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

(Incorporated in Bermuda with limited liability)
(Stock Code: 8153)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2012

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

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

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

This announcement, for which the directors of Code Agriculture (Holdings) Limited (the "Directors") collectively and individually accept full responsibility, includes particular given in compliance with the Rules Governing the Listing of Securities on the GEM for the purpose of giving information with regard to Code Agriculture (Holdings) Limited. 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.

HIGHLIGHTS

- The Group had recorded a turnover of approximately HK$663,896,000 for the year ended 31 March 2012, representing an increase of approximately 11.0% over the correspondent year.
- Loss attributable to owners of the Company for the year ended 31 March 2012 was approximately HK$34,790,000, representing a decrease of 84.5% over the correspondent year.
- Basic and diluted loss per share attributable to the equity holders of the Company for the year ended 31 March 2012 was approximately HK1.28 cents.
- The Board does not recommend the payment of a dividend for the year ended 31 March 2012.

FINAL RESULTS

The board of directors (the "Board") of Code Agriculture (Holdings) Limited (the "Company") presents the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2012 together with comparative figures for the previous year are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March

	Note	**2012** **HK$'000**	2011 HK$'000 (Restated)
Turnover	*4*	**663,896**	598,132
Cost of sales and services		**(469,153)**	(462,488)
Gross profit		**194,743**	135,644
Other revenue	*5*	**20,435**	25,783
Distribution costs		**(43,898)**	(30,601)
Administrative expenses		**(94,371)**	(108,728)
Profit from operations		**76,909**	22,098
Finance costs	*6*	**(32,203)**	(28,123)
Other losses	*7*	**(20,022)**	(10,494)
Share of profits of associates		**611**	—
Gain on disposal of subsidiaries	*18*	**1,760**	—
Loss on deconsolidation of subsidiaries	*19*	**(2,779)**	—
Impairment losses on goodwill and other intangible assets	*8*	**(59,105)**	(219,928)
Loss before income tax	*9*	**(34,829)**	(236,447)
Income tax credit	*10*	**2,435**	11,662
Loss for the year		**(32,394)**	(224,785)
Other comprehensive income, net of income tax			
Exchange differences on translating foreign operations		**15,489**	20,557
Reclassification adjustments relating to foreign operations disposed of during the year		**46**	—
		15,535	20,557
Total comprehensive loss for the year		**(16,859)**	(204,228)
Loss attributable to:			
— Owners of the Company		**(34,790)**	(224,988)
— Non-controlling interests		**2,396**	203
		(32,394)	(224,785)
Total comprehensive income (loss) attributable to:			
— Owners of the Company		**(19,129)**	(204,308)
— Non-controlling interests		**2,270**	80
		(16,859)	(204,228)
Loss per share			
Basic and diluted — HK cents per share	*11*	**(1.28)**	(8.30)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	At 31 March 2012 HK$'000	At 31 March 2011 HK$'000 (Restated)	At 1 April 2010 HK$'000 (Restated)
Non-current assets				
Property, plant and equipment		**76,347**	83,514	155,659
Prepaid land lease payments		**6,739**	6,730	21,393
Goodwill	*13*	**776,323**	777,347	896,557
Other intangible assets	*14*	**57,504**	142,928	268,940
Interests in associates		**16,531**	—	—
Deferred tax assets		**10,891**	—	—
		944,335	1,010,519	1,342,549
Current assets				
Inventories		**67,910**	64,745	18,753
Trade and bills receivables	*15*	**442,635**	462,152	331,308
Prepayments, other receivables and deposits	*15*	**249,180**	152,075	166,787
Amounts due from customers for contract works		**—**	5,992	—
Financial assets at fair value through profit or loss		**—**	822	6,916
Tax recoverable		**—**	—	226
Pledged deposits		**260,222**	231,372	135,918
Cash and bank balances		**160,755**	47,491	192,881
		1,180,702	964,649	852,789
Assets held for sale		**103,431**	101,902	2,141
		1,284,133	1,066,551	854,930
Current liabilities				
Trade and bills payables	*16*	**62,236**	210,141	236,080
Other payables and accruals	*16*	**67,434**	56,438	30,743
Amounts due to a non-controlling shareholder	*16*	**1,522**	1,807	6,644
Amounts due to directors	*16*	**5,186**	6,013	—
Borrowings		**747,004**	407,111	312,227
Deferred income		**—**	583	—
Tax payable		**3,963**	3,357	7,051
		887,345	685,450	592,745
Net current assets		**396,788**	381,101	262,185
Total assets less current liabilities		**1,341,123**	1,391,620	1,604,734
Capital and reserve				
Share capital		**27,138**	27,138	26,673
Reserves		**659,620**	678,612	878,178
Equity attributable to owners of the Company		**686,758**	705,750	904,851
Non-controlling interests		**(497)**	27,757	5,328
		686,261	733,507	910,179
Non-current liabilities				
Deferred tax liabilities		**9,462**	12,825	34,348
Convertible bond		**645,400**	645,288	660,207
		654,862	658,113	694,555
		1,341,123	1,391,620	1,604,734

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company										
	Share capital *HK$'000*	Share premium *HK$'000*	Accumulated losses *HK$'000*	Merger reserve *HK$'000* *(note)*	Capital reserve *HK$'000*	Share-based payment reserve *HK$'000*	Exchange reserve *HK$'000*	Convertible bond reserve *HK$'000*	Subtotal *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 April 2010	**26,673**	**1,035,366**	**(636,820)**	**(197)**	**26,062**	**15,882**	**92**	**437,793**	**904,851**	**5,328**	**910,179**
Redemption of convertible bonds	—	—	—	—	—	—	—	(9,968)	(9,968)	—	(9,968)
Share options scheme											
— proceeds from share issued	465	5,348	—	—	—	—	—	—	5,813	—	5,813
— exercise of share options	—	15,470	—	—	—	(15,470)	—	—	—	—	—
— value of services	—	—	—	—	—	9,362	—	—	9,362	—	9,362
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	22,349	22,349
Transactions with owners	**465**	**20,818**	**—**	**—**	**—**	**(6,108)**	**—**	**(9,968)**	**5,207**	**22,349**	**27,556**
Loss for the year	—	—	(224,988)	—	—	—	—	—	(224,988)	203	(224,785)
Other comprehensive income	—	—	—	—	—	—	20,680	—	20,680	(123)	20,557
Total comprehensive income for the year	**—**	**—**	**(224,988)**	**—**	**—**	**—**	**20,680**	**—**	**(204,308)**	**80**	**(204,228)**
At 31 March 2011 and 1 April 2011	**27,138**	**1,056,184**	**(861,808)**	**(197)**	**26,062**	**9,774**	**20,772**	**427,825**	**705,750**	**27,757**	**733,507**
Share options scheme											
— value of services	—	—	—	—	—	137	—	—	137	—	137
— forfeiture of share options	—	—	412	—	—	(412)	—	—	—	—	—
Disposal of subsidiaries	—	—	—	—	—	—	—	—	—	(9,478)	(9,478)
Deconsolidation of subsidiaries	—	—	—	—	—	—	—	—	—	(21,046)	(21,046)
Appropriate to reserve	—	—	(6,952)	—	6,952	—	—	—	—	—	—
Transactions with owners	**—**	**—**	**(6,540)**	**—**	**6,952**	**(275)**	**—**	**—**	**137**	**(30,524)**	**(30,387)**
Loss for the year	—	—	(34,790)	—	—	—	—	—	(34,790)	2,396	(32,394)
Other comprehensive income	—	—	—	—	—	—	15,661	—	15,661	(126)	15,535
Total comprehensive income for the year	**—**	**—**	**(34,790)**	**—**	**—**	**—**	**15,661**	**—**	**(19,129)**	**2,270**	**(16,859)**
At 31 March 2012	**27,138**	**1,056,184**	**(903,138)**	**(197)**	**33,014**	**9,499**	**36,433**	**427,825**	**686,758**	**(497)**	**686,261**

Note:

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 reorganization on 20 March 2001 as set out in the prospectus of the Company dated 26 March 2001.

Notes:

1. **GENERAL INFORMATION**

Code Agriculture (Holdings) Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The consolidated financial statements are presented in Hong Kong dollars (HK$), which is the same as the functional currency of the Company.

2. **BASIS OF PREPARATION**

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

In the current year, the directors of the Company and consolidated statement of financial position decided to change the classification of certain line items in the consolidated statement of comprehensive income to better reflect the relevance of financial information of the Group's activities and financial position. Certain bills of exchange with non-trade nature were reclassified from trade and bills payable to borrowings and the amounts due to a related company was reclassified to amount due to a non-controlling shareholder. Prior year figures have been re-presented to reflect the new presentation. The reclassification has had no net effect on the results of the Group for the year ended 31 March 2011.

The effect of changes in presentation for the prior year by line items presented in the consolidated statement of comprehensive income is as follows:

	Originally Stated	**Adjustments**	**Restated**
	HK$'000	*HK$'000*	*HK$'000*
Consolidated statement of comprehensive income			
Turnover	597,268	864	598,132
Other revenue	26,647	(864)	25,783
Cost of sales and services	(439,210)	(23,278)	(462,488)
Distribution costs	(53,599)	22,998	(30,601)
Administrative expenses	(109,008)	280	(108,728)
Consolidated statement of financial position			
Trade and bills payable	329,189	(119,048)	210,141
Borrowings	288,063	119,048	407,111

Adjustment made in respect of correction of prior year error

In the previous financial year, an error was made in measurement of goodwill from acquisition of subsidiaries. The error was detected during the year ended 31 March 2011 and the relevant accounts were adjusted as "adjustments to fair value adjustment for acquisition of subsidiaries in prior periods" in the consolidated financial statements. In accordance to the Hong Kong Accounting Standard ("HKAS") 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, the error is now recognised retrospectively in the consolidated statement of financial position as at 1 April 2010 and certain comparative figures has been restated.

The effect of adjustments for the prior year by lines presented in the consolidated statement of financial position is as follows:—

	At 1 April 2010		
	Originally Stated	**Adjustments**	**Restated**
	HK$'000	*HK$'000*	*HK$'000*
Property, plant and equipment	213,543	(57,884)	155,659
Prepaid land lease payments	8,523	12,870	21,393
Goodwill	817,195	79,362	896,557
Deferred tax liabilities	—	(34,348)	(34,348)

The final results are audited and have been reviewed by the Audit Committee of the Company.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following new and revised standards, amendments and interpretations issued by the HKICPA.

HKAS 24 (revised 2009)	Related Party Disclosures
Improvements to HKFRSs (2010)	
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK (IFRIC) — Int 14	Prepayments of a Minimum Funding Requirement
HK (IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments

Except as described below, the adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

HKAS 24 Related Party Disclosures (as revised in 2009)

HKAS 24 (as revised in 2009) has been revised on the following two aspects: (a) HKAS 24 (as revised in 2009) has changed the definition of a related party and (b) HKAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities.

The Company and its subsidiaries are not government-related entities. The application of the revised definition of related party set out in HKAS 24 (as revised in 2009) in the current year does not have any material impact on the Group's related party disclosures in the current and previous periods.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these HKFRSs, but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

4. TURNOVER AND SEGMENT INFORMATION

The principal activities of the group are manufacturing, sales of tobacco machinery products, sale of tobacco fertilizer and pesticide products, construction, provision of digitalisation television services and manufacturing and sales of healthcare products in the People Republic of China (the "PRC").

Turnover represents revenue arising from sales of machinery, sales of fertilizer and pesticide, construction contracts revenue, provision of television digitalisation services and sales of cordyceps-related and other healthcare products. An analysis of the Group's revenue is as follows:—

	2012	2011
	HK$'000	*HK$'000*
		(Restated)
Sales of agricultural machinery and provision of construction service	**626,227**	483,360
Sales of fertilizer and pesticide	**29,598**	111,047
Provision of consultancy services	**2,361**	—
Provision of digital television services	**4,795**	2,889
Sales of cordyceps-related and other healthcare products	**915**	836
	663,896	598,132

For management purposes, the Group is currently organized into three operating divisions and these divisions are the basis on which the Group reports its primary segment information.

For the purposes of assessing segment performance and resources between segments, the Group's senior executive management monitors the results and assets and liabilities attributable to each reportable segment on the following basis:—

Segment turnover represents revenue generated from external customers.

Segment results represent the profit earned or loss incurred by each segment without allocation of corporate income and expenses, central administrative costs, director's fee, interest and other revenue and finance costs, share of profit of associates, gain on disposal of subsidiaries, loss on deconsolidation of subsidiaries and income tax credit.

Segment assets include all tangible and intangible assets other than interests in associates, financial assets at fair value through profit or loss, deferred tax assets, pledged deposits, cash and bank balance and corporate assets.

Segment liabilities include all liabilities other than borrowings, deferred tax liabilities, convertible bond and corporate liabilities.

Business segments

Information about reportable segment profit or loss, assets and liabilities:

Segment profit or loss

	2012				2011			
	Tobacco agricultural operation *HK$'000*	**Digitalisation television operation** *HK$'000*	**Healthcare products operation** *HK$'000*	**Total** *HK$'000*	Tobacco agricultural operation *HK$'000* (Restated)	Digitalisation television operation *HK$'000* (Restated)	Healthcare products operation *HK$'000* (Restated)	Total *HK$'000* (Restated)
Revenue from external customers	**658,186**	**4,795**	**915**	**663,896**	594,407	2,889	836	598,132
Gross profit (loss)	**192,862**	**1,786**	**95**	**194,743**	137,160	390	(1,906)	135,644
Segment profit (loss) from operations	**85,437**	**(1,781)**	**(5,464)**	**78,192**	53,242	(2,286)	(9,311)	41,645
Impairment loss on prepayments	**—**	**(20,000)**	**—**	**(20,000)**	—	—	—	—
Impairment loss on goodwill	**—**	**—**	**—**	**—**	(120,234)	—	—	(120,234)
Impairment loss on other intangible assets	**(59,105)**	**—**	**—**	**(59,105)**	(89,694)	—	(10,000)	(99,694)
Segment results	**26,332**	**(21,781)**	**(5,464)**	**(913)**	(156,686)	(2,286)	(19,311)	(178,283)
Interest income				**7,272**				2,431
Other revenue				**10,788**				8,286
Unallocated expenses				**(19,343)**				(34,129)
Finance costs				**(32,203)**				(28,123)
Other losses				**(22)**				(6,629)
Share of profits of associates				**611**				—
Gain on disposal of subsidiaries				**1,760**				—
Loss on deconsolidation of subsidiaries				**(2,779)**				—
				(34,829)				(236,447)
Income tax credit				**2,435**				11,662
Loss for the year				**(32,394)**				(224,785)

Segment assets and liabilities

Assets								
Segment assets	**1,728,393**	**4,007**	**43,048**	**1,775,448**	1,720,215	24,073	44,645	1,788,933
Unallocated assets				**453,020**				288,137
				2,228,468				2,077,070
Liabilities								
Segment liabilities	**627,762**	**7,573**	**13,920**	**649,255**	365,383	7,054	11,525	383,962
Unallocated liabilities				**892,952**				959,601
				1,542,207				1,343,563

5. OTHER REVENUE

	2012	2011
	HK$'000	*HK$'000*
		(Restated)
Interest income	**7,272**	2,431
Dividend income from listed securities	**32**	—
Government grants	**1,626**	4,593
Rental income from operating lease	**—**	9,302
Waiver of coupon interest on convertible bonds	**10,730**	8,108
Sundry income	**775**	1,349
	20,435	25,783

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

Agreed with certain subscribers of the convertible bond of the Company, part of the interest on the convertible bond, amounting to HK$10,730,000 (2011: HK$8,108,000), was waived for the purpose to improve the profitability and liquidity of the Group. Taken consideration of the occurrence of the waiver is subject to decision made by these subscribers, in the view of the directors of the Company, the terms, estimated cash flows and effective interest rate of the convertible bond are not revised, and therefore, the carrying amount of the financial liability is not adjusted.

6. FINANCE COSTS

Interest expenses on financial liabilities not at fair value through profit or loss are as follows:—

	2012	2011
	HK$'000	*HK$'000*
Interests on bank loans wholly repayable within five years	**22,314**	15,892
Interests on other loans	**4,621**	2,837
Reversal of interest expenses over-provided	**(5,574)**	—
Effective interest expenses on convertible bonds	**10,842**	9,394
	32,203	28,123

7. OTHER LOSSES

	2012	2011
	HK$'000	*HK$'000*
Change in fair value of financial assets designated at fair value through profit or loss	**—**	(295)
Loss on disposal of financial assets designated at fair value through profit or loss	**22**	3,186
Impairment losses on prepayment and other receivables	**20,000**	3,630
Impairment loss on property, plant and equipment	**—**	46
Write down of inventories	**—**	3,927
	20,022	10,494

8. IMPAIRMENT LOSSES ON GOODWILL AND OTHER INTANGIBLE ASSETS

For the year ended 31 March 2012, the impairment loss on other intangible assets are related to the technology rights owned by Kang Yuan Universal Investment Limited ("Kang Yuan", which holds 100% equity interest of Jiangsu Kedi Modern Agricultural Company Limited ("Jiangsu Kedi") and the subsidiaries (collectively as "Jiangsu Kedi Group")). During the years under review, certain of the technologies owned by Jiangsu Kedi were contributed to the State Tobacco Monopoly Administration ("STMA") for the newly established industry standards of the intensive flue-curing machinery. Accordingly, the Company had to make provision for impairment of HK$59,105,000 (2011: HK$89,694,000) for the technologies.

For the year ended 31 March 2011, the impairment losses on goodwill and other intangible assets are related to the acquisition of and the technology rights owned by Kang Yuan. During the years under review, the production volume and sale volume of the major products of Jiangsu Kedi Group were lower than expected due to the business financing was more difficult in the PRC under the continuous tightening monetary policies carried out by the PRC government. Accordingly, the Company had to make provision for impairment of HK$120,234,000 and HK$89,694,000 respectively on goodwill arising from the acquisition of Kang Yuan and technologies. In addition, as there was no improvement in the results of the healthcare products operation, the value of the remaining patent of HK$10,000,000 was fully impaired.

9. LOSS BEFORE INCOME TAX

	2012	2011
	HK$'000	*HK$'000*
(a) Staff costs		
Contributions to defined contribution retirement plans	**2,514**	1,801
Equity-settled share-based payment expenses	**137**	1,560
Salaries, wages and other benefits	**40,465**	29,700
	43,116	33,061

	2012	2011
	HK$'000	*HK$'000*

(b) Other items

Amortisation		
— land lease premium	**444**	445
— technologies	**26,318**	26,318
— club membership	**7**	7
Depreciation		
— assets held for use under operating lease	**—**	1,021
— other assets	**8,901**	14,277
Impairment losses		
— goodwill *(note 13)*	**—**	120,234
— other intangible assets *(note 14)*	**59,105**	99,694
Operating lease charges: minimum lease payments		
— hire of building	**5,342**	4,933
— hire of plant and machinery	**59**	27
Net foreign exchange loss	**—**	635
Auditors' remuneration		
— audit services — current year	**1,315**	1,694
— audit services — prior year	**18**	—
— other services	**1,398**	—
Cost of inventories	**428,125**	436,711
Research and development costs	**4,823**	624
Loss on disposal of property, plant and equipment	**19**	68

10. INCOME TAX CREDIT

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

(a) Taxation in the consolidated statement of comprehensive income represents:

	2012	2011
	HK$'000	*HK$'000*
Current tax — Hong Kong Profits Tax		
Provision for the year	**—**	—
Current tax — PRC Enterprises Income Tax		
Provision for the year	**14,692**	9,401
Over-provision in respect of prior years	**(2,221)**	—
	12,471	9,401
Deferred tax		
Revaluation of properties and technologies	**(14,906)**	(21,063)
	(2,435)	(11,662)

No provision for Hong Kong profit tax has been made in the consolidated financial statements as there were no estimated assessable profits for the years ended 31 March 2012 and 2011.

In accordance with the relevant tax laws in the PRC, the subsidiaries of the Company in the PRC are subject to an enterprise income tax rate of 25% (2011: 25%) on its taxable income. However, in accordance with the relevant tax laws in the PRC, a subsidiary of the Company is exempted from enterprise income tax for its first two profit-making years (after deducting losses incurred in previous years) and is entitled to a 50% tax reduction for the succeeding three years. The year of 2011 is the forth profit-making years of that subsidiary and accordingly, the applicable income tax rate for that subsidiary is 12.5% for the year. In addition, one of the subsidiaries of the Company had been designated as a high-tech enterprise and its PRC enterprise income tax rate was reduced from 25% to 15% in accordance to the relevant tax law in the PRC. The remaining subsidiaries of the Company in the PRC are subject to PRC enterprise income tax at 25% (2011: 25%) for their taxable income.

11. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to owners of the Company is based on the following data:

	2012	2011
	HK$'000	*HK$'000*
Loss		
Loss attributable to the equity holders of the Company	**(34,790)**	(224,988)

	2012	2011
	'000	*'000*
Numbers of shares		
Weighted average number of shares for the purpose of basic loss per share	**2,713,798**	2,709,804

Basic and diluted loss per share for the years ended 31 March 2012 and 2011 have been presented as equal because the exercise prices of the Company's share options were higher than the average market price for these years and therefore the effect is considered as anti-dilutive.

12. DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 March 2012 (2011: Nil).

13. GOODWILL

	HK$'000
Cost	
At 1 April 2010, as originally stated	817,195
Prior year adjustment — Adjustments to fair value for acquisition of subsidiaries	79,362
At 1 April 2010, as adjusted	896,557
Acquired upon acquisitions of subsidiaries *(note 17)*	1,024
At 31 March 2011	897,581
Disposal of subsidiaries *(note 18)*	(222)
Deconsolidation of a subsidiaries *(note 19)*	(816)
Exchange differences	14
At 31 March 2012	896,557
Accumulated impairment	
At 1 April 2010	—
Impairment loss charged for the year	120,234
At 31 March 2011 and 31 March 2012	120,234
Carrying value	
At 31 March 2012	**776,323**
At 31 March 2011	777,347
At 1 April 2010	896,557

14. OTHER INTANGIBLE ASSETS

	Club membership	Patents	Technologies	Total
		note (b)	*note (a)*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2010	158	10,000	258,782	268,940
Amortisation for the year *(note c)*	(7)	—	(26,318)	(26,325)
Impairment loss *(note d)*	—	(10,000)	(89,694)	(99,694)
Exchange differences	7	—	—	7
At 31 March 2011	158	—	142,770	142,928
Amortisation for the year *(note c)*	(7)	—	(26,318)	(26,325)
Impairment loss *(note d)*	—	—	(59,105)	(59,105)
Exchange differences	6	—	—	6
At 31 March 2012	157	—	57,347	57,504

Note:

(a) The technologies were purchased as part of business combinations in the year ended 31 March 2010.

(b) The patents (including precious tunguse, health vino and oxygenated water patent) (collectively known as "Patents") were purchased as part of business combinations in the year ended 31 March 2009.

(c) During the year ended 31 March 2012, amortisation charge of HK$26,325,000 (2011: HK$26,325,000) with respect to other intangible assets have been included in administrative expenses in the consolidated statement of comprehensive income.

(d) At 31 March 2012, the carrying amount of technologies has been reduced to its recoverable amounts through recognition of impairment losses of HK$59,105,000 which has been included in impairment losses on goodwill and other intangible assets in the consolidated statement of comprehensive income.

At 31 March 2011, the carrying amounts of patents and technologies have been reduced to their recoverable amounts through recognition of impairment losses of HK$10,000,000 and HK$89,694,000 respectively which have been included in impairment losses on goodwill and other intangible assets in the consolidated statement of comprehensive income.

15. TRADE AND OTHER RECEIVABLES

	2012	2011
	HK$'000	*HK$'000*
Trade debtors and bills receivable	**442,635**	462,152
Less: allowance for doubtful debts	**—**	—
	442,635	462,152
Other receivables	**59,081**	60,610
Loan and receivables	**501,716**	522,762
Prepayments and deposits	**190,099**	91,465
	691,815	614,227

(a) Ageing analysis

Included in trade and other receivables are trade receivables and bill receivable (net of allowance for doubtful debts) with the following ageing analysis (based on invoice date) as of the end of the reporting period.

	2012	2011
	HK$'000	*HK$'000*
Current	**118,923**	340,023
30 — 90 days	**69,557**	61,624
91 — 180 days	**44,800**	59,370
Over 180 days	**209,355**	1,135
	442,635	462,152

Trade receivables and bills receivable are due within 30 to 270 days from date of billing.

(b) Trade receivables and bills receivable that are not impaired

	2012	2011
	HK$'000	*HK$'000*
Neither past due nor impaired	**296,710**	385,831
Up to 3 months past due	**41,569**	36,737
4 to 6 months past due	**16,216**	8,274
Over 6 months past due	**88,140**	31,310
	442,635	462,152

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivable that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on the past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

16. TRADE AND OTHER PAYABLES

	2012	2011
	HK$'000	*HK$'000*
Trade and bills payables *(note a)*	**62,236**	210,141
Other payables, customers receipts in advance and accruals	**67,434**	56,438
Amount due to a non-controlling shareholder *(note b)*	**1,522**	1,807
Amounts due to directors *(note c)*	**5,186**	6,013
	74,142	64,258
	136,378	274,399

Note:

(a) Ageing analysis

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis as of the end of the reporting period.

	Group	
	2012	2011
	HK$'000	*HK$'000*
Current	**51,245**	157,418
30 — 90 days	**—**	3,052
91 — 180 days	**—**	24,563
Over 180 days	**10,991**	25,108
	62,236	210,141

Trade and bills payables are due within 30 to 60 days from date of billings.

(b) At 31 March 2012 and 2011, the amount due to Hunan Provincial Television Network Company Limited is unsecured, interest free and repayable on demand.

(c) At 31 March 2012, the amounts due to directors are unsecured, bear interest at 5% per annum and repayable within a year.

At 31 March 2011, the amounts due to directors were unsecured, interest free and repayable on demand.

17. ACQUISITION OF SUBSIDIARIES

During the year ended 31 March 2011, the Group acquired 51% interests of Jiangsu Kedi Runxin Steel Construction Company Limited (江蘇科地潤鑫鋼結構製造有限公司) ("Jiangsu Runxin") and Xian Shenghua Electronic Engineering Company Limited ("Xian Shenghua"), which holds the entire interests of Xuchang Tongxia Modern Agricultural Technology Limited ("Xuchang Tongxia", collectively as "Xian Shenghua Group"), for a consideration of RMB5,100,000 (equivalent to HK$6,071,000) and RMB15,300,000 (equivalent to HK$18,214,000) respectively. Upon that date Jiangsu Kedi and Xian Shenghua Group became the Group's subsidiaries.

As a result of the acquisition, the Group is expected to increase its presence in these markets. It also expects to reduce costs through economies of scale. The goodwill of HK$1,024,000 arising from the acquisition is attributable to acquired customer base and economies of scale expected from combining the operations of the Group, Jiangsu Runxin and Xian Shenghua. None of the goodwill recognized is expected to be deductible for income tax purposes.

Fair value of assets acquired:—

	2011 *HK$'000*
Property, plant and equipment	4,202
Inventories	8,891
Trade and bills receivables	9,450
Prepayments, other receivables and deposits	48,427
Amounts due from customers for contract works	6,271
Cash and bank balances	7,423
Trade and bills payables	(4,380)
Other payables and accruals	(23,377)
Borrowings	(10,714)
Deferred income	(583)
	45,610
Non-controlling interests	(22,349)
Goodwill *(note 13)*	1,024
	24,285

Satisfied by:

Cash consideration paid	24,285

18. DISPOSAL OF SUBSIDIARIES

On 17 June 2011, the Group and an independent third party entered into a sales and purchase agreement for the sale and purchase of the entire issued share capital in M21 Mastertech Company Limited and M21 Digicast Company Limited (collectively as "M21 Group") which were dormant since 2010, with an aggregate consideration of HK$5.

The transaction was completed on 22 September 2011 and M21 Group ceased to be a subsidiary of the Group on that date.

On 16 January 2012, the Group and an independent third party entered into a sales and purchase agreement for the sale and purchase of its 51% interests in Jiangsu Runxin which carried out tobacco-related agricultural business, with an aggregate consideration of RMB7,000,000 (equivalent to HK$8,485,000).

The transaction was completed on 16 January 2012 and Jiangsu Runxin ceased to be a subsidiary of the Group on that date.

Net assets disposed of:—

	M21 Group	**Jiangsu Runxin**	**2012**
	HK$'000	*HK$'000*	***HK$'000***
Property, plant and equipment	—	3,204	**3,204**
Goodwill *(note 13)*	—	222	**222**
Inventories	—	3,580	**3,580**
Trade receivables	—	78,419	**78,419**
Other current assets	—	72,659	**72,659**
Cash and bank balances	—	5,672	**5,672**
Assets held for sale	2,141	—	**2,141**
Trade and bills payables	(56)	(27,772)	**(27,828)**
Borrowings	—	(14,545)	**(14,545)**
Other current liabilities	(5,477)	(101,874)	**(107,351)**
Net assets disposed of	(3,392)	19,565	**16,173**
Non-controlling interests	—	(9,478)	**(9,478)**
Cumulative exchange gain in respect of the net assets of the subsidiaries reclassified from equity to profit or loss on loss of control of subsidiaries	—	30	**30**
Gain/(loss) on disposal of subsidiaries	3,392	(1,632)	**1,760**
	—	8,485	**8,485**

Satisfied by:

Cash consideration received	—	8,485	**8,485**

19. DECONSOLIDATION OF SUBSIDIARIES

On 8 December 2011, the Group and two independent third parties entered into sales and purchase agreements for the sale and purchase of the 20% and 11% of issued share capital in Xian Shenghua Group, with an aggregate consideration of RMB6,000,000 (equivalent to HK$7,229,000) and RMB3,300,000 (equivalent to HK$3,976,000) respectively.

Following the disposal of the Group's aggregate 31% equity interest in Xian Shenghua, the Group's equity interest in Xian Shenghua Group has reduced to 20% from 51%. The remaining interests in Xian Shenghua Group were re-classified as interests in associates and equity accounted for in the Group's consolidated accounts subsequent thereto.

The consolidated net assets of Xian Shenghua Group at the date of control lost were as follows:

	2012
	HK$'000
Property, plant and equipment	**1,481**
Goodwill *(note 13)*	**816**
Inventories	**5,383**
Trade and bills receivables	**14,585**
Other current assets	**34,743**
Cash and bank balance	**1,360**
Trade payables	**(5,924)**
Deferred income	**(618)**
Other current liabilities	**(8,058)**
Net assets deconsolidated	**43,768**
Non-controlling interests	**(21,046)**
Cumulative exchange gain in respect of the net assets of the subsidiaries reclassified from equity to profit or loss on loss of control of subsidiaries	**16**
Loss on deconsolidation of subsidiaries	**(2,779)**
	19,959
Satisfied by:	
Fair value of interests in associates	**8,754**
Cash consideration received	**11,205**
	19,959
The portion of loss attributable to revaluation of retained interest:	
Fair value of retained interest	**8,754**
Net assets retained	**(8,754)**
	—

Taken into consideration of the unfavorable operating results of these companies, in the view of the directors of the Company, the fair value of the retained interest on these associates is equal to the fair value of the retained interest on assets and liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the aftermath of a challenging year, the Group recorded a loss of HK$32,394,000 and a loss attributable to the owners of the Company of HK$34,790,000 for the year ended 31 March 2012, after an impairment loss of HK$59,105,000 due to writing down the carrying value of technologies to their fair value. In spite of this, the Group's overall turnover and gross profit went up by 11.0% and 43.6% from last year to HK$663,896,000 and HK$194,743,000 respectively. The increases in the Group's turnover and gross profit were principally due to continuous business growth of the Group's core operations, namely, tobacco agricultural operation.

OPERATIONS REVIEW — CORE BUSINESS

During the year under review, the Group was principally engaged in manufacturing, sale and distribution of tobacco agricultural machinery, related products and provision of related services, distribution of healthcare products and provision of digital television service in the PRC. Turnover and their respective change of theses principal business during the year were as follows:—

	2012	2011	**Increase/ (Decrease)**
	HK$'000	*HK$'000*	*%*
Tobacco agricultural business			
Sales of flue-curing machinery, accessories and provision of construction services	**613,462**	474,280	29.3
Distribution of agricultural machinery	**12,765**	9,080	40.6
Distribution of fertilizer and pesticide	**29,598**	111,047	(73.3)
Provision of consultancy service	**2,361**	—	N/A
	658,186	594,407	
Provision of digital television services	**4,795**	2,889	66.0
Sale of cordyceps-related and other healthcare products	**915**	836	9.4
	663,896	598,132	

Tobacco agricultural operation

The Group's tobacco agricultural operation was focused on manufacturing, sales and distribution of tobacco agricultural machinery and other related products in PRC were continued to deliver profitable result for the year under review. Turnover from the operation grew by 10.7% to HK$658,186,000 (2011: HK$594,407,000) with gross profit grew by 40.6% to HK$192,862,000 (2011: HK$137,160,000) and operating profit grew by 60.5% to HK$85,437,000 (2011: HK$53,242,000) in compared to last year. Such increases were principally due to the increased volume of higher margin products of flue-curing machinery and accessories were sold during the year, which translating into revenue for the year of HK$583,187,000 (2011: HK$375,971,000). During the year under review, the Group's "KH" series flue-curing machinery products which has been well received by the China tobacco market for its reliability, is currently the core product line of the operation. The KH-10 flue-curing machinery product has successfully expanded its market coverage to all major tobacco production areas in China, including Henan Province; Yunnan Province; Sichuan Province; Guizhou Province; Chongqing City; Hunan Province; Hubei Province; Shandong Province; Northeast Provinces; Gansu Province and Ningxia Province.

The Company wholly owned subsidiary, Jiangsu Kedi Modern Agriculture Company Limited ("Jiangsu Kedi"), a qualified modern tobacco drying machines supplier by the China National Tobacco Corporation and a leading market player, owned a ISO9001:2000 certified production plant in Yixing city of Jiangsu Province with daily production capacity of approximately 1000 units per day. Build on the success of the Group's "KH" series flue-curing machinery products, Jiangsu Kedi has setup a research team which leading by the non-executive director of the Company, Professor Liu Guoshun, for the further improvement and development of the intensive flue-curing machinery and other tomorrow technologies for the China tobacco industry such as comprehensive usage of biomass energy and organic fertilizer etc. The outlook of the flue-curing machinery products in China, where all of the operation's customers are based, remain positive and management expects the operation will continue to perform well in the coming years driving by the Group's leading position in the market.

During the year, the Group decided to slow down the development of the tobacco agricultural construction service as the projects from this business tied up huge amounts of capital and had a relatively low profit margin. In response to the decision, the Group entered into an agreement to dispose the Group's 51% shareholding in a subsidiary which principally engaged in the agricultural construction service for a consideration of RMB7,000,000. The transaction was completed in January 2012 and a disposal loss of approximately HK$1,602,000 was recorded.

On 8 April 2011, the Group entered into an asset transfer agreement to dispose certain of its land, property and equipments to a connected party of the Company in related to the manufacturing of fertilizers for a consideration of approximately RMB138,984,000. This transaction was duly approved by the Company's independent shareholders on 18 April 2012 and completed subsequent to the year end on 29 May 2012. Details of the transaction are contained in the Company's circular dated 29 April 2011. During the year, turnover from sales of fertilizers and pesticides were drop from HK$111,047,000 to HK$29,598,000 due to significant decrease in demand for these products of the Company and the turnover for the year mainly represented the disposal of the remaining inventory and distribution of pesticide products. Due to the strengthen of the Group's distribution network in the PRC tobacco industry, the management remains optimistic about its distribution business in the coming years.

Turnover from the provision of servicing income is a new source of income for the Group during the year under review. Turnover from this operation remained at a relatively small scale and a turnover of HK$2,361,000 was reached.

On 8 December 2011, the Group entered into agreements with two independent third parties to dispose its' 20% and 11% shareholding in Xian Shenghua Electronic Engineering Company Limited ("Xian Shenghua") for the consideration of RMB6,000,000 and RMB3,300,000 respectively. The transaction was completed in December 2011 and a disposal loss of approximately HK$2,779,000 was recorded. Subsequent to the disposal, the Group's shareholding in Xian Shenghua was reduced to 20%.

During the year under review, the operating profit contributed by the tobacco agricultural operation was HK$85,437,000 (2011: HK$53,242,000), increased by 60.5% when compared to last year. Segment profit from this operation was HK$26,332,000 (2011: Segment loss of HK$156,686,000), after an impairment loss of HK$59,105,000 (2011: HK$89,694,000) was recognized by the Group by writing down the carrying value of technologies approximate to their fair value at the year end date.

On 28 February 2011, the Group entered into a memorandum of understanding with an independent third party for a possible acquisition of 70% interests in a company which was principally engaged in the tobacco related agricultural operation in China. The memorandum of understanding was expired on 28 August 2011 and the Group and the seller was mutually agreed in oral to further extend the negotiation. At the date of the announcement, the discussion is still on-going and no formal agreement has been entered by both parties.

Digital television operation

The Group's digital television business in China comprises an independent television program production platform and access to the cable network in the Hunan Province which owned by Hunan Provincial Television Network Company Limited (湖南省廣播電視網絡有限責任公司). The Group currently operates eight digitalised channels in different aspects, including movies; drama; Chinese opera; fashion TV; sport; entertainment; news and scientific channels. Apart from the scientific channel, the other channels are pay channels and can be reached by a province-wide potential customer base of over 4 million. Since late 2010, the Group's scientific channel was partial unlocked in certain district in Hunan Province and can watch freely by all digital television subscribers, in the major cities of Hunan Province such as Chengsha (長沙); Chenzhou (株州); Xiangtan (湘潭), Yiyang (益陽) and Zhangjiajie (張家界). Due to the increasing coverage of our scientific channel to over 180 million household since 2010, the year under review saw a record high in advertising income to HK$3,301,000 (2011: HK$864,000), together with subscription from digital television customer base of HK$1,494,000 (2011: HK$2,014,000), helped boost the operation's revenue to HK$4,795,000 (2011: HK$2,889,000). The gross profit contributed by this operation was HK$1,786,000 (2011: HK$390,000), increased by about 3.6 times when compared to last year.

The operating margin continued to come under pressure from the rising running costs. Loss from operation was narrowed to HK$1,781,000 from HK$2,286,000 when compared to last year. In view of the fact that the delay in the delivery of the television broadcasting rights in Great China of a film to the Group after a further extension to the delivery date were given to the contractor in last year, the management decided, after due consideration, to make full impairment loss on the prepayment for the broadcasting rights amounting to HK$20,000,000. The Company has been seeking legal advice on necessary actions to be taken for the recovery of the amounts. As a result from the recognised impairment loss, segment loss for the year under review was HK$21,781,000 (2011: HK$2,286,000). As the impairment loss recorded for the year was a non recurring expenses and the Group is in negotiation with the appropriate party to further unlock its scientific channel in other cities in Hunan Province, the Group remains optimistic about the segment result in coming years.

Healthcare products operation

In contrast, the Group's healthcare products operation continued to come under considerable pressure from in the face of competition and rising costs. During the year under review, revenue from this operation was HK$915,000 (2011:HK$836,000) and operating loss and segment loss of HK$5,464,000 (2011: operating loss of HK$9,311,000 and segment loss of HK$19,311,000, after an impairment loss of HK$10,000,000 in patent was wrote down to its fair value) was recorded for the year under review. As the competitive pressure is not expected to ease and operating costs will remain high in the coming years, the operation will remain to be challenging. The Group is now considering various measures to further improve its performance and financial position or alternatively, dispose the operation if opportunity arises.

Associates

As mentioned in the section tobacco agricultural operation, Xian Shenghua was re-classified as interests in an associate after the disposal of its 31% interests by the Group. The Group's 20% owned Xian Shenghua is principally engaged in manufacturing and sales of parts and accessories for the tobacco agricultural machinery. Since Xian Shenghua become the Group's associate, the profit shared from Xian Shenghua was HK$611,000. The Group is expecting its investment in Xian Shenghua will provide a stable profit stream to the Group.

FINANCIAL REVIEW

Revenue

For the year ended 31 March 2012, the Group's turnover was HK$663,896,000 (2011: HK$598,132,000), representing an increase of 11% in compared to previous year. Turnover from Tobacco agricultural operation, which representing 99.2% of the Group's turnover, was increased by 10.7% to HK$658,186,000 (2011: HK$594,407,000) due to increase in sale volume of intensive flue-curing machinery and accessories. Turnover from Digital television operation and Healthcare products operation for the year under review were HK$4,795,000 and HK$915,000 respectively and representing approximately 0.7% and 0.1% respectively to the Group's turnover.

Cost of sales and services and Gross Profit

The Group's cost of sales and services mainly includes costs of inventory sold and transportation costs, together representing 98.4% (2011:98.7%) of the Group's cost of sales and services. During the year under review, total cost of sales and services was HK$469,153,000 which was similar to last year (2011: HK$462,488,000), as a result of the changes of product mix and increasing operating efficiency in the tobacco agricultural operation. The Group's gross profit for the year under review was increased sharply by approximately 43.6% to HK$194,743,000 (2011: HK$135,644,000). The group's gross profit margin was enhanced to 29.3% for the year under review (2011: 22.7%).

Distribution costs

The Group's distribution costs for the year under review which mainly consisted of staff costs, travelling expenses and entertainment expenses was HK$43,898,000 (2011: HK$30,601,000). The increased distribution costs were mainly attributable to the additional staff costs resulted from the newly acquired subsidiaries and uprising pressure for wages in China.

Administrative expenses

Despite the Group's operations in China continued to come under considerable pressure in rising costs driving by the uprising Consumer Price Index during the year under review, the overall administrative expenses for the year was decreased by 10.8% to HK$94,371,000. The decrease in administrative expenses was mainly attributable to the successful implementation of cost saving program on headquarter.

Profit from operations

Profit from operations for the year was HK$74,307,000, representing a sharp increase of 2.36 times in compare with last year which primarily attributable to the favourable operation result by the tobacco agricultural operation.

Finance costs

The finance costs for the year under review including a reversal of interests expenses over-provided in last year of HK$5,574,000. Aggregate gross interests expenses on bank and other loans for the year was HK$26,935,000, representing a 29.9% increased in compared with last year, which mainly due to raised borrowing interest rate resulted from the uprising deposit reserve ratio and interest rate by the People's Bank of China and the increased loan size to support the business growth.

Impairment loss on prepayment for the television broadcasting rights of a film

Including in the other loss was an impairment losses on the prepayment paid for the television broadcasting rights of a film in a subsidiary amounted to HK$20,000,000. The Company will take all appropriate actions to recover the outstanding amounts.

Impairment losses on goodwill and other intangible assets

During the year under review the other intangible assets were written down to their fair value at the year end date. For details, please refer to note 8 to this announcement.

Loss for the year

Loss for the year was HK$32,394,000, representing a decrease of 85.6% as compared to the loss of HK$224,785,000 in last year.

CAPITAL STRUCTURE

There was no material change in the issued share capital of the Company during the year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the year under review, the Group generally financed its operations through internally generated cash flows and borrowings.

At 31 March 2012, the Group had aggregate cash and bank balance and pledged deposits of HK$420,977,000 (2011: HK$278,863,000). The Group's current ratio at year end date, calculated based on current assets of HK$1,284,133,000 (2011: HK$1,066,551,000) divided by current liabilities of HK$887,345,000 (2011: HK$685,450,000), was at a healthy ratio of 1.45 (2011: 1.56). The decrease in current ratio was primarily due to an increased bank and other borrowing as a result of more business activities during the year under review.

There was no material change in the issued convertible bonds of the Company during the year under review. At 31 March 2012, the Group's total indebtedness comprised fair value of outstanding convertible bonds, borrowings, bills payable, advance received from customers, amounts due to a non-controlling shareholder and amounts due to directors with aggregate amount of HK$1,430,723,000 (2011: HK$1,160,606). The gearing ratio of the Group, calculated on the basis of total indebtedness divided by total assets, was 64.2% (2011: 55.9%) at the year ended date. The increase in the Group's gearing ratio was primarily due to a higher total indebtedness was recorded as a result of more business activities during the year under review.

The convertible bonds, if not converted, would be due for repayment in March 2015 whereas the borrowings was due within one year. In terms of currency denomination, the convertible bonds were denominated in Hong Kong dollars. Of the borrowings, bills payable, advance received from customers, amount due to a non-controlling shareholder and amounts due to directors, about 99.2% of the balance was denominated in Renminbi with the rest in Hong Kong dollars.

With the amount of liquid assets on hand as well as credit facilities available, the management is of the view that the Group will have sufficient financial resources to meet its ongoing operational requirements.

FOREIGN CURRENCY MANAGEMENT

The monetary assets and liabilities and business transactions of the Group was mainly carried and conducted in Hong Kong dollars and Renminbi. The Group continuous to maintain a prudent strategy in its foreign currency risk management, to a large extent, foreign exchange risks are minimised by balancing the foreign currency monetary assets versus the corresponding currency liabilities, and foreign currency revenues versus the corresponding currency expenditures. In light of the above, it is considered that the Group's exposure to foreign exchange risk is insignificant and no hedging measure has been undertaken by the Group.

PLEDGE OF ASSETS

At 31 March 2012, the Group's certain leasehold land and buildings (including prepaid land premiums) with aggregate carrying amount of approximately HK$34,550,000 (2011: HK$6,730,000), bank deposits denominated in Renminbi of HK$260,222,000 (2011: HK$231,372,000) and trade receivables denominated in Renminbi of HK$4,391,000 (2011: Nil) were pledged to secure general banking facilities granted to the Group.

CONTINGENT LIABILITY

At 31 March 2012 and 2011, the Group did not have any significant contingent liabilities.

CAPITAL COMMITMENT

At 31 March 2012 and 2011, the Group did not have any significant capital commitment.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the year end on 29 May 2012, the Group's related party transaction with Jiangsu Yonglu Fertilizer Limited (江蘇永祿肥料有限公司), for which details of the transaction are contained in the Company's circular dated 29 April 2011, was completed.

EMPLOYEES AND REMUNERATION POLICY

At 31 March 2012, the Group had 471 (2011: 691) full-time employees including Directors. Total staff costs for the year, including director's emoluments but excluding equity settled share based payment expenses, was HK$42,979,000 (2011: HK$31,501,000). The decreases in numbers of staffs at the year ended date mainly reflected several subsidiaries were ceased to be the Company's subsidiaries during the year under review. The increase in staff costs primarily due to the staff costs from the subsidiaries ceased to be the Company's subsidiaries prior to the year ended date and the rising costs. The equity settled share based payment expenses of HK$137,000 (2011: HK$1,560,000) represented fair value of share options granted to eligible person of the share option scheme and were not resulted in any cash outflow.

Salary package for employees are structured by reference to market conditions, staff's experience and individual performance. Other benefits offered by the Group included medical insurance, mandatory provident fund scheme, training subsidies, share option scheme and discretionary bonus.

During the year under review, 7,000,000 share options were granted pursuant to the Group share option scheme on 7 October 2011.

PROSPECTS

During the past few years, under the leadership of State Tobacco Monopoly Administration ("STMA"), technology in the tobacco agricultural industry has been advancing sustainably. Significant breakthroughs were achieved in variety developments, including mechanising seeding production, mass curing, organic leaf tobacco production and information technology. It is foreseeable the modernisation of the industry will be continue in the coming few years, which in long run, it will facilitate the consolidation within the industry, which is beneficial to the long-term growth of the industry and the Company.

Looking forward, the Group will continue to reinforce its leading position in the intensive flue-curing machinery. The Group believe with technical competencies and effective operational management, we have established a solid foundation and a reputable brand name providing the comprehensive capability for sustainable development in the tobacco agricultural industry in China. In order to meet the objective in related to the technology innovation in the tobacco industry set out in the Development Plan Outline for Medium to Long Term Technology Development in the Tobacco Industry (2006-2020)《煙草行業中長期科技發展規劃綱要(2006-2020年)》 issued by the STMA, the Group is remain optimistic and confident in the Group's future performance due to the continuous of the modernization in the tobacco industry in China will drive consolidation amongst the industry participants and create additional business opportunities for the leading players in the industry.

As a leading player in China tobacco agricultural industry, the Group believes the steps we took since the acquisition of the tobacco agricultural business in 2010 will assist the continuing modernization in the industry and were therefore also in the best interests of our shareholders, stakeholders, our employees, and the tobacco farmers in China. In view on the current challenging global economy, the Group will take a prudent approach to expose and capture new business opportunities to develop our business in the industry with an aim to maximise the long term return to the shareholders.

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

As at 31 March 2012, the interest and short position of the directors and chief executives of the Company in the share of HK$0.01 each in the share capital of the Company (the "Shares"), underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Future Ordinance (the "SFO"), as recorded in the register maintained by the Company 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 ordinary shares of the Company

Name of director	Capacity and Nature of interest	Number of Shares held	Approximate percentage of the Company's issued share capital
Ms. Jingquan Yingzi	Interests held by controlled corporation and beneficial owner	2,424,289,767 *(note (a) and (b))*	89.33%
Mr. Wong Man Hung Patrick	Beneficial owner	25,000,000	0.92%
Mr. Shan Xiaochang	Interests held by controlled corporation and beneficial owner	2,381,519,767 *(note (a) and (b))*	87.76%
Mr. Feng Xiao Ping *(note (c))*	Interests held by controlled corporation	31,718,750	1.17%

Note:

(a) 2,379,069,767 underlying shares are held by Cyberland (China) Limited, which is legally and beneficially owned as to 45% and 40% by Rise Enterprises Limited ("Rise Enterprises") and Stepwise International Holdings Limited ("Stepwise") respectively.

Rise Enterprises is legally and beneficially owned as to 32.5% and 42.5% by Mr. Shan Xiaochang ("Mr. Shan") and Eagle Bliss Limited ("Eagle Bliss") respectively

Stepwise is legally and beneficially wholly owned by Mr. Shan

Ms. Jingquan Yingzi also holds derivative interests of the Company through her 100% interests in Eagle Bliss.

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

(c) 31,718,750 shares are held by Sino Unicorn technology Limited, a company in which Mr. Feng Xiao Ping has an indirect interest of 51% therein.

Save as disclosed above, as at 31 March 2012, no directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the SFO) which are required (a) to be recorded in the register maintained by the Company under section 352 of the SFO or (b) to be notified to the Company and the Stock Exchange pursuant to the SFO or the GEM Listing Rules.

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

As at 31 March 2012, so far as was known to the directors of the Company, the following persons (not being directors or chief executives of the Company) had, or were deemed to have, interests and long positions in the Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 & 3 of part XV of the SFO and were recorded in the register kept by the Company pursuant to section 336 of the SFO.

Derivative interests

Name of shareholders	Number of shares — long position	Percentage of Share capital (%)	Number of underlying shares-long position	Percentage of share capital to issued capital at 31 March 2011 (%)
Mr. Lee Yuk Lun	219,298,244	8.08	—	—
Cyberland (China) Limited	—	—	2,379,069,767 *(note (a) and (b))*	87.67
Eagle Bliss Limited			2,379,069,767 *(notes (a), (c) and (e))*	87.67
Rise Enterprises Limited			2,379,069,767 *(notes (a) and (b))*	87.67
Stepwise International Holdings Limited			2,379,069,767 *(notes (a), (b) and (d))*	87.67
Ms Wu Shuhua			2,381,519,767 *(note (f))*	87.76

Notes:

(a) The interests refer to the same parcel of shares.

(b) Cyberland (China) Limited is legally and beneficially owned as to 45% and 40% by Rise Enterprises and Stepwise respectively.

(c) Rise Enterprises is legally and beneficially owned as to 32.5% and 42.5% by Mr. Shan and Eagle Bliss respectively.

(d) Stepwise is legally and beneficially wholly owned by Mr. Shan.

(e) Ms. Jingquan Yingzi also holds derivative interests of the Company through her 100% interests in Eagle Bliss.

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

Save as disclosed above and in the above section headed "Directors' and chief executives' interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation", the Company had not been notified of any other interests or short positions in the issued share capital of the Company to be recorded under Section 336 of the SFO as at 31 March 2012.

PURCHASE, REDEMPTION OR SALE OF SHARES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any Shares of the Company during the year.

CORPORATE GOVERNANCE PRACTICES

The Company applied the principles and complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the period under review, with the exception of the deviation in respect of the appointment term of non-executive directors.

Under code provision A4.1, non-executive directors should be appointed for specific term. There is no specific term of appointment of the non-executive directors of the Company, however, they are subject to retirement by rotation in accordance with Bye-laws of the Company. Accordingly the Company considers that sufficient measures have been taken to dealt with the requirement in respect of the appointment terms of non-executive directors as required under the code provision.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

Throughout the year ended 31 March 2012, the Company continued to adopt a code of conduct regarding securities transactions by directors 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 year, except that Ms. Jingquan Yingzi, the Chairman of the Company, without notifying the designated director of the Company for the purpose of acknowledgement of the Chairman's dealings, acquired 1,304,000 Shares on 5 August 2011. The Company shall iterate and remind the Directors from time to time in respect of the relevant procedures, rules and requirements in relation to Director' dealing in order to ensure the Directors' compliance.

COMPETING INTEREST

As at 31 March 2012, as far as the Directors are aware of, none of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) has an interest in a business that competed or may compete with the business of the Group.

AUDIT COMMITTEE

The Company established an audit committee in 20 March 2001 with written terms of reference in compliance with the requirements as set out in Rules 5.23 and 5.24 of the GEM Listing Rules. The primary duties of the audit committee are to review the Group's annual report and accounts, half-year report and quarterly reports and provide advice and comments thereon to the Board and to review and to provide supervision over the financial reporting process and internal control system of the Group.

Following the resignation of Ms. Chan Mei Bo Mabel as a member of the audit committee on 27 April 2012, the audit committee comprises two independent non-executive directors. The present members of the audit committee are Mr. Sousa Richard Alvaro and Mr. Lee Chi Hwa Joshua. The members of the Audit Committee have reviewed the financial statements of the Group for the year ended 31 March 2012 and are of the opinion that such statements comply with the applicable accounting standards, the GEM Listing Rules and legal requirements. Four meetings were held during the year.

PRELIMINARY ANNOUNCEMENT OF THE RESULTS AGREED BY AUDITOR

The figures in respect of the preliminary announcement of the Group's result for the year ended 31 March 2012 have been agreed by the Group's auditor, Baker Tilly Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2012. The work performed by Baker Tilly in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Baker Tilly on the preliminary announcement.

On behalf of the Board
Jingquan Yingzi
Chairman

Hong Kong, 21 June 2012

As of the date of this announcement, the executive directors of the Company are Ms. Jingquan Yingzi, Mr. Wong Man Hung Patrick, Mr. Shan Xiaochang, Mr. Wu Zhongxin, Mr. Feng Xiaoping and Mr. Stephen William Frostick; the non-executive director is Prof. Liu Guoshun; and the independent non-executive directors are Mr. Sousa Richard Alvaro and Mr. Lee Chi Hwa Joshua.

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