



CODE AGRICULTURE (HOLDINGS) LIMITED

科地農業控股有限公司

(Incorporated in Bermuda with limited liability)

Stock Code : 8153

2017

INTERIM REPORT
2017



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This report, 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 report 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 report misleading.

INTERIM RESULTS (UNAUDITED)

The board of Directors (the "Board") hereby presents the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 September 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 six months ended 30 September 2017

	Notes	Three months ended 30 September		Six months ended 30 September	
		2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Continuing operations					
Revenue	6	4,148	20,389	13,348	30,933
Cost of sales and services		(1,228)	(7,489)	(3,757)	(9,902)
Gross profit		2,920	12,900	9,591	21,031
Other income	7	34	110	68	207
Distribution costs		(70)	(617)	(153)	(699)
Administrative expenses		(3,813)	(4,117)	(7,047)	(7,040)
Net fair value (loss) gain on financial assets at fair value through profit or loss		(5,328)	2,697	532	2,697
Finance costs	8	(8,305)	(8,661)	(16,144)	(13,546)
(Loss) profit before income tax	9	(14,562)	2,312	(13,153)	2,650
Income tax credit (expense)	10	126	61	262	(219)
(Loss) profit for the period from continuing operations		(14,436)	2,373	(12,891)	2,431
Discontinued operation					
Loss for the period from discontinued operation	11	–	(12,560)	–	(23,125)
Loss for the period		(14,436)	(10,187)	(12,891)	(20,694)

	Notes	Three months ended 30 September		Six months ended 30 September	
		2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
(Loss) profit attributable to owners of the Company					
– from continuing operations		(14,410)	2,830	(12,820)	3,422
– from discontinued operation		–	(12,560)	–	(23,125)
		(14,410)	(9,730)	(12,820)	(19,703)
Loss attributable to non-controlling interests from continuing operations		(26)	(457)	(71)	(991)
		(14,436)	(10,187)	(12,891)	(20,694)
		HK cents	HK cents	HK cents	HK cents
(Loss) earnings per share attributable to owners of the Company	12				
Basic and Diluted					
– from continuing and discontinued operations		(0.86)	(1.43)	(1.09)	(6.55)
– from continuing operations		(0.86)	0.42	(1.09)	1.14

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 September 2017

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Loss for the period	(14,436)	(10,187)	(12,891)	(20,694)
Other comprehensive income <i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translation of foreign operations	(280)	874	(558)	7,640
Total comprehensive expense for the period	(14,716)	(9,313)	(13,449)	(13,054)
Total comprehensive expense attributable to:				
Owners of the Company	(14,640)	(8,855)	(13,299)	(12,155)
Non-controlling interests	(76)	(458)	(150)	(899)
	(14,716)	(9,313)	(13,449)	(13,054)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	Notes	(Unaudited) As at 30 September 2017 HK\$'000	(Audited) As at 31 March 2017 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	5,622	6,452
Other intangible assets		486	531
Deposit		10,000	10,000
Deferred tax assets		1,397	1,212
		17,505	18,195
Current assets			
Inventories		169	233
Loan receivables	15	1,584	700
Trade receivables	16	14,505	9,505
Prepayments, deposits and other receivables		4,163	1,742
Amount due from a related company		2,734	2,667
Financial assets at fair value through profit or loss	17	25,053	36,595
Cash and cash equivalents		6,233	12,329
		54,441	63,771

	Notes	(Unaudited) As at 30 September 2017 HK\$'000	(Audited) As at 31 March 2017 HK\$'000
Current liabilities			
Trade payables	18	834	4,708
Other payables and accruals		10,735	9,846
Amount due to a non-controlling shareholder of a subsidiary		709	677
Borrowings		55,076	63,901
Tax payable		2,107	2,088
		69,461	81,220
Net current liabilities		(15,020)	(17,449)
Total assets less current liabilities		2,485	746
Non-current liabilities			
Deferred tax liabilities		259	354
Convertible bonds	19	161,037	165,769
		161,296	166,123
Net liabilities		(158,811)	(165,377)
EQUITY			
Capital and reserves			
Share capital	20	669	457
Reserves		(151,981)	(158,485)
Equity attributable to owners of the Company		(151,312)	(158,028)
Non-controlling interests		(7,499)	(7,349)
Capital deficiency		(158,811)	(165,377)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	Attributable to owners of the Company										
	Share capital HK'000	Share premium HK'000	Equity component of convertible bonds HK'000	Capital reserve HK'000	Merger reserve HK'000 (note (a))	Statutory reserve HK'000 (note (b))	Exchange reserve HK'000	Accumulated losses HK'000	Total HK'000	Non-controlling interests HK'000	Total equity HK'000
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	-	-	-	-	-	-	-	(19,703)	(19,703)	(991)	(20,694)
Other comprehensive income											
- Exchange differences on translation of foreign operations	-	-	-	-	-	-	7,548	-	7,548	92	7,640
Total comprehensive expense for the period	-	-	-	-	-	-	7,548	(19,703)	(12,155)	(899)	(13,054)
Issue of convertible bonds	-	-	32,164	-	-	-	-	-	32,164	-	32,164
Direct transaction costs attributable to equity component	-	-	(1,943)	-	-	-	-	-	(1,943)	-	(1,943)
Conversion of convertible bonds	224	27,758	(6,521)	-	-	-	-	-	21,461	-	21,461
Shares issued or to be issued in respect of bond interest payments	6	693	-	-	-	-	-	-	699	-	699
At 30 September 2016 (unaudited)	273	70,351	51,846	-	(197)	24,347	100,935	(479,151)	(231,596)	(7,357)	(238,953)
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	-	-	-	-	-	-	-	(12,820)	(12,820)	(71)	(12,891)
Other comprehensive income											
- Exchange differences on translation of foreign operations	-	-	-	-	-	-	(479)	-	(479)	(79)	(558)
Total comprehensive expense for the period	-	-	-	-	-	-	(479)	(12,820)	(13,299)	(150)	(13,449)
Conversion of convertible bonds (note (c))	120	17,142	(3,247)	-	-	-	-	-	14,015	-	14,015
Shares issued or to be issued in respect of bond interest payments (note (d))	92	10,648	-	(4,740)	-	-	-	-	6,000	-	6,000
At 30 September 2017 (unaudited)	669	120,425	43,588	1,260	(197)	-	(280)	(316,777)	(151,312)	(7,499)	(158,811)

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\$15,000,000 at conversion price of HK\$0.05 per share into 300,000,000 ordinary shares of the Company.
- (d) During the Period, the bondholders of the 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 the Company to pay any interest payable by way of the Company's shares. During the Period, the outstanding interests of HK\$11,527,000 have been paid by way of the Company's shares. 230,532,000 ordinary shares of the Company were issued at conversion price of HK\$0.05 per share.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 September 2017

	Six months ended 30 September	
	2017 HK\$'000	2016 HK\$'000
Net cash flows generated from (used in) operating activities	4,279	(28,523)
Net cash flows used in investing activities	(61)	(21,346)
Net cash flows (used in) generated from financing activities	(10,000)	112,752
Net (decrease) increase in cash and cash equivalents	(5,782)	62,883
Cash and cash equivalents at beginning of period	12,329	64,079
Effect of foreign exchange rate changes	(314)	4,778
Cash and cash equivalents at end of period	6,233	131,740
Analysis of balances of cash and cash equivalents		
Cash and bank balances	6,233	30,820
Cash and bank balances attributable to a discontinued operation	–	100,920
	6,233	131,740

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 six months ended 30 September 2017 (the “Interim 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 13 November 2017.

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 requirements of Chapter 18 of 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, HKASs 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 2017 (the “Annual Report 2017”).

Going concern

The Group incurred unaudited loss for the six months ended 30 September 2017 of approximately HK\$12.9 million and, as at that date, the Group recorded both unaudited net current liabilities of HK\$15.0 million and capital deficiency of HK\$158.8 million. 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. 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 2017, 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 2017.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendment to HKFRS	Disclosure of Interests in Other Entities

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 2017.

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- (a) Digital television: broadcast and advertising income of digital television in Hong Kong and the PRC;
- (b) Car beauty: provision of car beauty and maintenance services in Hong Kong;
- (c) Money lending: provision of mortgage loans and short-term loans in Hong Kong; and
- (d) Securities investments: investments and trading of securities in Hong Kong (commenced on 27 July 2016).

During the six months ended 30 September 2016, the Group planned to dispose of the entire equity interests in Big Success Enterprises Limited and its subsidiaries (collectively referred to as the "Disposal Group") which were engaged in sale of tobacco agricultural machinery in the PRC. Accordingly, the Group's tobacco agricultural machinery operation was treated as discontinued operation. The segment information reported below does not include any amounts for the discontinued operation which is disclosed in note 11.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before income tax. The adjusted profit or loss before income tax is measured consistently with the Group's profit or loss before income tax except that bank interest income, finance costs as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, corporate and unallocated assets and assets relating to discontinued operations.

Segment liabilities exclude deferred tax liabilities, convertible bonds, corporate and unallocated liabilities and liabilities relating to discontinued operations.

Segment Results (unaudited)

For the six months ended 30 September 2017

	Digital television HK'000	Car beauty HK'000	Money lending HK'000	Securities Investments HK'000	Total HK'000
Segment revenue					
Sales to external customers	11,667	1,567	114	-	13,348
Segment results	9,582	(1,141)	111	532	9,084
Reconciliation:					
Bank interest income					1
Unallocated gains					67
Finance costs					(16,144)
Corporate and other unallocated expenses					(6,161)
Loss before income tax					(13,153)

For the six months ended 30 September 2016 (restated)

	Digital television HK'000	Car beauty HK'000	Money lending HK'000	Securities Investments HK'000	Total HK'000
Segment revenue					
Sales to external customers	27,268	1,246	2,419	-	30,933
Segment results	17,520	(1,132)	2,414	2,697	21,499
Reconciliation:					
Bank interest income					2
Unallocated gains					205
Finance costs					(13,546)
Corporate and other unallocated expenses					(5,510)
Profit before income tax					2,650

Segment Assets and Liabilities

At 30 September 2017 (unaudited)

	Digital television HK'000	Car beauty HK'000	Money lending HK'000	Securities Investments HK'000	Total HK'000
Segment assets	17,838	1,260	1,855	25,055	46,008
Reconciliation:					
Deferred tax assets					1,397
Corporate and other unallocated assets					24,541
Total assets					71,946
Segment liabilities	8,140	460	197	-	8,797
Reconciliation:					
Deferred tax liabilities					259
Convertible bond					161,037
Corporate and other unallocated liabilities					60,664
Total liabilities					230,757

At 31 March 2017 (audited)

	Digital television HK'000	Car beauty HK'000	Money lending HK'000	Securities Investments HK'000	Total HK'000
Segment assets	12,546	2,521	842	37,918	53,827
Reconciliation:					
Deferred tax assets					1,212
Corporate and other unallocated assets					26,927
Total assets					81,966
Segment liabilities	12,170	491	179	–	12,840
Reconciliation:					
Deferred tax liabilities					354
Convertible bonds					165,769
Corporate and other unallocated liabilities					68,380
Total liabilities					247,343

Geographical information

The following table provides an analysis of the Group's revenue from external customers from continuing operations and non-current assets other than deferred tax assets.

	Revenue from external customers (Unaudited) Six months ended 30 September		Non-current assets (Unaudited) As at 30 September	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	(Audited) As at 31 March 2017 HK\$'000
Hong Kong	12,681	21,665	13,812	14,699
The PRC	667	9,268	2,296	2,284
	13,348	30,933	16,108	16,983

Information about major customers (unaudited)

No sales to a single customer or a group of customers under with common control accounted for 10% or more of the Group's revenue for the six months ended 30 September 2017 and 2016.

6. REVENUE (UNAUDITED)

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Continuing operations				
Digital television service income	3,238	19,620	11,667	27,268
Car beauty service income	851	135	1,567	1,246
Money lending income	59	634	114	2,419
	4,148	20,389	13,348	30,933

7. OTHER INCOME (UNAUDITED)

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Continuing operations				
Bank interest income	–	2	1	2
Interest income from held-to-maturity investment	–	74	–	137
Interest income from amount due from a related company	34	34	67	68
	34	110	68	207

8. FINANCE COSTS (UNAUDITED)

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Continuing operations				
Interest on other loans wholly repayable within five years	623	405	861	764
Interest on convertible bonds	7,682	8,256	15,283	12,782
	8,305	8,661	16,144	13,546

9. (LOSS) PROFIT BEFORE INCOME TAX (UNAUDITED)

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

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
(a) Employee benefit expenses (including directors' remuneration)				
Salaries, wages and other benefits	1,919	3,533	4,348	5,777
Retirement benefit scheme contributions	64	171	255	298
	1,983	3,704	4,603	6,075
(b) Other items				
Amortisation of other intangible assets	24	25	49	49
Depreciation of items of property, plant and equipment	497	519	991	955
Write-off of items of property, plant and equipment	–	–	–	28
Write-down of inventories	–	21	–	21
Minimum lease payments under operating leases in respect of land and buildings	907	957	1,865	1,852
Minimum lease payments under operating leases in respect of office equipment	16	15	32	30

10. INCOME TAX CREDIT (EXPENSE) (UNAUDITED)

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Continuing operations				
Current tax – Hong Kong Profits Tax	9	22	18	398
Deferred tax	(135)	(83)	(280)	(179)
Income tax (credit) expense	(126)	(61)	(262)	219

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 six months ended 30 September 2017 and 2016.

11. DISCONTINUED OPERATION (UNAUDITED)

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 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 six months ended 30 September 2016.

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

	Three months ended 30 September 2016 HK\$'000	Six months ended 30 September 2016 HK\$'000
Revenue	21	116
Cost of sales	(2)	(60)
Gross profit	19	56
Other income	–	5
Distribution costs	(314)	(327)
Administrative expenses	(9,387)	(16,826)
Finance costs	(2,890)	(6,011)
Loss before income tax from discontinued operation	(12,572)	(23,103)
Income tax credit (expense)	12	(22)
Loss for the period from discontinued operation	(12,560)	(23,125)

The net cash flows incurred by the Disposal Group for the six months ended 30 September 2016 were as follows:

	HK\$'000
Operating activities	(29,985)
Financing activities	120,671
Net cash inflows	90,686

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

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

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
(Loss) earnings				
(Loss) profit attributable to owners of the Company				
– from continuing operations	(14,410)	2,830	(12,820)	3,422
– from discontinued operation	–	(12,560)	–	(23,125)
	(14,410)	(9,730)	(12,820)	(19,703)
Number of shares	'000	'000	'000	'000
Weighted average number of ordinary shares in issue	1,673,902	682,109	1,180,790	300,797

No adjustment has been made to the basic (loss) earnings per share amounts presented for the three months and six months ended 30 September 2017 and 2016 in respect of a dilution as the impact of the convertible bonds outstanding had an anti-dilutive effect.

13. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2017 (six months ended 30 September 2016: Nil).

14. PROPERTY, PLANT AND EQUIPMENT

The Group acquired property, plant and equipment with a cost of HK\$61,000 (unaudited) during the six months ended 30 September 2017 (six months ended 30 September 2016: HK\$1,355,000).

15. LOAN RECEIVABLES

	(Unaudited) As at 30 September 2017 HK\$'000	(Audited) As at 31 March 2017 HK\$'000
Fixed-rate loan receivables	1,584	700

At 30 September 2017, all of the loan receivables were secured. The range of the effective interest rates (which are equal to contractual interest rates) on the Group's loans receivables was 12% per annum (31 March 2017: 9% to 18%).

The Group sought to apply strict control over its outstanding loans receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. No loan receivables were neither past due nor individually impaired.

16. TRADE RECEIVABLES

	(Unaudited) As at 30 September 2017 HK\$'000	(Audited) As at 31 March 2017 HK\$'000
Trade receivables	14,505	9,505

The aged analysis of the trade receivables, net of allowance for bad and doubtful debts presented based on the respective dates on which revenue was recognised, is as follows:

	(Unaudited) As at 30 September 2017 HK\$'000	(Audited) As at 31 March 2017 HK\$'000
Within 30 days	3,000	1,000
31-90 days	8,000	8,005
91-180 days	1,005	500
Over 180 days	2,500	–
	14,505	9,505

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	(Unaudited)	(Audited)
	As at	As at
	30 September	31 March
	2017	2017
	HK\$'000	HK\$'000
Equity securities listed in Hong Kong	25,053	36,595

The movements for the financial assets at fair value through profit or loss during the period are as follows:

	(Unaudited)	(Audited)
	As at	As at
	30 September	31 March
	2017	2017
	HK\$'000	HK\$'000
Beginning of the period	36,595	–
Additions	34,020	55,498
Net fair value gain (loss) recognised in profit or loss	532	(2,042)
Disposal	(46,094)	(16,861)
End of the period	25,053	36,595

Net fair value gain on financial assets at fair value through profit or loss for the Period included realised gain of HK\$7,364,000 and unrealised loss of HK\$6,832,000 (six months ended 30 September 2016: unrealised gain of HK\$2,697,000).

The fair value of all equity securities is based on their current bid prices in active markets, and therefore classified under level 1 of fair value hierarchy (note 22).

18. TRADE PAYABLES

Based on the invoice dates, the aged analysis of the trade payables is as follows:

	(Unaudited) As at 30 September 2017 HK\$'000	(Audited) As at 31 March 2017 HK\$'000
Within 30 days	267	4,167
31-90 days	–	–
91-180 days	329	315
Over 180 days	238	226
	834	4,708

19. CONVERTIBLE BONDS

The movements of the liability component of the CB 2018 and CB 2019 are as follows:

	(Unaudited) As at 30 September 2017 HK\$'000	(Audited) As at 31 March 2017 HK\$'000
Beginning of the period	165,769	102,070
Liability component at issuance date	–	82,531
Effective interest expense for the period	15,283	26,785
Conversion during the period	(14,015)	(39,617)
Shares to be issued in respect of bond interest payments	(6,000)	(6,000)
End of the period	161,037	165,769

20. SHARE CAPITAL

	Number of ordinary shares of HK\$0.0004 each	Nominal value HK\$'000
Authorised		
At 31 March 2017, 1 April 2017 and 30 September 2017	250,000,000,000	100,000
Issued and fully paid		
At 31 March 2017 and 1 April 2017 (audited)	1,143,370,568	457
Conversion of convertible bonds	300,000,000	120
Share issued in respect of bond interest payments	230,531,505	92
At 30 September 2017 (unaudited)	1,673,902,073	669

21. RELATED PARTY TRANSACTIONS (UNAUDITED)

The Group entered into the following transaction with a related party:

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Interest income from a related company (note)	34	34	67	68

Note:

The Directors, Ms. Jingquan Yingzi and Mr. Wu Zhongxi (resigned with effect from 6 June 2016), are the shareholders of this related company.

Remuneration of directors and key management personnel of the Group during the six months ended 30 September 2017 was HK\$1,718,000 (six months ended 30 September 2016: HK\$1,381,000), which is included in employee benefit expenses as disclosed in note 9 to the Interim Financial Statements.

Except as disclosed above and elsewhere in the Interim Financial Statements, there was no other material related party transaction during the Period.

22. FAIR VALUE MEASUREMENTS

Apart from the financial assets at fair value through profit or loss in note 17 to the Interim Financial Statements, the Directors consider that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the consolidated statement of financial position approximate their respective fair values at the end of the reporting period.

The following table presents financial assets measured at fair value in the consolidated statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets. The fair value hierarchy has the following levels:

- Level 1: quoted price (unadjusted) in an active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 30 September 2017 (unaudited)				
Financial assets:				
Financial assets at fair value through profit or loss	25,053	–	–	25,053
At 31 March 2017 (audited)				
Financial assets:				
Financial assets at fair value through profit or loss	36,595	–	–	36,595

23. EVENTS AFTER REPORTING DATE

- (a) On 6 October 2017, the Directors announced that the Company is currently exploring suitable opportunities to commence and pursue development in television and media business in the PRC, initially, in relation to the business opportunities and activities associated with investment and/or participation of a Chinese TV drama named “人民的利益”, which may include, but not limited to script writing, production management and distribution of the TV dramas (the “Potential Business”). The Company is exploring various means for developing the Potential Business, including but not limited to through self-development of the subsidiaries, investment(s) in suitable targets/assets, co-operation or partnership arrangement with other parties.
- (b) On 12 October 2017, the bondholders of the CB 2018 have converted the CB 2018 with the principal amount of HK\$5,000,000 and the outstanding interest of HK\$279,000 at conversion price of HK\$0.05 per share into 105,572,602 ordinary shares of the Company.
- (c) On 6 November 2017, the bondholders of the CB 2018 have requested the Company to pay all interest payable for the second anniversary by way of shares. On 8 November 2017, 70,800,000 ordinary shares of the Company have been issued at conversion price of HK\$0.05 per share.

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\$12.9 million, as compared to profit of approximately HK\$2.4 million for the six months ended 30 September 2016 (the "Preceding Period"). The Group's financial results for the Period turned from a profit to a loss 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\$11.7 million from this operation for the Period, as compared to revenue of approximately HK\$27.3 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 25.8% to approximately HK\$1.6 million, as compared to revenue of approximately HK\$1.2 million for the Preceding Period. Such increase was mainly due to the 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\$114,000, as compared to revenue of approximately HK\$2.4 million for the Preceding Period. As at 30 September 2017, the gross loan receivables amounted HK\$1.6 million (31 March 2017: HK\$700,000).

Securities investments operation

The Group commenced the 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\$532,000, as compared to net fair value gain of HK\$2.7 million for the Preceding Period. As at 30 September 2017, the financial assets at fair value through profit or loss amounted to HK\$25.1 million (31 March 2017: HK\$36.6 million).

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 30 September 2017	Fair value as at 30 September 2017 HK\$'000	Gain (losses) during the Period HK\$'000
283	GOLDIN PPT	–	–	1,285
530	GOLDIN FIN HOLD	50,000	183	1,008
8103	TRILLION GRAND	–	–	413
8202	INNO-TECH HOLD	12,200,000	3,111	(2,606)
1166	SOLARTECH INT'L	21,320,000	10,553	1,266
8173	UNION ASIA ENT	102,520,000	2,768	–
8212	CELEBRATE INT	18,000,000	2,862	(826)
1387	RENHE COMM	300,000	54	(6)
8356	CNC HOLDINGS	13,400,000	1,032	(13)
1130	CHINA ENV RES	6,660,000	1,232	(266)
2112	CAA RESOURCES	1,800,000	3,258	277
			<hr/>	
			25,053	532

Financial Review

Revenue

For the Period, revenue of the Group from continuing operations amounted to approximately HK\$13.3 million, representing a decrease of approximately 56.9% from approximately HK\$30.9 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 62.1% to approximately HK\$3.8 million for the Period as compared to approximately HK\$9.9 million for the Preceding Period. Such decrease was in line the decrease in revenue.

Gross Profit and gross profit margin

The Group's gross profit decreased to approximately HK\$9.6 million for the Period from approximately HK\$21.1 million for the Preceding Period, representing a decrease of approximately 54.4%. The Group's gross profit margin maintained at a steady level of approximately 71.9% for the Period and approximately 67.9% for the Preceding Period.

Distribution costs

The Group recorded distribution costs from continuing operations of approximately HK\$153,000, as compared to approximately HK\$699,000 for the Preceding Period. Such decrease was in line with the reduction in revenue.

Administrative expenses

Administrative expenses from continuing operations for the Period were approximately HK\$7.0 million, as compared to approximately HK\$7.0 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\$16.1 million, as compared to approximately HK\$13.5 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\$12.9 million, as compared to the profit of approximately HK\$2.4 million for the Preceding Period. Loss attributable to owners of the Company for the Period was approximately HK\$12.8 million, as compared to a profit of approximately HK\$3.4 million for the Preceding Period. The basic and diluted loss per share of the Group for the Period were HK cents 1.09, as compared to the basic and diluted loss per share of HK cents 6.55 for the Preceding Period. The basic and diluted loss per share from continuing operations for the Period were HK cents 1.09, as compared to the earnings of HK cents 1.14 for the Preceding Period.

CAPITAL STRUCTURE

As at 30 September 2017, the number of issued ordinary shares of the Company was 1,673,902,073 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 3,700,000,000 shares of the Company.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2017, the Group's cash and cash equivalents were approximately HK\$6.2 million (31 March 2017: HK\$12.3 million). The Group's current ratio, being the current assets of approximately HK\$54.4 million (31 March 2017: HK\$63.8 million) divided by the current liabilities of approximately HK\$69.5 million (31 March 2017: HK\$81.2 million), was computed as approximately 0.78 (31 March 2017: 0.79). The management viewed that the ratio was not healthy and acceptable and will try to improve the overall financial soundness and sustainability of the Group.

The Group's total indebtedness comprised the convertible bonds, borrowings and amount due to a non-controlling shareholder of a subsidiary with a total amount of HK\$216.8 million (31 March 2017: HK\$230.3 million). The gearing ratio of the Group, being the total indebtedness divided by total assets excluding deferred tax assets and liabilities, was 307.3% (31 March 2017: 285.2%) as at 30 September 2017. The increase of the ratio was mainly due to the reduction in total assets excluding deferred tax assets from approximately HK\$80.8 million as at 31 March 2017 to approximately HK\$70.5 million a during the Period.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATE AND TREASURY POLICIES

The majority of the Group's cash balances and transactions were either denominated in Renminbi or Hong Kong dollars. The Group does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. As at 30 September 2017 and 2016, the Group did not have any outstanding hedging instruments.

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.

CONTINGENT LIABILITY

No material contingent liability of the Group was noted at 30 September 2017.

HUMAN RESOURCES

As at 30 September 2017, the Group had 74 (31 March 2017: 71) full-time employees including the Directors. Total staff costs from continuing operations for the Period, including director's emoluments were approximately HK\$4.6 million (six months ended 30 September 2016: HK\$6.1 million).

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 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

Name of Director	Capacity	Number of Shares held	Percentage of shareholding
Ms. Wu Meirong	Beneficial owner	63,146,301	3.77%
Ms. Jingquan Yingzi	Beneficial owner	1,130,500	0.07%

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 six months ended 30 September 2017 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 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 30 September 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	Number of Shares held	Percentage of issued share capital of the Company	
			Number of underlying Shares held	
Yiu Kwok Ming Tommy	Beneficial owner	80,458,628	420,000,000 (note (d))	29.90%
Lam Kai Tai	Beneficial owner	22,000,958	180,000,000 (note (d))	12.07%
Lau Kevin	Beneficial owner	24,950,958	180,000,000 (note (d))	12.24%
Winner Cosmos Limited (note (a))	Beneficial owner	2,670	240,000,000 (note (d))	14.34%
Ng Kwok Wing (note (a))	Interest of a controlled corporation	2,670	240,000,000 (note (d))	14.34%
Kitchell Osman Bin	Beneficial owner	10,800,000	180,000,000 (note (d))	11.40%
Wong Ying Seung Asiong	Beneficial owner	10,800,000	180,000,000 (note (d))	11.40%
Chan Chak Kai Kenneth	Beneficial owner	9,600,000	160,000,000 (note (d))	10.13%
Kwong Kai Sing Benny	Beneficial owner	9,600,000	160,000,000 (note (d))	10.13%
Ip Cheuk Ho	Beneficial owner	30,601,232	200,000,000 (note (d))	13.78%
To Yuet Sing	Beneficial owner	14,811,223	200,000,000 (note (d))	12.83%
Tsang Kai Ming	Beneficial owner	52,151,233	200,000,000 (note (d))	15.06%
Safe Castle Limited (note (b))	Beneficial owner	–	1,000,000,000 (note (d))	59.74%
Coupeville Limited (note (b))	Interest of a controlled corporation	–	1,000,000,000 (note (d))	59.74%
China Innovative Finance Group Limited (note (b))	Interest of a controlled corporation	–	1,000,000,000 (note (d))	59.74%
Byerley Resources Limited (note (c))	Beneficial owner	24,000,000	400,000,000 (note (d))	25.33%
HEC Securities Company Limited (note (c))	Interest of a controlled corporation	24,000,000	400,000,000 (note (d))	25.33%
Satinu Resources Group Ltd. (note (c))	Interest of a controlled corporation	24,000,000	400,000,000 (note (d))	25.33%

Notes:

- (a) Mr. Ng Kwok Wing is deemed to be interested in Shares and underlying Shares through his interests in Winner Cosmos Limited.
- (b) Safe Castle Limited is directly wholly owned by Coupeville Limited, and Coupeville Limited is directly wholly owned by China Innovative Finance Group Limited. Coupeville Limited and China Innovative Finance Group Limited are deemed to be interested in underlying Shares held by Safe Castle Limited.
- (c) 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.
- (d) 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 30 September 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 report, 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 six months ended 30 September 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

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- 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 six months ended 30 September 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

- 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.
- Mr. Liu Ping has been appointed as an independent non-executive Director with effect from 4 September 2017.

COMPETING INTEREST

During the six months ended 30 September 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 six months ended 30 September 2017. 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 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 four independent non-executive Directors, namely Mr. Lee Chi Hwa Joshua ("Mr. Lee"), Mr. Hau Chi Kit, Mr. Liu Ping and Mr. Zhao Zhizheng. Mr. Lee is the chairman of the Audit Committee. The Audit Committee has reviewed the unaudited interim results for the six months ended 30 September 2017, 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, 13 November 2017

As at the date of this report, the executive Directors are Ms. Wu Meirong, Ms. Jingquan Yingzi, Mr. Chin Wai Keung Richard, Mr. Wang Anyuan, 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, Mr. Liu Ping and Mr. Zhao Zhizheng.