days from the date of the Termination Notice in immediate available funds. It was stated in the Termination Notice that if the Company failed to pay the said outstanding sum, the Lender would take any further action, including but not limited to legal proceedings.

The Company is actively negotiating with the Lender (i) to ascertain the total outstanding amount under the loan agreement; and (ii) to request the Lender to withdraw the Termination Notice and to seek indulgence of time for the Company from the Lender to effect payment of the sum of HK\$10,000,000 and other possible repayment schedule and method(s) to settle the Company’s obligations and liabilities towards the Lender under the loan agreement. Further announcement will be made as and when appropriate.

For details, please refer to the announcements dated 8 December 2017 and 11 January 2018.

- (b) On 16 January 2018, the Board announced that the Company received a statutory demand (the “Statutory Demand”) dated 16 January 2018 issued by the legal representative of the Lender demanding the Company to repay an aggregate outstanding amount of HK\$33,178,092.19 owed by the Company to the Lender under the loan agreement (the “Outstanding Amount”). The Statutory Demand was issued pursuant to section 178 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong. If the Company fails to repay the Outstanding Amount within 21 days, a winding-up order may be made in respect of the Company.

The Company is actively negotiating with the Lender for possible settlement method(s) of the Outstanding Amount and is also seeking legal advice on the matter. Further announcement will be made as and when appropriate.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the Period, the Group was principally engaged in provision of digital television services in Hong Kong and the PRC, provision of car beauty services in Hong Kong, money lending business in Hong Kong and securities investments in Hong Kong.

The Group recorded a loss for the Period from continuing operations of approximately HK\$22.9 million, as compared to approximately HK\$4.8 million for the nine months ended 31 December 2016 (the "Preceding Period"). The reduction in revenue was mainly due to the decrease in revenue from digital television operation as compared to the Preceding Period.

Digital television operation

The Group recorded revenue of approximately HK\$13.1 million from this operation, as compared to revenue of approximately HK\$37.2 million for the Preceding Period. The revenue reduce was mainly due to the loss of customers during the Period. The Group will probably invest and/or participate in the production of the Chinese TV drama. This operation will be continuously and diversified in order to broaden its source of income.

Car beauty operation

Revenue from this operation for the Period was increased by 29.7% to approximately HK\$2.5 million, as compared to revenue of approximately HK\$1.9 million for the Preceding Period. Such increase was mainly due to the fact that newly opened workshop in Kowloon Bay has formed a group of regular customers. The Company believes this operation could provide steady revenue for the Group in the forthcoming financial years.

Money lending operation

Revenue from this operation for the Period was approximately HK\$154,000, as compared to revenue of approximately HK\$2.5 million for the Preceding Period.

Securities investments operation

The Group commenced securities investments in Hong Kong from July 2016. Net fair value gain on financial assets at fair value through profit or loss for the Period was approximately HK\$2.3 million as compared to net fair value gain of HK\$2.1 million for the Preceding Period.

Details of investments in equity securities listed in Hong Kong held by the Group during the Period are as follows:

Stock Code	Stock Abbreviation	Number of shares held as at 31 December 2017	Fair value as at 31 December 2017 HK\$'000	Gain (losses) during the Period HK\$'000
283	GOLDIN PPT	–	–	1,285
530	GOLDIN FIN HOLD	–	–	1,023
8103	TRILLION GRAND	940,000	1,598	1,065
8202	INNO-TECH HOLD	10,080,000	1,613	(3,703)
1166	SOLARTECH INT'L	5,820,000	3,841	3,351
8173	UNION ASIA ENT	102,520,000	2,768	–
8212	CELEBRATE INT	18,000,000	3,114	(574)
1387	RENHE COMM	300,000	67	8
8356	CNC HOLDINGS	–	–	(70)
1130	CHINA ENV RES	4,760,000	795	(306)
2112	CAA RESOURCES	–	–	211
			13,796	2,290

Financial Review

Revenue

For the Period, revenue of the Group from continuing operations amounted to approximately HK\$15.7 million, representing a decrease of approximately 62.2% from approximately HK\$41.6 million for the Preceding Period. The decrease in revenue was mainly attributable to decrease in revenue contributed by the digital television operation.

Cost of sales and services

The cost of sales and services from continuing operations decreased by approximately 63.4% to approximately HK\$4.8 million for the Period as compared to approximately HK\$13.1 million for the Preceding Period. Such decrease was in line with the decrease in revenue.

Gross Profit and gross profit margin

The Group's gross profit decreased to approximately HK\$10.9 million for the Period from approximately HK\$28.5 million for the Preceding Period, representing a decrease of approximately 61.7%. The Group's gross profit margin maintained at a steady level of approximately 69.5% for the Period and approximately 68.5% for the Preceding Period.

Distribution costs

The Group recorded distribution costs from continuing operations of approximately HK\$190,000, as compared to approximately HK\$1.1 million for the Preceding Period. Such decrease was in line with the decrease in revenue.

Administrative expenses

Administrative expenses from continuing operations slightly increased by 3.2% to approximately HK\$12.6 million, as compared to approximately HK\$12.2 million for the Preceding Period. Administrative expenses mainly consist of staff costs, depreciation, operating lease rentals for office, legal and professional fees and others. The Group will continue to adopt the stringent cost controls in the forthcoming periods.

Finance costs

The Group recorded finance costs from continuing operations of approximately HK\$23.8 million, as compared to approximately HK\$22.5 million for the Preceding Period. The finance costs were mainly arising from the interest expense on convertible bonds which were issued in November 2015 and June 2016 with the effective interest rates of 18.5% and 21.1% per annum respectively.

Loss for the period and loss attributable to owners of the Company

The Group recorded a loss for the Period of approximately HK\$22.9 million, as compared to a loss of approximately HK\$4.8 million for the Preceding Period. Loss attributable to owners of the Company for the Period was approximately HK\$22.8 million, as compared to a loss of approximately HK\$3.8 million for the Preceding Period. The basic and diluted loss per share of the Group for the Period were HK cents 1.64, as compared to HK cents 6.05 for the Preceding Period. The basic and diluted loss per share from continuing operations for the Period were HK cents 1.64, as compared to HK cents 0.72 for the Preceding Period.

CAPITAL STRUCTURE

As at 31 December 2017, the number of issued ordinary shares of the Company was 1,850,274,675 shares (31 March 2017: 1,143,370,568 shares). Additional shares may be issued by way of conversion of the convertible bonds which if fully converted would result in the issuance of 3,600,000,000 shares of the Company.

PROSPECTS

Looking ahead, the Group is confident about the outlook and the prospects of the advertisement and culture market in Hong Kong and the PRC. The Group's professional and experienced teams have the ability to meet the needs of customers. The Group will open the door to any other opportunities with the business partners in the industry.

The Group expects the global business environment to remain challenging in the coming year due to economic and political uncertainty which will create certain pressure to the Group's revenue and gross profit margins. Nevertheless, the Directors are confident that the Group has the ability to handle these challenges and will continue to explore investment opportunities with a view to enhancing and improving returns to our stakeholders.

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 2017, 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 Directors	Capacity	Number of Shares held	Percentage of shareholding
Ms. Jingquan Yingzi	Beneficial owner	1,130,500	0.06%
Ms. Wu Meirong	Beneficial owner	63,146,301	3.41%
Mr. Liu Ping	Beneficial owner	16,000,000	0.86%

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 2017 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.

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

As at 31 December 2017, 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 and nature of interests	Number of Shares held	Number of underlying Shares held	Percentage of issued share capital of the Company
Yiu Kwok Ming Tommy	Beneficial owner	–	420,000,000 (note (e))	22.70%
Lam Kai Tai	Beneficial owner	16,800,958	180,000,000 (note (e))	10.64%
Lau Kevin	Beneficial owner	24,950,958	180,000,000 (note (e))	11.08%
Winner Cosmos Limited (note (a))	Beneficial owner	–	140,000,000 (note (e))	7.57%
Ng Kwok Wing (note (a))	Interest of a controlled corporation	–	140,000,000 (note (e))	7.57%
Kitchell Osman Bin	Beneficial owner	21,600,000	180,000,000 (note (e))	10.90%
Wong Ying Seung Asiong	Beneficial owner	21,600,000	180,000,000 (note (e))	10.90%
Chan Chak Kai Kenneth	Beneficial owner	19,200,000	160,000,000 (note (e))	9.69%
Kwong Kai Sing Benny	Beneficial owner	19,200,000	160,000,000 (note (e))	9.69%
Ip Cheuk Ho	Beneficial owner	30,001,232	200,000,000 (note (e))	12.43%
To Yuet Sing	Beneficial owner	14,811,223	200,000,000 (note (e))	11.61%
Tsang Kai Ming	Beneficial owner	52,151,233	200,000,000 (note (e))	13.63%
Song Chun Xiao (note (b))	Interest of a controlled corporation	–	600,000,000 (note (e))	32.43%
Faith Elite International Holdings Limited (note (b))	Interest of a controlled corporation	–	600,000,000 (note (e))	32.43%
Latop International Investment Limited (note (b))	Beneficial owner	–	600,000,000 (note (e))	32.43%
Zhou Yi (note (c))	Interest of a controlled corporation	–	400,000,000 (note (e))	21.62%
Wing Wise International Limited (note (c))	Beneficial owner	–	400,000,000 (note (e))	21.62%
Byerley Resources Limited (note (d))	Beneficial owner	24,000,000	400,000,000 (note (e))	22.92%
HEC Securities Company Limited (note (d))	Interest of a controlled corporation	24,000,000	400,000,000 (note (e))	22.92%
Satinu Resources Group Ltd. (note (d))	Interest of a controlled corporation	24,000,000	400,000,000 (note (e))	22.92%
Shimazaki Koji	Beneficial owner	143,475,068	–	7.75%
Alexia Joulian	Beneficial owner	143,341,900	–	7.75%

Notes:

- (a) Mr. Ng Kwok Wing is deemed to be interested in underlying Shares through his interests in Winner Cosmos Limited.
- (b) Latop International Investment Limited is wholly owned by Faith Elite International Holdings Limited which is wholly owned by Mr. Song Chun Xiao. Mr. Song Chun Xiao and Faith Elite International Holdings Limited are deemed to be interested in underlying Shares held by Latop International Investment Limited.
- (c) Mr. Zhou Yi is deemed to be interested in underlying Shares through his interests in Wing Wise International Limited.
- (d) Byerley Resources Limited is wholly owned by HEC Securities Company Limited, and Satinu Resources Group Ltd. holds 70% of the entire issued share capital of HEC Securities Company Limited. HEC Securities Company Limited and Satinu Resources Group Ltd. are deemed to be interested in underlying Shares held by Byerley Resources Limited.
- (e) 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.

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 (the "AGM") held on 14 September 2015. As at 31 December 2017, 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 2017, 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 held on 29 September 2017 (the "AGM 2017"), Ms. Jingquan was unable to attend the AGM 2017 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 2017.

DISCLOSURE OF CHANGES IN INFORMATION OF DIRECTOR

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, changes in Directors' information since the date of the Annual Report 2017 are set out below:

Positions held with the Company

1. Ms. Wu Meirong has been appointed as an independent non-executive Director with effect from 30 August 2017 and re-designated to an executive Director and has been appointed as the co-chairlady with effect from 4 September 2017. She has been re-designated from co-chairlady to chairlady with effect from 20 December 2017.
2. Mr. Liu Ping has been appointed as an independent non-executive Director with effect from 4 September 2017. He has resigned as an independent non-executive Director with effect from 1 February 2018.
3. Ms. Jingquan Yingzi has been redesignated from chairlady to vice-chairlady with effect from 20 December 2017.
4. Mr. Wang Anyuan has resigned as executive Director with effect from 1 February 2018.

COMPETING INTEREST

During the nine months ended 31 December 2017, 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 2017. 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 2017.

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. Hau Chi Kit 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 2017, and discussed the financial control, internal control and risk management systems.

By order of the Board
Code Agriculture (Holdings) Limited
Wu Meirong
Chairlady

Hong Kong, 9 February 2018

As at the date of this announcement, the executive Directors are Ms. Wu Meirong, Ms. Jingquan Yingzi, Mr. Chin Wai Keung Richard, Mr. Wang Rongqian, Mr. Hu Chao and Ms. Lin Yan Jenny; and the independent non-executive Directors are Mr. Hau Chi Kit, Mr. Lee Chi Hwa Joshua and Mr. Zhao Zhizheng.