科地

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 2013

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

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This announcement, for which the directors of Code Agriculture (Holdings) Limited 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 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$734,660,000 for the year ended 31 March 2013, representing an increase of approximately 11.0% over the correspondent year.

- Loss attributable to owners of the Company for the year ended 31 March 2013 was approximately HK$248,806,000 (2012: profit of HK$50,463,000).

- Basic and diluted loss per share attributable to the owners of the Company for the year ended 31 March 2013 was approximately HK9.17 cents.

- The Board does not recommend the payment of a dividend for the year ended 31 March 2013.

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 referred to as the "Group") for the year ended 31 March 2013 together with comparative figures for the previous year are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

	Note	**2013** *HK$'000*	2012 *HK$'000* (Restated)
Turnover	*5*	**734,660**	663,896
Cost of sales and services		**(500,549)**	(434,513)
Gross profit		**234,111**	229,383
Other revenue	*6*	**23,904**	20,435
Distribution costs		**(127,217)**	(78,538)
Administrative expenses		**(135,450)**	(137,423)
(Loss)/Profit from operations		**(4,652)**	33,857
Other (losses)/gains	*7*	**(125,410)**	99,984
Finance costs	*8*	**(22,914)**	(21,361)
Share of results of associates		**(681)**	611
Gain on disposal of subsidiaries		**–**	1,760
Loss on deconsolidation of subsidiaries		**–**	(2,779)
Impairment loss on goodwill	*12*	**(8,495)**	–
Impairment losses on other intangible assets	*13*	**(135,396)**	(77,174)
(Loss)/Profit before income tax	*9*	**(297,548)**	34,898
Income tax credit	*10*	**44,954**	17,961
(Loss)/Profit for the year		**(252,594)**	52,859
(Loss)/Profit attributable to:			
Owners of the Company		**(248,806)**	50,463
Non-controlling interests		**(3,788)**	2,396
		(252,594)	52,859
		HK cents	*HK cents*
(Loss)/Earnings per share			
– Basic and Diluted	*11*	**(9.17)**	1.86

	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Other comprehensive income for the year, including reclassification adjustments, net of tax:		
Exchange differences on translating foreign operations	**(741)**	30,352
Reclassification adjustments relating to foreign operations disposed of during the year	**–**	46
	(741)	30,398
Total comprehensive income for the year	**(253,335)**	83,257
Total comprehensive income attributable to:		
Owners of the Company	**(249,503)**	80,987
Non-controlling interests	**(3,832)**	2,270
	(253,335)	83,257

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

	Note	**At 31 March 2013**	At 31 March 2012	At 1 April 2011
		HK$'000	*HK$'000* (Restated)	*HK$'000* (Restated)
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment		**71,746**	83,516	92,217
Prepaid land lease payments		**10,727**	11,000	10,866
Goodwill	*12*	**5,069**	13,564	14,104
Other intangible assets	*13*	**173,463**	374,733	500,796
Interests in associates		**–**	16,531	–
Deferred tax assets		**3,399**	7,835	4,260
		264,404	507,179	622,243
Current assets				
Inventories		**106,899**	67,910	64,745
Trade and bills receivables	*14*	**363,120**	442,635	462,152
Prepayments, other receivables and deposits		**310,192**	245,942	138,057
Amounts due from customers for contracts works		**–**	–	5,992
Amounts due from related companies		**20,705**	3,511	14,286
Financial assets at fair value through profit or loss		**–**	–	822
Pledged deposits		**181,237**	260,222	231,372
Cash and cash equivalents		**11,313**	160,755	47,491
		993,466	1,180,975	964,917
Assets held for sale		**–**	129,161	130,764
		993,466	1,310,136	1,095,681

	Note	At 31 March 2013 HK$'000	At 31 March 2012 HK$'000 (Restated)	At 1 April 2011 HK$'000 (Restated)
Current liabilities				
Trade and bills payables	*15*	**96,331**	62,236	210,141
Other payables and accruals		**50,688**	67,458	56,461
Amount due to a non-controlling shareholder of a subsidiary		**1,129**	1,522	1,807
Amount due to a director		**5,541**	5,186	6,013
Borrowings		**502,811**	747,004	407,111
Deferred income		**–**	–	583
Tax payable		**2,143**	3,963	3,357
		658,643	887,369	685,473
Net current assets		**334,823**	422,767	410,208
Total assets less current liabilities		**599,227**	929,946	1,032,451
Non-current liabilities				
Deferred tax liabilities		**36,120**	94,341	117,565
Convertible bond	*16*	**756,961**	791,992	928,573
		793,081	886,333	1,046,138
Net (liabilities)/assets		**(193,854)**	43,613	(13,687)
EQUITY				
Share capital		**27,138**	27,138	27,138
Reserves		**(222,782)**	16,972	(68,582)
Equity attributable to owners of the Company		**(195,644)**	44,110	(41,444)
Non-controlling interests		**1,790**	(497)	27,757
(Capital deficiency)/Total equity		**(193,854)**	43,613	(13,687)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2013

	Attributable to owners of the Company										
	Share capital *HK$'000*	Share premium *HK$'000*	Accumulated losses *HK$'000*	Merger reserve *HK$'000* *(note a)*	Statutory reserve *HK$'000* *(note b)*	Share option reserve *HK$'000*	Exchange reserve *HK$'000*	Convertible bond reserve *HK$'000*	Sub-total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 April 2011, as previously reported	27,138	1,056,184	(861,808)	(197)	26,062	9,774	20,772	427,825	705,750	27,757	733,507
Correction of prior years' errors with respect to:											
Initial recognition and subsequent measurements on assets acquired and liabilities assumed in a business combination completed in 2010 *(note 3 (a))*	–	–	(333,393)	–	(16,097)	–	30,121	(427,825)	(747,194)	–	(747,194)
Timing of recognising share option expenses *(note 3 (b))*	–	–	5,875	–	–	(5,875)	–	–	–	–	–
At 1 April 2011, as restated	27,138	1,056,184	(1,189,326)	(197)	9,965	3,899	50,893	–	(41,444)	27,757	(13,687)
Profit for the year (as restated)	–	–	50,463	–	–	–	–	–	50,463	2,396	52,859
Other comprehensive income for the year	–	–	–	–	–	–	30,524	–	30,524	(126)	30,398
Total comprehensive income for the year	**–**	**–**	**50,463**	**–**	**–**	**–**	**30,524**	**–**	**80,987**	**2,270**	**83,257**
Share option scheme											
– Value of services	–	–	–	–	–	4,567	–	–	4,567	–	4,567
– Forfeited during the year	–	–	412	–	–	(412)	–	–	–	–	–
Released on disposal of subsidiaries	–	–	–	–	–	–	–	–	–	(9,478)	(9,478)
Released on deconsolidation of subsidiaries	–	–	–	–	–	–	–	–	–	(21,046)	(21,046)
Transfer to reserve	–	–	(6,952)	–	6,952	–	–	–	–	–	–
At 31 March 2012, as restated	**27,138**	**1,056,184***	**(1,145,403)***	**(197)***	**16,917***	**8,054***	**81,417***	**–**	**44,110**	**(497)**	**43,613**
At 31 March 2012, as previously reported											
Correction of prior years' errors with respect to:	27,138	1,056,184	(903,138)	(197)	33,014	9,499	36,433	427,825	686,758	(497)	686,261
Initial recognition and subsequent measurements on assets acquired and liabilities assumed in a business combination completed in 2010 *(note 3 (a))*	–	–	(243,710)	–	(16,097)	–	44,984	(427,825)	(642,648)	–	(642,648)
Timing of recognising share option expenses *(note 3 (b))*	–	–	1,445	–	–	(1,445)	–	–	–	–	–
At 31 March 2012, as restated	27,138	1,056,184	(1,145,403)	(197)	16,917	8,054	81,417	–	44,110	(497)	43,613
Loss for the year	–	–	(248,806)	–	–	–	–	–	(248,806)	(3,788)	(252,594)
Other comprehensive income for the year	–	–	–	–	–	–	(697)	–	(697)	(44)	(741)
Total comprehensive income for the year	**–**	**–**	**(248,806)**	**–**	**–**	**–**	**(697)**	**–**	**(249,503)**	**(3,832)**	**(253,335)**
Share option scheme											
– Value of services	–	–	–	–	–	9,749	–	–	9,749	–	9,749
– Forfeited during the year	–	–	279	–	–	(279)	–	–	–	–	–
Acquisition of a subsidiary *(note 17)*	–	–	–	–	–	–	–	–	–	6,119	6,119
Transfer to reserve	–	–	(7,430)	–	7,430	–	–	–	–	–	–
At 31 March 2013	**27,138**	**1,056,184***	**(1,401,360)***	**(197)***	**24,347***	**17,524***	**80,720***	**–**	**(195,644)**	**1,790**	**(193,854)**

Notes:

* These reserve accounts comprise the consolidated reserves of -HK$222,782,000 (2012: HK$16,972,000) in the consolidated statement of financial position.

(a) The merger reserve of the Group represents the difference between the nominal value of the share capital of a subsidiary acquired and the nominal value of the shares issued by the Company in exchange thereof pursuant to the Group reorganisation on 20 March 2001 as set out in the prospectus of the Company dated 26 March 2001.

(b) In accordance with relevant regulations prevailing in the People's Republic of China (the "PRC"), the certain subsidiaries of the Company, established in the PRC, are required to appropriate no less than 10% of their net profits to the statutory reserves, until the respective balances of the fund reach 50% of the respective registered capital. Subject to certain restrictions as set out in the relevant PRC regulations, these statutory reserves may be used to offset respective accumulated losses or for capitalisation as paid-up capital of the subsidiaries.

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 registered office address of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business of the Company is Rooms 1120-26, 11th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong.

The Company and its subsidiaries are collectively referred to as the "Group" hereafter. Except for the acquisition of Henan Baorong Biological Technology Company Limited ("Henan Baorong") on 31 October 2012, which is detailed in note 17, there were no significant changes in the nature of the Group's operations during the year.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), (which includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and the requirements of the Hong Kong Companies Ordinance. 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 (the "GEM Listing Rules").

3. RESTATEMENTS DUE TO CORRECTION OF PRIOR YEARS' ERRORS

In preparing the Group's consolidated financial statements for the year ended 31 March 2013, the Group has identified certain errors in its consolidated financial statements for the years ended 31 March 2012, 2011 and 2010. A detailed description of the nature of each prior years' error is provided in notes 3(a) to 3(e) below. The amounts of the prior years' correction for each financial statement line item affected are presented in the tables in note 3(f)(I) to note 3(f)(III) below.

(a) Initial recognition and subsequent measurements of assets acquired and liabilities assumed in a business combination completed in 2010

On 30 November 2009, the Company entered into an agreement with Cyberland (China) Limited ("Cyberland") to acquire the entire equity interest in Kang Yuan Universal Investment Limited and its subsidiaries (collectively referred to as "Kang Yuan Group") at a consideration of HK$1,398,000,000, comprising a cash consideration of HK$300,000,000 and a convertible bond issued by the Company with a face value of HK$1,098,000,000 (the "Acquisition"). The Acquisition was completed on 1 February 2010.

In the preparation of the Group's consolidated financial statements, the management of the Company has come to aware that certain errors relating to the applicable accounting standards, including that: (1) the previous-mentioned business combination were not accounted for in accordance with the HKFRS 3 – Business Combination; (2) the subsequent measurement of net identifiable assets acquired in the Acquisition did not fully comply with the HKAS 36 – Impairment of Assets; and (3) the initial and subsequent measurement of the convertible bond did not fully comply with HKAS 32 – Financial Instruments: Presentation and HKAS 39 – Financial Instruments: Recognition and Measurement.

In this regard, the management has appointed an independent valuer to remeasure the valuation of purchase price allocation for the Acquisition and the valuation of the convertible bond. A summary of the effects of the errors is set out below:

(i) Identification of intangible assets arising from the Acquisition

In the previous valuation, there was only one intangible asset – "technologies" identified on the Acquisition. The following intangible assets in addition to the previously reported "technologies" were identified after having re-performed valuation:

- tradename (with indefinite useful lives);
- patents and license rights (with indefinite useful lives);
- non-competition agreements;
- customer relationships; and
- distribution network.

Adjustments and restatements have been made to recognise these additional intangible assets.

(ii) Valuation of property, plant and equipment

The fair value of the property, plant and equipment as at the Acquisition date was re-measured and properly adjusted and, while their carrying amounts for each subsequent reporting period were also re-measured.

(iii) Convertible bond issued for the Acquisition

The convertible bond was issued as part of the consideration for the Acquisition. Previously, the convertible bond was regarded to have complied the "fixed for fixed" criteria of the relevant accounting standards. And this financial instrument was then treated as to comprise of a liability component and an equity component. However, it was subsequently noted that there was an embedded call option which was inappropriately included in the equity component. After revisiting the terms and conditions of the convertible bond, the "fixed for fixed" criteria was determined to be violated and so, the entire convertible bond was then designated as a financial liability through profit or loss on previous initial recognition. Appropriate adjustments have been made for the necessary rectification.

(iv) Deferred tax

In the reporting period ended 31 March 2010, no deferred tax had been recognised for the temporary differences arising from the Acquisition. In addition, a tax rate of 16.5% was inappropriately used for the deferred tax calculation in subsequent reporting periods. The Directors have revisited the deferred tax calculation and used the enacted tax rate applicable to the acquired PRC subsidiaries for each relevant accounting periods. Appropriate adjustments have been made accordingly.

(v) Capital reserve

The capital reserve of the acquired PRC subsidiaries was previously inappropriately included in identifiable net assets for goodwill calculation at the Acquisition date. Necessary adjustment and restatement have been made appropriately to report the capital reserve.

(vi) Goodwill

Having taken into consideration of above adjustments to the identifiable net assets and the issued convertible bond at the Acquisition date, goodwill was therefore re-measured and adjusted accordingly.

(vii) Impairment of goodwill and other intangible assets acquired in the Acquisition

For the purpose of impairment testing, goodwill arising from the Acquisition should be allocated to each of the relevant CGUs that are expected to benefit from the synergy of the Acquisition.

In the previous valuation, there was only one single CGU – "Tobacco agriculture operation" identified. After the re-performance of the valuation for the business combination in 2010, two appropriate CGUs were identified by the management, namely "Tobacco agriculture operation" and "Fertilizer and pesticide operation". Consequently, the re-measured goodwill arising from the Acquisition was properly allocated to the two identifiable CGUs.

Furthermore, subsequent impairment testing of the re-measured goodwill and all other intangible assets were re-performed and the resultant impairment losses were appropriately recognised. When the goodwill of the "Tobacco agriculture operation" was fully impaired at 31 Mach 2011, the remaining impairment losses were allocated to the other assets of that CGU on a pro-rata basis of carrying amount.

(viii) Assets held for sale

As indicated in the financial statements for the year ended 31 March 2011, the Group has reclassified certain land use right and property, plant and equipment relating to the manufacturing of fertilizers as assets held for sale for subsequent disposal.

Assets held for sale at each relevant accounting periods was properly reviewed and adjusted accordingly. Furthermore, a reassessment of the fair value less cost to sell of the assets held for sale was conducted on subsequent disposal. It was noted that the fair value less cost to sell of the assets held for sale is less than its carrying amount. The appropriate impairment loss has therefore been recognised.

(b) Timing of recognition of share option expenses

The Company had granted share options to certain employees, director, suppliers of goods or services and consultants for the year ended 31 March 2011. These options have a vesting period over 1 year. However, the entire fair value of these options was inappropriately recognised and expensed in the consolidated statement of comprehensive income for the year ended 31 March 2011.

However, in accordance with HKFRS 2 – Share-based Payment, expenses of this nature should be recognised over the vesting period of each share option. As a result, the share-based payment expense included in administrative expenses was adjusted and increased by approximately HK$4,430,000 and decreased by approximately HK$5,875,000 for the years ended 31 March 2012 and 2011 respectively. The related share option reserve of the Company and the Group have been adjusted by the same amount as at 31 March 2012 and 2011 respectively.

(c) Reclassification of cost of sales and services and distribution costs

In the reporting year, certain line items in the consolidated statement of comprehensive income have been reclassified to better reflect the relevance of financial information relating to the Group's activities. Prior years' figures have also been re-presented to reflect the new presentation format. The resultant reclassification has had no net effect on the results of the Group for the year ended 31 March 2012.

(d) Reclassification of amounts due from related companies and other receivables

There were amounts due from related companies included in the balance of other receivables for the years ended 31 March 2012 and 2011 respectively. To reflect a better comparability of the financial information, prior years' figures have been re-presented to reflect the new presentation. The reclassification has had no net effect on the financial position of the Group for the year ended 31 March 2012.

(e) Impairment on amount due from a subsidiary

In preparing the Company's financial statements for the year ended 31 March 2013, an inadequacy of impairment loss was identified on the amount due from a subsidiary for the prior years. As a result adjustment has been made accordingly.

(f) Summary of effects of restatements due to correction of prior years' errors

The following schedules represent a summary of the effects of the restatements to correct the prior years' errors in:

I. the Group's consolidated statement of comprehensive income for the year ended 31 March 2012;

II. the Group's consolidated statement of financial position as at 31 March 2012; and

III. the Group's consolidated statement of financial position as at 1 April 2011.

I. Effect of error corrections on the Group's consolidated statement of comprehensive income for the year ended 31 March 2012

	As previously reported	**Initial recognition and subsequent measurements of assets acquired and liabilities assumed in a business combination**	**Timing of recognition of share option expenses**	**Reclassification of cost of sales and services and distribution costs**	**As restated**
		note 3 (a)	*note 3 (b)*	*note 3 (c)*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	663,896	–	–	–	663,896
Cost of sales and services	(469,153)	–	–	34,640	(434,513)
Gross profit	194,743	–	–	34,640	229,383
Other revenue	20,435	–	–	–	20,435
Distribution costs	(43,898)	–	–	(34,640)	(78,538)
Administrative expenses	(94,371)	(38,622)	(4,430)	–	(137,423)
Profit from operations	76,909	(38,622)	(4,430)	–	33,857
Other (losses)/gains	(20,022)	120,006	–	–	99,984
Finance costs	(32,203)	10,842	–	–	(21,361)
Share of results of associates	611	–	–	–	611
Gain on disposal of subsidiaries	1,760	–	–	–	1,760
Loss on deconsolidation of subsidiaries	(2,779)	–	–	–	(2,779)
Impairment losses on other intangible assets	(59,105)	(18,069)	–	–	(77,174)
(Loss)/Profit before income tax	(34,829)	74,157	(4,430)	–	34,898
Income tax credit	2,435	15,526	–	–	17,961
(Loss)/Profit for the year	(32,394)	89,683	(4,430)	–	52,859

I. *Effect of error corrections on the Group's consolidated statement of comprehensive income for the year ended 31 March 2012* (Continued)

	As previously reported	**Initial recognition and subsequent measurements of assets acquired and liabilities assumed in a business combination**	**Timing of recognition of share option expenses**	**Reclassification of cost of sales and services and distribution costs**	**As restated**
		note 3 (a)	*note 3 (b)*	*note 3 (c)*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other comprehensive income for the year, including reclassification adjustments:					
Exchange differences on translating foreign operations	15,489	14,863	–	–	30,352
Reclassification adjustments relating to foreign operations disposed of during the year	46	–	–	–	46
	15,535	14,863	–	–	30,398
Total comprehensive income for the year	(16,859)	104,546	(4,430)	–	83,257
(Loss)/Profit attributable to:					
Owners of the Company	(34,790)	89,683	(4,430)	–	50,463
Non-controlling interests	2,396	–	–	–	2,396
	(32,394)	89,683	(4,430)	–	52,859
Total comprehensive income attributable to:					
Owners of the Company	(19,129)	104,546	(4,430)	–	80,987
Non-controlling interests	2,270	–	–	–	2,270
	(16,859)	104,546	(4,430)	–	83,257
(Loss)/Earnings per share					
– Basic and diluted	(1.28)				1.86

II. *Effect of error corrections on the Group's consolidated statement of financial position as at 31 March 2012*

	As previously reported	Initial recognition and subsequent measurements of assets acquired and liabilities assumed in a business combination	Reclassification of amounts due from related companies and other receivables	As restated
		note 3 (a)	*note 3 (d)*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	76,347	7,169	–	83,516
Prepaid land lease payments	6,739	4,261	–	11,000
Goodwill	776,323	(762,759)	–	13,564
Other intangible assets	57,504	317,229	–	374,733
Interests in associates	16,531	–	–	16,531
Deferred tax assets	10,891	(3,056)	–	7,835
	944,335	(437,156)	–	507,179
Current assets				
Inventories	67,910	–	–	67,910
Trade and bills receivables	442,635	–	–	442,635
Prepayments, other receivables and deposits	249,180	273	(3,511)	245,942
Amounts due from related companies	–	–	3,511	3,511
Pledged deposits	260,222	–	–	260,222
Cash and cash equivalents	160,755	–	–	160,755
	1,180,702	273	–	1,180,975
Assets held for sale	103,431	25,730	–	129,161
	1,284,133	26,003	–	1,310,136

II. *Effect of error corrections on the Group's consolidated statement of financial position as at 31 March 2012* (Continued)

	As previously reported	Initial recognition and subsequent measurements of assets acquired and liabilities assumed in a business combination	Reclassification of amounts due from related companies and other receivables	As restated
		note 3 (a)	*note 3 (d)*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current liabilities				
Trade and bills payables	62,236	–	–	62,236
Other payables and accruals	67,434	24	–	67,458
Amount due to a non-controlling shareholder of a subsidiary	1,522	–	–	1,522
Amount due to a director	5,186	–	–	5,186
Borrowings	747,004	–	–	747,004
Tax payable	3,963	–	–	3,963
	887,345	24	–	887,369
Net current assets	396,788	25,979	–	422,767
Total assets less current liabilities	1,341,123	(411,177)	–	929,946
Non-current liabilities				
Deferred tax liabilities	9,462	84,879	–	94,341
Convertible bond	645,400	146,592	–	791,992
	654,862	231,471	–	886,333
Net assets	686,261	(642,648)	–	43,613
EQUITY				
Share capital	27,138	–	–	27,138
Reserves	659,620	(642,648)	–	16,972
Equity attributable to owners of the Company	686,758	(642,648)	–	44,110
Non-controlling interests	(497)	–	–	(497)
Total equity	686,261	(642,648)	–	43,613

III. Effect of error corrections on the Group's consolidated statement of financial position as at 1 April 2011

	As previously reported	**Initial recognition and subsequent measurements on assets acquired and liabilities assumed in a business combination**	**Reclassification of amounts due from related companies and other receivables**	**As restated**
		note 3 (a)	*note 3 (d)*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	83,514	8,703	–	92,217
Prepaid land lease payments	6,730	4,136	–	10,866
Goodwill	777,347	(763,243)	–	14,104
Other intangible assets	142,928	357,868	–	500,796
Deferred tax assets	–	4,260	–	4,260
	1,010,519	(388,276)	–	622,243
Current assets				
Inventories	64,745	–	–	64,745
Trade and bills receivables	462,152	–	–	462,152
Prepayments, other receivables and deposits	152,075	268	(14,286)	138,057
Amounts due from customers for contracts work	5,992	–	–	5,992
Amounts due from related companies	–	–	14,286	14,286
Financial assets at fair value through profit or loss	822	–	–	822
Pledged deposits	231,372	–	–	231,372
Cash and cash equivalents	47,491	–	–	47,491
	964,649	268	–	964,917
Assets held for sale	101,902	28,862	–	130,764
	1,066,551	29,130	–	1,095,681

III. Effect of error corrections on the Group's consolidated statement of financial position as at 1 April 2011 (Continued)

	As previously reported	**Initial recognition and subsequent measurements on assets acquired and liabilities assumed in a business combination**	**Reclassification of amounts due from related companies and other receivables**	**As restated**
		note 3 (a)	*note 3 (d)*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current liabilities				
Trade and bills payables	210,141	–	–	210,141
Other payables and accruals	56,438	23	–	56,461
Amount due to a non-controlling shareholder of a subsidiary	1,807	–	–	1,807
Amounts due to directors	6,013	–	–	6,013
Borrowings	407,111	–	–	407,111
Deferred income	583	–	–	583
Tax payable	3,357	–	–	3,357
	685,450	23	–	685,473
Net current assets	381,101	29,107	–	410,208
Total assets less current liabilities	1,391,620	(359,169)	–	1,032,451
Non-current liabilities				
Deferred tax liabilities	12,825	104,740	–	117,565
Convertible bond	645,288	283,285	–	928,573
	658,113	388,025	–	1,046,138
Net assets/(liabilities)	733,507	(747,194)	–	(13,687)
EQUITY				
Share capital	27,138	–	–	27,138
Reserves	678,612	(747,194)	–	(68,582)
Equity attributable to owners of the Company	705,750	(747,194)	–	(41,444)
Non-controlling interests	27,757	–	–	27,757
Total equity/(Capital deficiency)	733,507	(747,194)	–	(13,687)

4. SEGMENT REPORTING

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive Directors for their decisions about resource allocation in the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive Directors are determined by the Group's major product and service lines.

During the year, the Group has amended the presentation of management information provided to the chief operating decision-maker. Previously, the business of the tobacco agricultural and fertilizer is reported under one single segment. From 1 April 2012 onwards, the fertilizer and pesticide operation segment is separately disclosed as an individual operating segment. Income and expenses that are directly attributable to the reportable segments are also affected. Comparative figures have been restated to conform to the current year's presentation.

The Group has identified the following reportable segments:

– Tobacco agricultural operation;

– Fertilizer and pesticide operation;

– Digital television operation; and

– Healthcare products operation.

Segment results represent the profit earned or loss incurred by each segment, but exclude interest income, unallocated gains, corporate and other unallocated expenses, finance costs, other gains/losses, share of results of associates, gain on disposal of subsidiaries, loss on deconsolidation of subsidiaries, loss on disposal of interest in an associate and income tax which are not directly attributable to the business activities of any operating segment.

Segment assets include all assets, but exclude interests in associates, deferred tax assets, assets held for sale and unallocated corporate assets.

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

(a) Segment Results

	2013					2012				
	Tobacco agricultural operation HK$'000	Fertilizer and pesticide operation HK$'000	Digital television operation HK$'000	Healthcare products operation HK$'000	Total HK$'000	Tobacco agricultural operation HK$'000 (Restated)	Fertilizer and pesticide operation HK$'000 (Restated)	Digital television operation HK$'000	Healthcare products operation HK$'000	Total HK$'000 (Restated)
Segment revenue										
Sales to external customers	683,194	44,730	6,335	401	734,660	628,805	29,381	4,795	915	663,896
Other revenue	900	–	–	–	900	2,369	–	–	–	2,369
	684,094	44,730	6,335	401	735,560	631,174	29,381	4,795	915	666,265
Segment results	(124,673)	(13,983)	(639)	(5,420)	(144,715)	(24,471)	(7,547)	(21,613)	(5,089)	(58,720)
Reconciliation:										
Interest income					7,047					7,272
Unallocated gains					15,957					10,794
Corporate and other unallocated expenses					(30,161)					(24,360)
Finance costs					(22,914)					(21,361)
Other (losses)/gains					(156,046)					121,681
Share of results of associates					(681)					611
Gain on disposal of subsidiaries					–					1,760
Loss on deconsolidation of subsidiaries					–					(2,779)
Loss on disposal of interests in associates					(1,504)					–
Gain on disposal of assets held for sale					35,469					–
(Loss)/Profit before income tax					(297,548)					34,898

(b) Segment Assets and Liabilities

	2013					2012				
	Tobacco agricultural operation *HK$'000*	**Fertilizer and pesticide operation** *HK$'000*	**Digital television operation** *HK$'000*	**Healthcare products operation** *HK$'000*	**Total** *HK$'000*	Tobacco agricultural operation *HK$'000* (Restated)	Fertilizer and pesticide operation *HK$'000* (Restated)	Digital television operation *HK$'000* (Restated)	Healthcare products operation *HK$'000* (Restated)	Total *HK$'000* (Restated)
Segment assets	**1,093,194**	**74,174**	**6,606**	**42,620**	**1,216,594**	1,511,353	96,797	7,152	43,753	1,659,055
Reconciliation:										
Interests in associates					**–**					16,531
Deferred tax assets					**3,399**					7,835
Assets held for sale					**–**					129,161
Corporate and other unallocated assets					**37,877**					4,733
Total assets					**1,257,870**					1,817,315
Segment liabilities	**578,358**	**3,942**	**21,235**	**39,597**	**643,132**	811,295	7,825	19,480	35,437	874,037
Reconciliation:										
Deferred tax liabilities					**36,120**					94,341
Convertible bond					**756,961**					791,992
Corporate and other unallocated liabilities					**15,511**					13,332
Total liabilities					**1,451,724**					1,773,702

(c) Other Segment Information

	2013					2012				
	Tobacco agricultural operation *HK$'000*	Fertilizer and pesticide operation *HK$'000*	Digital television operation *HK$'000*	Healthcare products operation *HK$'000*	Total *HK$'000*	Tobacco agricultural operation *HK$'000* (Restated)	Fertilizer and pesticide operation *HK$'000* (Restated)	Digital television operation *HK$'000* (Restated)	Healthcare products operation *HK$'000* (Restated)	Total *HK$'000* (Restated)
Depreciation	5,564	–	395	2,112	8,071	5,827	–	367	2,265	8,459
Unallocated depreciation					519					556
					8,590					9,015
Amortisation of other intangible assets	53,271	12,742	8	–	66,021	52,303	12,498	7	–	64,808
Amortisation of prepaid land lease payments	273	–	–	–	273	268	–	–	–	268
Impairment loss on assets held for sale					–					4,149
Impairment loss on goodwill	–	8,495	–	–	8,495					–
Impairment loss on other receivables					5,000	–	–	20,000	–	20,000
Impairment loss on other intangible assets	135,396	–	–	–	135,396	77,174	–	–	–	77,174
Impairment loss on property, plant and equipment	3,329	–	–	–	3,329					1,696
Loss on redemption of convertible bond					44,570					–
Equity-settled share-based payment expenses					9,749					4,567
Waiver of interest expenses on convertible bond					(9,295)					10,730
Waiver of other payables					(6,466)					–
Change in fair value of convertible bond					106,487					(125,851)
Capital expenditure	2,228	8	261	9	2,506	3,579	–	263	3	3,845
Unallocated expenditure					–					18
					2,506					3,863

(d) Geographical information

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

	2013	2012
	HK$'000	*HK$'000*
Revenue from external customers		
The PRC	**734,660**	663,896
Hong Kong	**–**	–
	734,660	663,896

	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Non-current assets		
The PRC	**260,490**	496,057
Hong Kong	**515**	3,287
	261,005	499,344

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the non-current assets is based on the physical and operating location of the assets. The Company is an investment holding company incorporated in Hong Kong where the Group has the majority of its operations and its workforce in the PRC, and therefore, the PRC is considered as the Group's country of domicile for the purpose of the disclosures as required by HKFRS 8 "Operating Segments".

(e) Information about major customers

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 years ended 31 March 2013 and 2012.

5. TURNOVER

	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Sale of agricultural machinery and provision of construction services	**683,194**	628,805
Sale of fertilizer and pesticide	**44,730**	29,381
Provision of digital television services	**6,335**	4,795
Sale of cordyceps-related and other healthcare products	**401**	915
	734,660	663,896

6. OTHER REVENUE

	2013	2012
	HK$'000	*HK$'000*
Dividend income from financial assets designated at fair value through profit or loss	**–**	32
Government grants *(note below)*	**324**	1,626
Interest income	**7,047**	7,272
Waiver of interest expenses on convertible bond *(note 16 (c))*	**9,295**	10,730
Waiver of other payables	**6,466**	–
Sundry income	**772**	775
	23,904	20,435

Note

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

7. OTHER LOSSES/(GAINS)

	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Change in fair value of financial assets designated at fair value through profit or loss	**(3)**	22
Gain on bargain purchase	**(8)**	–
Gain on disposal of assets held for sale	**(35,469)**	–
Impairment loss on property, plant and equipment	**3,329**	1,696
Impairment loss on assets held for sale	**–**	4,149
Impairment loss on other receivables	**5,000**	20,000
Loss on redemption of convertible bond	**44,570**	–
Loss on disposal of interests in associates	**1,504**	–
Change in fair value of convertible bond	**106,487**	(125,851)
	125,410	(99,984)

8. FINANCE COSTS

	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Interest on bank loans wholly repayable within five years	**14,701**	22,314
Interest on other loans	**8,213**	4,621
Reversal of interest expenses over-provided in prior year	**–**	(5,574)
	22,914	21,361

9. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/Profit before income tax is arrived at after charging/(crediting):

		2013	2012
		HK$'000	*HK$'000*
			(Restated)
(a)	Staff costs		
	Contributions to defined contribution retirement plans	**2,170**	2,514
	Equity-settled share-based payment expenses	**672**	994
	Salaries, wages and other benefits	**45,927**	40,465
		48,769	43,973
(b)	Other items		
	Amortisation		
	– prepaid land lease payment	**273**	268
	– other intangible assets	**66,021**	64,808
	Gain on bargain purchase*	**(8)**	–
	Depreciation on property, plant and equipment	**8,590**	9,015
	Loss on disposals of property, plant and equipment	**342**	19
	Write-off of property, plant and equipment	**1,956**	–
	Gain on disposal of assets held for sale	**(35,469)**	–
	Impairment losses		
	– property, plant and equipment	**3,329**	1,696
	– goodwill *(note 12)*	**8,495**	–
	– other intangible assets *(note 13)*	**135,396**	77,174
	– assets held for sale	**–**	4,149
	– other receivables	**5,000**	20,000
	Operating lease charges: minimum lease payments		
	– hire of building	**5,371**	5,342
	– hire of office equipment	**62**	59
	Auditors' remuneration		
	– audit services in current year	**950**	1,315
	– audit services (over)/under provided in prior years	**(778)**	18
	– other services in current year	**1,046**	1,398
	Cost of inventories recognised as expense	**484,689**	428,125
	Research and development costs	**5,431**	4,823

* *Gain on bargain purchase is included in "Other (losses)/gains" in the consolidated statement of comprehensive income.*

10. INCOME TAX CREDIT

	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Current tax – Hong Kong Profits Tax		
Provision for the year	**–**	–
Current tax – PRC Enterprises Income Tax		
Provision for the year	**8,476**	14,692
Under/(Over)-provision in respect of prior years	**420**	(2,221)
	8,896	12,471
Deferred tax		
Origination and reversal of temporary differences	**(53,850)**	(30,432)
Income tax credit	**(44,954)**	(17,961)

No provision for Hong Kong profits tax has been made in the financial statements as there were no estimated assessable profits for the years ended 31 March 2013 and 2012.

In accordance with the relevant tax laws and regulations in the PRC, the PRC subsidiaries are subject to an enterprise income tax rate of 25% (2012: 25%) on its taxable income. However, one of the PRC subsidiaries is entitled to exemption of enterprise income tax for two years starting from the first year of profitable operations after offsetting prior year tax losses, followed by a three-year 50% tax reduction. Accordingly, the PRC subsidiary enjoyed 50% tax deduction. After the expiry of the above tax concession on 31 December 2012, that subsidiary had been designated as a High-Tech Enterprise and its PRC enterprise income tax rate was subjected to 15% in accordance with the relevant PRC tax laws and regulations. The remaining subsidiaries of the Company in the PRC are subject to PRC enterprise income tax at 25% (2012: 25%) on their taxable income.

11. (LOSS)/EARNINGS PER SHARE

(a) 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 year excluding ordinary shares purchased by the Company.

	2013	2012
	HK$'000	*HK$'000*
		(Restated)
(Loss)/Profit attributable to owners of the Company	**(248,806)**	50,463
Weighted average number of ordinary shares in issue *(thousands)*	**2,713,798**	2,713,798

(b) Basic and diluted (loss)/earnings per share for the years ended 31 March 2013 and 2012 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.

No adjustment has been made to the basic (loss)/earnings per share amounts presented for the years ended 31 March 2013 and 2012 in respect of a dilution as the impact of the convertible bond outstanding had an anti-dilutive effect on the basic (loss)/earnings per share amounts presented.

12. GOODWILL

Group

	HK$'000
At 1 April 2011, as restated	
Cost	305,586
Accumulated impairment	(291,482)
Net carrying amount	14,104
Cost at 1 April 2011, net of accumulated impairment	
As previously reported	777,347
Prior years' adjustments *(note 3 (a))*	(763,243)
As restated	14,104
Derecognised on disposal of subsidiaries	(222)
Derecognised on deconsolidation of subsidiaries	(816)
Exchange differences	498
At 31 March 2012	13,564
At 1 April 2012, as restated	
Cost	315,842
Accumulated impairment	(302,278)
Net carrying amount	13,564
Net carrying amount at 1 April 2012, net of accumulated impairment	
As previously reported	**776,323**
Prior years' adjustments *(note 3 (a))*	**(762,759)**
As restated	**13,564**
Impairment loss *(note 9 (b))*	**(8,495)**
At 31 March 2013	**5,069**
At 31 March 2013	
Cost	**315,842**
Accumulated impairment	**(310,773)**
Net carrying amount	**5,069**

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the following CGUs for impairment testing:

– Tobacco agricultural cash-generating unit; and

– Fertilizer and pesticide cash-generating unit.

At the Acquisition date, Management had originally anticipated that there would be a significant growth in the tobacco agricultural CGU and fertilizer and pesticide CGU in subsequent years. However, as to the fact that the benefit of expected synergies and revenue growth had been slower than expected and the changes in industry policy may have imposed uncertainties over the business, such that the goodwill of both CGUs was significantly impaired in subsequent years.

Tobacco agricultural cash-generating unit

For the year under review, the recoverable amount of the tobacco agricultural CGU has been determined based on a value in use calculation by taking into account the cash flow projections that based on financial budgets approved by management covering a seven-year period (2012: seven-year period) which reflects the prevailing economic pattern of the operation and valued by the professional valuers. The discount rate applied to the cash flow projections is 29.2% (2012: 28.6%). The growth for the calculation of the terminal value is 3% (2012: 3%) which was benchmarked to the long term average growth rate of the market.

Based on the value in use calculation, the goodwill associated with the tobacco agriculture CGU was fully impaired as at 31 March 2011 and impairment loss was further recognised on (1) other intangible assets of approximately HK$187,676,000, HK$77,174,000, and HK$135,396,000 and (2) property, plant and equipment of approximately HK$3,830,000, HK$1,696,000, and HK$3,329,000, for the years ended 31 March 2011, 2012 and 2013 respectively as the recoverable amounts of this CGU is less than the carrying value in respective year.

Fertilizer and pesticide cash-generating unit

The recoverable amount of the fertilizer and pesticide CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period (2012: ten-year period) approved by management and valued by the professional valuers. The discount rate applied to the cash flow projections was 17.38% (2012: 20.36%) and cash flows beyond the five-year period were extrapolated using a growth rate of 3% (2012: 3%) by reference to the long term average growth rate.

Goodwill associated with the fertilizer and pesticide CGU was impaired by approximately HK$19,491,000 as at 31 March 2011 and recognised a further impairment loss of approximately HK$8,495,000 for the year ended 31 March 2013 due to the recoverable amounts of this CGU is less than the carrying value.

The carrying amount of goodwill, net of any allowance for impairment, is allocated to the following CGUs:

	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Tobacco agricultural business	**–**	–
Fertilizer and pesticide business	**5,069**	13,564
Carrying amount at end of the year	**5,069**	13,564

Management's key assumptions include stable profit margins, which are determined from past performance and its expectations for market share after taking into consideration of prevailing market forecasts and research. The growth rates adopted in the valuation models are generally consistent with the forecasts found in industry reports. The discount rates used are the one of pre-tax that reflect specific risks of the Company in the industry.

Apart from the considerations that have been taken into account in determining the value in use of the CGUs, the Group's management is not aware of any possible changes that would necessitate changes in its key estimates.

13. OTHER INTANGIBLE ASSETS

Group

	Club membership	**Technologies**	**Patents and license rights**	**Tradename**	**Non-competition agreements**	**Customer relationships**	**Distribution network**	**License with definite useful lives**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
			(note a)	**(note b)**		**(note c)**			
At 1 April 2011									
– As previously reported	158	142,770	–	–	–	–	–	–	142,928
– Prior years' adjustments *(note 3(a))*	–	(103,813)	100,467	127,096	46,558	32,622	154,938	–	357,868
– As restated	158	38,957	100,467	127,096	46,558	32,622	154,938	–	500,796
Amortisation for the year	(7)	(14,732)	–	–	(15,981)	(8,665)	(25,423)	–	(64,808)
Impairment losses *(note 9 (b))*	–	(4,701)	(19,276)	(24,387)	(3,872)	–	(24,938)	–	(77,174)
Exchange differences	6	1,083	3,364	4,256	1,357	1,048	4,805	–	15,919
At 31 March 2012	157	20,607	84,555	106,965	28,062	25,005	109,382	–	374,733
At 1 April 2012									
– As previously reported	**157**	**57,347**	**–**	**–**	**–**	**–**	**–**	**–**	**57,504**
– Prior years' adjustments *(note 3(a))*	**–**	**(36,740)**	**84,555**	**106,965**	**28,062**	**25,005**	**109,382**	**–**	**317,229**
– As restated	**157**	**20,607**	**84,555**	**106,965**	**28,062**	**25,005**	**109,382**	**–**	**374,733**
Acquisition of a subsidiary *(note 17)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**147**	**147**
Amortisation for the year	**(8)**	**(15,005)**	**–**	**–**	**(16,276)**	**(8,825)**	**(25,894)**	**(13)**	**(66,021)**
Impairment losses *(note 9 (b))*	**–**	**(2,664)**	**(40,133)**	**(50,773)**	**(2,192)**	**–**	**(39,634)**	**–**	**(135,396)**
At 31 March 2013	**149**	**2,938**	**44,422**	**56,192**	**9,594**	**16,180**	**43,854**	**134**	**173,463**

Notes:

(a) The patents and license rights ("Licenses") was purchased as part of business combinations in the Acquisition of Kang Yuan Group in 1 February 2010. The Directors are of the opinion that the upkeep of the Licenses are at minimal cost and the Group would be able to renew the License continuously.

The Licenses are considered by the management of the Group as having an indefinite life and thus will not be amortised until their useful lives are determined to be finite upon reassessment annually. Nevertheless, they will be subject to impairment test annually, and whenever there is an indication, impairment testing will be conducted.

(b) The tradename is considered by management of the Group to have indefinite useful lives and there is no foreseeable limit to the period over which they are expected to generate cash flows for the Group as it is expected that their value will not be reduced through usage and there are no legal or similar limits on the period for the use of the tradename.

(c) The useful life of customer relationships that arose from the aforesaid business combination, were estimated on the basis that their expected successful rate in retaining the acquirees' customers, and the prevailing general practice in the industry in estimating the expected useful life of customer relationships acquired in business combination. The amortising period for customer relationships is 5 years (2012: 5 years).

(d) These intangible assets are used in the Group's tobacco agricultural segment and fertilizer and pesticide segment. The Group recognised an impairment losses for these intangible assets of approximately HK$135,396,000 for the year under review (2012: HK$77,174,000) which has been reflected in the consolidated statement of comprehensive income.

Impairment testing of other intangible assets

Other intangible assets acquired through business combinations have been allocated to the following CGUs for impairment testing:

– Tobacco agricultural cash-generating unit; and

– Fertilizer and pesticide cash-generating unit.

At the Acquisition date, Management had originally anticipated that there would be a significant growth in the tobacco agricultural CGU and fertilizer and pesticide CGU in subsequent years. However, as to the fact that the benefit of expected synergies and revenue growth had been slower than expected and the changes in industry policy may have imposed uncertainties over the business, such that the goodwill of both CGUs was significantly impaired in subsequent years.

Tobacco agricultural cash-generating unit

For the year under review, the recoverable amount of the tobacco agricultural CGU has been determined based on a value in use calculation by taking into account the cash flow projections that based on financial budgets approved by management covering a seven-year period (2012: seven-year period) which reflects the prevailing economic pattern of the operation and valued by the professional valuers. The discount rate applied to the cash flow projections is 29.2% (2012: 28.6%). The growth for the calculation of the terminal value is 3% (2012: 3%) which was benchmarked to the long term average growth rate of the market.

Based on the value in use calculation, the goodwill associated with the tobacco agriculture CGU was fully impaired as at 31 March 2011 and impairment loss was further recognised on (1) other intangible assets of approximately HK$187,676,000, HK$77,174,000, and HK$135,396,000 and (2) property, plant and equipment of approximately HK$3,830,000, HK$1,696,000, and HK$3,329,000, for the years ended 31 March 2011, 2012 and 2013 respectively as the recoverable amounts of this CGU is less than the carrying value in respective year.

Fertilizer and pesticide cash-generating unit

The recoverable amount of the fertilizer and pesticide CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period (2012: ten-year period) approved by management and valued by the professional valuers. The discount rate applied to the cash flow projections was 17.38% (2012: 20.36%) and cash flows beyond the five-year period were extrapolated using a growth rate of 3% (2012: 3%) by reference to the long term average growth rate.

The carrying amount of other intangible assets, net of any allowance for impairment, is allocated to the following CGUs:

	Technologies	**Patents & license rights**	**Tradename**	**Non-competition agreements**	**Customer relationships**	**Distribution network**	**License with definite useful lives**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Tobacco agricultural business	**2,938**	**44,422**	**56,192**	**2,437**	**–**	**43,854**	**–**	**149,843**
Fertilizer and pesticide business	**–**	**–**	**–**	**7,157**	**16,180**	**–**	**134**	**23,471**
At 31 March 2013	**2,938**	**44,422**	**56,192**	**9,594**	**16,180**	**43,854**	**134**	**173,314**

	Technologies	Patents & license rights	Tradename	Non-competition agreements	Customer relationships	Distribution network	License with definite useful lives	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Tobacco agricultural business	20,607	84,555	106,965	17,001	–	109,382	–	338,510
Fertilizer and pesticide business	–	–	–	11,061	25,005	–	–	36,066
At 31 March 2012	20,607	84,555	106,965	28,062	25,005	109,382	–	374,576

Management's key assumptions include stable profit margins, which are determined from past performance and its expectations for market share after taking into consideration of prevailing market forecasts and research. The growth rates adopted in the valuation models are generally consistent with the forecasts found in industry reports. The discount rates used are the one of pre-tax that reflect specific risks of the Company in the industry.

Apart from the considerations that have been taken into account in determining the value in use of the CGUs, the Group's management is not aware of any possible changes that would necessitate changes in its key estimates.

14. TRADE AND BILLS RECEIVABLES

(a) Ageing analysis

Based on the invoice dates, the ageing analysis of the trade and bills receivables is as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Current	**65,067**	118,923
30 – 90 days	**20,567**	69,557
91 – 180 days	**66,694**	44,800
Over 180 days	**210,792**	209,355
	363,120	442,635

The average credit period on sales of goods is 180 days (2012: 30 to 270 days) from the invoice date.

The ageing of trade debtors which are past due but not impaired are as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Neither past due nor impaired	**152,328**	296,710
0 to 3 months past due	**132,563**	41,569
4 to 6 months past due	**33,896**	16,216
Over 6 months past due	**44,333**	88,140
	363,120	442,635

Trade receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

(b) Trade receivables that were past due but not impaired related to a large number of diversified customers that have a good track record of credit with the Group. Based on past credit history, the 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. The Group does not hold any collateral over these balances.

(c) At 31 March 2012, certain of the Group's trade receivables with a net book amount of approximately HK$4,391,000 had been pledged to secure general banking facilities granted to the Group. At March 2013, no Group's trade receivables has been pledged to secure general banking facilities granted to the Group.

15. TRADE AND BILLS PAYABLES

Based on the invoice dates, the aging analysis of the trade and bills payables is as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Current	**35,534**	51,245
30 – 90 days	**25,275**	–
91 – 180 days	**11,687**	–
Over 180 days	**23,835**	10,991
	96,331	62,236

Trade payables are due within 30 to 60 days (2012: 30 to 60 days) from the invoice date.

16. CONVERTIBLE BOND

	Group and Company		
	Liability portion	Equity portion	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2011			
As previously stated	645,288	427,825	1,073,113
Prior years' adjustment *(note 3(a))*	283,285	(427,825)	(144,540)
As restated	928,573	–	928,573
Interest expenses waived *(note (c))*	(10,730)	–	(10,730)
Change in fair value	(125,851)	–	(125,851)
At 31 March 2012	791,992	–	791,992
At 1 April 2012			
As previously stated	**645,400**	**427,825**	**1,073,225**
Prior years' adjustment *(note 3(a))*	**146,592**	**(427,825)**	**(281,233)**
As restated	**791,992**	**–**	**791,992**
Interest expenses waived *(note (c))*	**(9,295)**	**–**	**(9,295)**
Redeemed during the year *(note (b))*	**(132,223)**	**–**	**(132,223)**
Change in fair value	**106,487**	**–**	**106,487**
At 31 March 2013	**756,961**	**–**	**756,961**

(a) On 25 March 2010, the Company issued convertible bond in the principal amount of HK$1,098,000,000 ("CB 2015") pursuant to a sales and purchase agreement dated 1 February 2010 entered into between the Company and Cyberland, a related company. The principal terms of the CB 2015 were set off as follows:

(i) Cyberland has the right to convert the whole or part of the outstanding principal amount of the CB 2015 into share at HK$0.43 each in the Company at any time during the period commencing from the expiry of the second anniversary of the date of issue of the CB 2015 (the "Issue Date").

(ii) The CB 2015 bears interest at the rate of 1% per annum and interest will be payable to the bondholder semi-annually in arrears on 30 June and 31 December in each year.

(iii) The Company shall be entitled to require redemption of the CB 2015 or any part thereof at any time up to (and excluding) the commencement of the seven calendar day period ending on the fifth anniversary of the Issue date at a price equal to such principal amount of the CB 2015 redeemed plus any interest accrued thereon.

(iv) Unless previously converted into share or repaid, the CB 2015 will be redeemed by the Company at 100% of the principal amount at maturity plus any interest accrued thereon.

The conversion feature of this CB 2015 constituted a hybrid contract, with a conversion option derivative embedded into the convertible bond. The terms of CB 2015 contained certain anti-dilution clauses which breach the "fixed for fixed" rule in HKAS 32. Therefore, the conversion option was regarded as a derivative. The CB 2015 included the liability component and embedded derivatives (including the conversion option and early redemption options). The Group elected to account for this CB 2015 as a financial liability at fair value through profit or loss. Therefore, prior years' adjustments were made to reverse all liability and equity components for previous years.

The fair values of the liability component of the CB 2015 at 31 March 2013 and 2012 were based on the present value of the estimated future cash flows discounted at the average yield of a group of non-convertible bond with similar credit ratings and structure which incorporated appropriate adjustments to reflect possible effects of country factors, firm specific risks and liquidity risk.

The fair values of the conversion option and early redemption option embedded were calculated using the Binomial model. The key inputs were as follows:

	2013	2012
Stock price	**0.09**	0.18
Exercise price	**0.43**	0.43
Expected volatility	**49.45%**	53.40%
Maturity life	**1.99 years**	2.99 years
Risk-free rate	**0.187%**	0.328%
Expected dividend yield	**0%**	0%

(b) On 29 May 2012, the Group completed a transaction in relation to the disposal of certain of its prepaid land lease payments and property and equipment (the "Disposal") which were classified as assets held for sale in the Annual Report 2012. The CB 2015 in the principal amounts of HK$170,599,000 (as at the date of redemption the fair value is HK$132,223,000) was redeemed in settlement of net sales proceeds due from the Disposal. A loss on redemption of approximately HK$44,570,000 was recognised in profit or loss.

(c) At 31 March 2013, the Company's convertible bond of the principal amount of HK$852,400,500 (2012: HK$1,023,000,000) was held by Cyberland. As agreed with the convertible bond holder of the Company, the interest on the convertible bond, amounting to approximately HK$9,295,000 (2012: HK$10,730,000), was waived with the objective of improving the profitability and liquidity of the Group.

17. ACQUISITION OF A SUBSIDIARY

On 31 October 2012, the Group has acquired 50.5% equity interest in Henan Baorong from independent third parties at a consideration of RMB5,050,000 (equivalent to HK$6,234,000). Henan Baorong is principally engaged in the fertilizer and pesticide operation.

The acquisition of Henan Baorong allows the Group to better deploy its existing employees who have in depth knowledge in fertilizer industry within the Group and to expand its fertilizer and pesticide operation. It can enhance its market share in the fertilizer and pesticide market and generate synergistic effect with its existing distribution network of agricultural resources products.

The Group has elected to measure the non-controlling interest in Henan Baorong at the non-controlling interest's proportionate share of Henan Baorong's identifiable net assets.

The fair value of the identifiable assets and liabilities of Henan Baorong as at the date of acquisition were:

	Fair value recognised on acquisition 2013 *HK$'000*
Other intangible assets	**147**
Inventories	**82**
Trade receivables	**1,502**
Prepayments and other receivables	**12,423**
Cash and bank balances	**1**
Other payables and accruals	**(1,757)**
Deferred tax liabilities	**(37)**
Total identifiable net assets acquired	**12,361**
Non-controlling interests	**(6,119)**
	6,242
Gain on bargain purchase *(note 7)*	**(8)**
Total consideration satisfied by cash	**6,234**

Analysis of the cash flows in respect of the acquisition is as follows:

	2013
	HK$'000
Cash consideration paid	6,234
Less: cash and cash equivalent balances acquired	(1)
Net cash outflow for acquisition of a subsidiary	6,233

Included in the revenue and the loss for the year 2013 are approximately HK$4,936,000 and HK$85,000 respectively, attributable to the additional business generated by this new acquired subsidiary.

Had the business combination been effected on 1 April 2012, the revenue of the Group would be approximately HK$734,660,000 and the loss for the year of the Group would be approximately HK$252,641,000. The Directors consider these 'pro-formas' an approximate measure of the performance of the combined group on an annualised basis and a reference point for comparison in future periods.

18. LITIGATION

On 25 January 2013, the Company received a winding-up petition (the "Winding-up Petition"), presented by Mr. Zhang Wei Bing (the "Petitioner"), at the Court of First Instance of the High Court of HKSAR (the "High Court") for winding up the Company. The Winding-up Petition concerns a sum of approximately HK$51,230,000 arising from convertible bond with principal amount of HK$50,000,000 ("convertible bond number 3") registered on 11 August 2010 and the related outstanding interest of approximately HK$1,230,000, issued by the Company to the Petitioner. The Winding-up Petition was heard on 15 April 2013, and the Company was ordered to pay approximately HK$51,230,000 into the court as a security in relation to the claim. The Company paid the sum approximately of HK$51,230,000 into the High Court on 8 May 2013.

As the hearing which took place on 13 May 2013, the High Court ordered that the Winding-up Petition be dismissed with the costs of the Petitioner borne by the Company, and pursuant to the court order granted on 13 May 2013, the sum concerned of approximately HK$51,230,000 paid into court by the Company should have been paid out to the Petitioner on or after 24 May 2013 unless Cyberland obtains an order restraining the payment out or the court orders otherwise. Cyberland informed the Company that to its best knowledge as at 8 October 2013, the said concerned sum is still kept at the court. As advised by Company's legal adviser, the concerned convertible bond number 3 had been redeemed on 8 May 2013 when the Company had deposited approximately HK$51,230,000 with the High Court.

On 28 March 2013, the Company made a report to Commercial Crime Bureau of the Hong Kong Police Force (the "CCB") against the Petitioner in connection with possible criminal offences which have been committed by the Petition in relation to the convertible bond number 3. As of the date of this announcement, the matter is still being dealt with by the CCB.

(For details, refer to announcements made by the Company on 28 January 2013, 10 and 15 April 2013, 8 and 13 May 2013)

In the related High Court Action No. HCA 776/2013 (the "Action") which is a Writ of Summon issued by Cyberland, the plaintiff, claiming against the Petitioner and the Company, the Company reached a settlement with Cyberland on 24 September 2013 for Cyberland to discontinue the Action with no order as to costs. (For details, please refer to announcement made by the Company on 7 May 2013 and 26 September 2013).

A provision for litigation costs and related professional fees of HK$1,430,000 (included in other payables and accruals) in relation to the aforesaid litigations have been made by the Company accordingly.

19. EVENTS AFTER REPORTING PERIOD

Subsequent to the year ended 31 March 2013, the convertible bond certificate number 3 was redeemed on 8 May 2013 when the Company deposited approximately HK$51,230,000 with the High Court in relation to the High Court Action No. HCCW31/2013 as described in note 18.

On 14 May 2013, pursuant to the regulation and rules in the PRC, Jiangsu Kedi, an indirectly wholly owned subsidiary of the Company, has issued two-year small and medium-sized enterprise Private Placement Bonds with aggregate principal amount of RMB60,000,000 carrying terms of 24 months tenure, unlisted, unsecured and bearing interest at the rate of 9.0% per annum. The debenture was registered in the Shenzhen Stock Exchange. The subscribers were financial institutions approved and designated by the Shenzhen Stock Exchange.

20. COMPARATIVE FIGURES

Certain comparative figures have been changed in order to conform with the current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

At the request of the Company, the trading in the shares of the Company in Stock Exchange has been suspended since 24 June 2013 due to an enquiry made by the Financial Reporting Review Committee into the Alleged Non-compliance 2010 in connection with the consolidated financial statements of the Company and its subsidiaries for the year ended 31 March 2010. The Alleged Non-compliance 2010 is related to certain accounting treatments for the acquisition of the entire equity interest in Kang Yuan Universal Investment Limited and its subsidiaries (collectively referred to as "Kang Yuan Group") on 1 February 2010 (the "Acquisition"). The management has been proactively dealt with the issues. With close consultation with various professionals and the Company's current auditors and conduction of extensive accounting literature examination and due diligence, the Alleged Non-compliance 2010 and subsequent significant transactions that may be affected have basically been resolved and reflected in financial statements.

The Group reported loss attributable to owners of the Company for the year ended 31 March 2013 (the "Year") of HK$248.8 million (2012: profit of HK$50.5 million). The Group's turnover for the Year has slightly increased by 10.7% to HK$734.7 million as compared to same period last year of HK$663.9 million, and over 93.0% of the Group's turnover was derived from the Group's core business – the manufacturing and sale of agricultural machinery and related products and services. Gross profit for the Year has slightly increased by 2.1% to HK$234.1 million comparing with same period last year of approximately HK$229.4 million. However, the gross profit margin has diminished obviously from same period last year of 34.6% to the Year of 31.9% due to the rising sheet steel costs and direct labour costs.

During the Year under review, the Group has completed the disposal of its remaining 20% equity interest in Xian Shenghua Electronic Engineering Company Limited for a consideration of RMB6.0 million (equivalent to HK$7.4 million) on 16 May 2012 and disposal loss of approximately HK$1.5 million was thereby recorded. On 29 May 2012, the Group has also finalized the disposal of its certain prepaid land lease payments and property and equipment with an aggregate net carrying amount of approximately HK$128.4 million (classified as assets held for sale), and the net sale proceeds of approximately RMB144.0 million (equivalent to approximately HK$176.8 million) was settled by offsetting against part of convertible bond issued by the Company to Cyberland (China) Limited ("Cyberland"). A disposal gain of approximately HK$35.5 million was thereby recorded. For details, please refer to the circular published by the Company dated 29 April 2011. Management believed the aforesaid disposal could streamline the business model and facilitate better utilisation of resources of the Group.

SEGMENTAL ANALYSIS

Tobacco agricultural operation

Tobacco agricultural business is conducted via Jiangsu Kedi Modern Agriculture Co Ltd ("Jiangsu Kedi"), an indirectly wholly owned subsidiary of the Company. Jiangsu Kedi, being the substantial revenue driver of the Group, is a leading enterprise in the modern tobacco agricultural machinery production and is one of the major authorised suppliers of the China National Tobacco Corporation ("CNTC"). Jiangsu Kedi focuses on the manufacturing, sales and distribution of agricultural machinery – intensive flue-curing tobacco barn and other related products in the PRC. Most of its products are sold to the local counterparts of CNTC through public tendering and bidding procedures. Since the intensive flue-curing barn was launched, it can serve flue-curing for 20 mu of tobacco field per time and provide semi-automatic operation for peasant. The intensive flue-curing barn can also facilitate the process of mechanization of curing, reducing labour input and enhancing the production efficiency. The business of Jiangsu Kedi was benefited from the development of intensive flue-curing technology.

Revenue from this operation grew by 8.4% to HK$684.1 million (2012: HK$631.2 million) with segment gross profit slightly decreased to 32.7% from last year of 35.3%. The sale increment was principally due to the strong demand of flue-curing barn and accessories. The Group's "KH" series, in particular, the KH-10 of metal and non-metal flue-curing barns with national standard were well received by the PRC tobacco market for its reliability. The products of KH series have full market coverage over major tobacco production areas in the PRC. Meanwhile, the drop in gross profit margin was mainly caused by the increase in direct labour cost and sheet steel cost which was the main raw material in building the flue-curing barn.

The segment recorded a loss of approximately HK$124.7 million (2012: HK$24.5 million) which was mainly attributed to the non-cash item, impairment losses on other intangible assets of HK$135.4 million (2012: HK$77.2 million). Management realises that the mounting operating costs are engulfing the operation profit and pose immense pressure to the Group. In light of this, management will continue to take austerity measures to trim down administrative overheads and derive certain amount of resources to enhance the sale of greenhouse and other well recognised transplanting machine.

Fertilizer and pesticide operation

Revenue from sale of fertilizer and pesticide has increased from same period last year of HK$29.4 million to current Year of HK$44.7 million, representing a 52.0% growth. Since Henan Baorong has become the Group's subsidiary in October 2012, it has contributed revenue of HK$4.9 million to this operation for the Year.

Over 50% of the revenue of this segment are generated from the sale of pesticide products, the BM series – flumetralin（氟節胺）and biological fertilizers which are generally applied in soil transformation for tobacco cultivation and the growing of organic tobacco. However, as peer competition amongst these products is so keen and cost for raw materials is likely to rise, it is difficult to expect a significant growth in sale in near future. Nevertheless, management holds the view that along with the synergy effect from the acquisition of Henan Baorong, it has broadened the Group's product spectrum and enhanced the pool of expertise.

Digital television operation

Revenue from digital television operation of approximately HK$6.3 million (2012: HK$4.8 million) contributed approximately 0.8% to the Group's overall turnover. This operation recorded a segment loss of HK$0.6 million (2012: loss of HK$21.6 million including one-off impairment loss of HK$20.0 million). The growth in turnover was contributed by the increase of advertising income as a result of the partial unlocked of scientific channels in Hunan Province, the PRC. However, as to the fact that digital television broadcasting is policy-driven and full of uncertainties, it is not expected to have any exponential increase in its revenue in coming years. Yet, the Company will continue to explore business opportunities within the industry and improve its product quality and operation efficiency.

Other operation

The healthcare products operation was severely underperformed with revenue of approximately HK$0.4 million for the Year (2012: HK$0.9 million) and recorded a segment loss of approximately HK$5.4 million (2012: HK$5.1 million). The loss was mainly due the significant shrinkage in the demand of cordyceps-related healthcare products, immense pressure from peer competition and rising operating costs. As the gloomy business environment is unlikely to ease and yet the operating costs are likely standing high in forthcoming years, this operation is not optimistic. In light of this, the Group is now considering possible disposal of this operation if opportunity arises.

FINANCIAL REVIEW

Turnover

For the Year under review, the Group's turnover was HK$734.7 million (2012: HK$663.9 million), representing a growth 10.7% as compared to same period last year. Turnover from tobacco agricultural operation which accounts for 93.0% of the Group's total turnover shows a growth of 8.7% to approximately HK$683.2 million (2012: HK$628.8 million). The growth was attributed to the strong underlying demand of intensive flue-curing machinery and related accessories. As to the unique characteristic of the seasonal effect of tobacco agricultural industry, over 70% of the turnovers are generated in the first half of the Year. Turnover from fertilizer and pesticide operation and digital television operation for the Year were approximately HK$44.7 million (2012: HK$29.4 million) and HK$6.3 million (2012: HK$4.8 million) respectively, and account for 6.1% and 0.8% of the Group's turnover respectively.

Cost of sales and services and Gross Profit

The Group's cost of goods sold mainly includes costs of inventories sold, sheet steel and direct wages. During the Year, total cost of sales and services was HK$500.5 million which was 15.2% more than last year of HK$434.5 million. Gross profit for the Year has slightly increased by 2.1% to HK$234.1 million comparing with same period last year of HK$229.4 million. However, the gross profit margin has diminished obviously from last year of 34.6% to current Year of 31.9% partially due to the inflating labour cost, uprising sheet steel prices, logistic cost, production overheads and product mix. The pricing of sheet steel for the Year, a major component in construction of the flue-curing barns, was relatively pricey than same period last year. The management may therefore consider hedging on sheet steel cost, so as to minimise the its impact on the cost of production.

Distribution costs

The Group's distribution costs which mainly consist of labour costs, transportation, travelling expenses and business soliciting expenditures, amount to HK$127.2 million (2012: HK$78.5 million), representing a 62.0% increase as compared to same period last year. The significant increase in distribution costs was mainly caused by the surge in number of times of delivery turnaround and transportation as a result of more sales orders but with less quantity involved that need to be fulfilled. Despite the Company's tightening measures over the operation cost, the direct labour overheads which account for approximately 18.5% of the total distribution cost of the Year has increased by 20.6% as compared to same period last year. Therefore, management has started analysis on the measures to streamline the logistic arrangement to minimise distribution cost.

Administrative expenses

As a result of austerity measures adopted in cost control, the administrative expenses for the Year was maintained at HK$135.4 million (2012: HK$137.4 million) which included amortisation and depreciation with aggregate amount of HK$71.8 million (2012: HK$70.1 million), and staff costs totally of HK$19.3 million (2012: HK$24.4 million). With the challenging business environment ahead, the Group will strive to strengthen the financial effectiveness with a prudent approach to control the Group's overall administrative expenses.

Loss from operations

Loss from operations for the year was HK$4.7 million, representing a sharp decrease of 7.3 times comparing with same period last year (2012: profit HK$33.9 million). The loss from operation is caused by narrowing down of gross profit margin and surging distribution cost and relevant overheads. The Company foresees that the sheet steel cost, direct labour cost and logistic related expenditure are likely rising in forthcoming year.

Finance costs

Aggregate gross interest expenses on bank and other loans for the Year was HK$22.9 million, representing a 7.3% increase comparing with same period last year. Such increase was mainly due to interest bearing loans increased during the reporting period.

Alleged Non-compliance 2010

Regarding the Alleged Non-compliance 2010 as set out in the Company's announcements dated 21, 26 June and 2 August 2013, certain errors relating to accounting treatments or judgments have been identified in the Group and Company's financial statements for the years ended 31 March 2010, 2011 and 2012 ("Relevant Financial Statements"). The management come to aware that these errors so happened were mainly arose from the audit process conducted by then auditor during the course of audit for the year ended 31 March 2010. The preparation of the financial statements which required the recognition and measurement of the net assets acquired of the Acquisition, the convertible bond issued, valuation modeling and the resultant goodwill involve material professional judgment and assumptions about future conditions whose outcome was uncertain and complex. Therefore, the Company has recently conducted a lot of analysis, examinations and due diligence on alleged non-compliance issues and related accounting treatments and literature in a responsible manner. An international accounting firm was appointed to provide consultation services to the Company on how to address and document the accounting treatments in relation to the Acquisition and a new and independent valuer, was specifically engaged to conduct the valuation of enterprises, convertible bond and other related valuations in connection with the Acquisition and subsequent impairment testing. Having remeasured the valuation of Kang Yuan Group, two CGUs instead of one CGU in previous valuation were identified by management, namely "Tobacco Agricultural Operation" and "Fertilizer and Pesticide Operation". On top of the existing "technologies", the Company has also identified five more other intangible assets, namely, tradename, patent and license rights, non-competition agreements, customer relationships and distribution network. In light of additional identifiable CGU, goodwill was proportionally allocated to their respective CGUs at the Acquisition date. The accounting treatment of the convertible bond which was issued as part of consideration for the Acquisition was rectified and designated as a financial liability through profit and loss on initial recognition.

The Directors are well aware that they have the responsibilities for the preparation of the Relevant Financial Statements and should always act at their best endeavor to ensure that all financial statements are of true and fair view of the Group and Company. The Board considers that the management of the Company should have conducted more measures and procedures that are sufficient enough to prevent the Alleged Non-compliance 2010. Yet, the effectiveness of such measures and procedures requires the assistance from various professionals together with competent in-house finance team in support for the aforesaid purposes. In this regard, the audit committee has urged the management to deploy more resources that have been allocated thereto in order to ensure the effectiveness of such measures and procedures.

As to preventive measures, the Company had engaged another an international accounting firm to conduct a review on system of internal controls, assessment of the adequacy of the procedures in order to strengthen the effectiveness of internal control system and procedures during the year. The Company has enhanced the accounting and compliance team that all current accounting members of the Company are qualified professional accountants. Directors and officers are encouraged to participate continuous professional trainings, and the Company also constantly provide relevant study materials and seminars relating to corporate governance to Directors.

The audit committee of the Company considers that the management of the Company has put in place adequate measures and procedures to enable the Company and its Directors to discharge respective obligations.

The changes on the purchase price allocation, impairment assessment and amortisation in relation to the Acquisition as compared to the previously published financial statements, and restatements due to prior year adjustments ("PYAs") as a result of the Alleged Non-compliance 2010 to the financial statements for year ended 31 March 2010 are tabulated as shown below. Details of restatements for the years ended 31 March 2011, 2012 are set out in note 3 in this announcement.

Major impact of PYAs of the Alleged Non-compliance 2010 to the financial statements for the years ended 31 March 2010 and 2011 are illustrated below:

	2010		
	As restated	As previously reported	Changes due to PYAs
	HK$'000	*HK$'000*	*HK$'000*
Extract from Consolidated Statement of Comprehensive Income: individual item affected			
Turnover	220,796	220,796	–
Administrative expenses	(53,900)	(39,212)	(14,688)
Other losses, net	(11,338)	(32,630)	21,292
Impairment loss on goodwill	(140,760)	(15,700)	(125,060)
Income tax expense	(8,293)	(7,051)	(1,242)
Exchange differences on translating foreign operations	(263)	382	645
Loss attributable to owners of the Company	(389,029)	(269,331)	(119,698)

	2011		
	As restated	As previously reported	Changes due to PYAs
	HK$'000	*HK$'000*	*HK$'000*
Extracted from Consolidated Statement of Comprehensive Income: individual items affected			
Turnover	598,132	598,132	–
Administrative expenses	(138,686)	(108,728)	(29,958)
Finance costs	(28,010)	(28,123)	113
Other losses	(84,275)	(10,494)	(73,781)
Impairment loss on goodwill	(160,169)	(120,234)	(39,935)
Impairment losses on other intangible assets	(197,676)	(99,694)	(97,982)
Income tax credit	48,260	11,662	36,598
Exchange differences on translating foreign operations	51,202	20,557	30,645
Loss attributable to owners of the Company	(429,933)	(224,988)	(204,945)

	2010		
	As restated	**As previously reported**	**Changes due to PYAs**
	HK$'000	*HK$'000*	*HK$'000*
Extract from Consolidated Statement of Financial Position: individual item affected			
Non-current assets			
Property, plant and equipment	185,461	155,659	29,802
Prepaid land lease payments	45,089	21,393	23,696
Goodwill	165,374	896,557	(731,183)
Other intangible assets	732,202	268,940	463,262
Deferred tax assets	2,598	–	2,598
Current liabilities			
Other payables and accrued charges	30,764	30,743	21
Reserves			
Capital reserve	301,366	878,178	(576,812)
Non-current liabilities			
Deferred tax liabilities	165,966	34,348	131,618
Convertible bond	893,555	660,207	233,348
Total assets	1,985,654	2,197,479	(211,825)
Total liabilities	1,652,287	1,287,300	364,987
Total equity	333,367	910,179	(576,812)

The net assets acquired in the Acquisition and the goodwill arising are as follows:

	As restated			As previously reported			
	Acquiree's carrying amount before business combination	**Fair value adjustment**	**Total fair value**	**Acquiree's carrying amount before business combination**	**Fair value adjustment**	**Total fair value**	**Changes due to PYAs**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Net assets acquired represents:							
Property, plant and equipment	171,230	(11,599)	159,631	180,330	(44,250)	136,080	23,551
Prepaid land lease payments	42,616	2,634	45,250	33,516	(10,760)	22,756	22,494
Other intangible assets	–	732,169	732,169	–	263,182	263,182	468,987
Inventories	138,092	–	138,092	138,092	–	138,092	–
Trade receivables	254,903	–	254,903	254,903	–	254,903	–
Prepayments, other receivables and deposit	108,692	–	108,692	108,692	–	108,692	–
Pledged deposit	107,393	–	107,393	107,393	–	107,393	–
Cash and bank balance	60,613	–	60,613	60,567	–	60,567	46
Trade and bills payables	(240,049)	–	(240,049)	(240,049)	–	(240,049)	–
Other payables and accruals	(30,697)	–	(30,697)	(30,674)	–	(30,674)	23
Borrowings	(254,545)	–	(254,545)	(254,545)	–	(254,545)	–
Deferred tax assets	–	2,619	2,619	–	–	–	2,619
Deferred tax liabilities	–	(167,232)	(167,232)	–	(34,348)	(34,348)	132,884
Capital reserve	–	–	–	(26,062)	–	(26,062)	26,062
	358,248	**558,591**	**916,839**	**332,163**	**173,824**	**505,987**	
Goodwill			290,718			896,557	(605,839)
			1,207,557			**1,402,544**	
Consideration:							
Cash			300,000			304,544	(4,544)
Convertible bond			907,557			1,098,000	(190,443)
			1,207,557			**1,402,544**	

Other intangible assets in relation to the Acquisition are extracted as follows:

	As restated							As previously reported	
	Technologies	Patents and licence rights	Tradename	Non-compeition agreements	Customer relationships	Distribution network	Total	Technologies	Change due to PYAs
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Extract from other intangible assets:									
Item affected									
Acquisition of Kang Yuan Group	69,058	136,531	172,712	74,910	40,616	238,342	732,169	263,182	468,987
Amortisation	(2,297)	–	–	(2,491)	(1,351)	(3,963)	(10,102)	(4,400)	(5,702)
Exchange difference	(5)	–	–	(6)	(3)	(9)	(23)	–	(23)
At 31 March 2010	**66,756**	**136,531**	**172,712**	**72,413**	**39,262**	**234,370**	**722,044**	**258,782**	**463,262**
Amortisation	(14,133)	–	–	(15,330)	(8,312)	(24,389)	(62,164)	(26,318)	(35,846)
Impairment losses	(16,125)	(41,576)	(52,588)	(13,291)	–	(64,097)	(187,677)	(89,694)	(97,983)
Exchange difference	2,459	5,512	6,972	2,766	1,672	9,054	28,435	–	28,435
At 31 March 2011	**38,957**	**100,467**	**127,096**	**46,558**	**32,622**	**154,938**	**500,638**	**142,770**	**357,868**

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

Loss for the Year was HK$252.6 million, representing a significant decrease of 577.9% as compared to the profit of HK$52.9 million in the same period last year. The loss for the Year was mainly attributed to the impairment losses on other intangible assets of HK$135.4 million (2012: HK$77.2 million), impairment loss on goodwill of HK$8.5 million (2012: Nil), share option expenses HK$9.7 million (2012: HK$4.6 million) and loss arose from the fair value change and the redemption of convertible bond with aggregate amount of HK$151.1 million (2012: Gain HK$125.9 million). The loss attributable to owners of the Company amounted to HK$248.8 million (2012: Profit HK$50.4 million). The loss per share was HK Cents 9.17 (2012: earnings per share HK Cents 1.86).

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. As at 31 March 2013, the Group had aggregated cash and bank balance and pledged deposits of approximately HK$192.6 million (2012: HK$421.0 million). The Group's current ratio, being the current assets of HK$993,466,000 (2012: HK$1,310,136,000) divided by current liabilities of HK$658,643,000 (2012: HK$887,369,000), was computed as 1.51 (2012: 1.48) which was regarded as healthy and acceptable. The improvement in current ratio was primarily attributed to the substantial reduction of bank borrowings of HK$244.2 million to HK$502.8 million (2012: HK$747.0 million) for the Year. The cash and cash equivalents was materially reduced to HK$11.3 million at 31 March 2013 (2012: HK$160.8 million). However, it was subsequently replenished by recovery of receivables after year end date.

As at 31 March 2013, the Group's total indebtedness comprised the fair value of outstanding convertible bond, borrowings, bills payable, amount due to a non-controlling shareholder of a subsidiary and amount due to a director was recorded with aggregate amount of approximately HK$1,278.8 million (2012: HK$1,575.1 million). The gearing ratio of the Group, being the total indebtedness divided by total assets excluding deferred tax assets, was 101.9% (2012: 87.0%) at the year ended date. The increase in the Group's gearing ratio was primarily due to the reduction of asset value as a result of impairment losses on the other intangible assets and goodwill for the year under review. Subsequent to the year ended, the Group has successfully raised RMB60 million (equivalent to approximately HK$75.9 million) on May 2013 by issuance of small and medium-sized enterprises private placement bonds ("SME Private Bonds") with terms of 24 months tenure, unsecured and bearing interest at the rate of 9% per annum. The SME Private Bonds is an unlisted financial product with designated subscribers and was registered in Shenzhen Stock Exchange.

The convertible bond, if not converted, would be due for repayment on 25 March 2015 and the related coupon interest accrued was waived up to 31 March 2014 as per the board approval of Cyberland. In terms of currency denomination, the convertible bond was denominated in Hong Kong dollars. Of the borrowings, bills payable, amount due to a non-controlling shareholder of a subsidiary and amount due to a director, over 90% of the balance was denominated in Renminbi with the balance 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 have sufficient financial resources to meet its ongoing operational requirements.

FOREIGN CURRENCY MANAGEMENT

The monetary assets and liabilities and business transactions of the Group were mainly carried and conducted in Hong Kong dollars and Renminbi. The Group continues 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

As at 31 March 2013, the Group's certain leasehold land and buildings with aggregate carrying amount of approximately HK$45.4 million and bank deposits of HK$181.2 million were pledged to secure general banking facilities granted to the Group.

LEGAL PROCEEDINGS

Regarding the Winding-up Petition filed by the Petitioner on 25 January 2013 for winding up the Company, the High Court on the hearing conducted on 13 May 2013, ordered that the Winding-up Petition be dismissed with the costs of Petitioner borne by the Company. Cyberland informed the Company that to its best knowledge as at 8 October 2013, the said concerned sum of HK$51.2 million that had been deposited into the High Court by the Company on 8 May 2013 is still kept at High Court. As advised by Company's legal adviser, the concerned convertible bond of certificate number 3 has been redeemed on 8 May 2013.

For the High Court Action No. HCA 776/2013 in relation to the Writ of Summon issued by Cyberland claiming against the Petitioner and the Company. The Company has ultimately reached a settlement on 24 September 2013 with Cyberland for discontinuation of the Action with no order as to costs.

DISPOSALS

On 10 May 2012, the Group had entered into a sales and purchase agreement with an independent third party to dispose of its remaining 20% equity interest in Xian Shenghua for a consideration of RMB6 million (equivalent to approximately HK$7.4 million). The transaction was completed on 16 May 2012 and a disposal loss of approximately HK$1.5 million was recorded.

Pursuant to an asset transfer agreement entered into by the Company on 8 April 2011, the Company was to dispose certain of its land, property and equipment which was subsequently classified as assets held for sale, in relation to the manufacturing of fertilizers, to a connected party of the Company for a consideration of approximately RMB138.9 million. On 29 May 2012, the Group has finally completed the disposal and the net sale proceeds of which is settled by offsetting against part of convertible bond issued by the Company with equivalent aggregate principal amount to approximately HK$170.6 million. A disposal gain of approximately HK$35.5 million was thereby recorded. For details of the disposal, please refer to Circular published by the Company dated 29 April 2011.

CONTINGENT LIABILITY

At at 31 March 2013 and 31 March 2012, the Group did not have any significant contingent liabilities.

CAPITAL COMMITMENT

As at 31 March 2013 and 31 March 2012, the Group did not have any significant capital commitment.

EMPLOYEES

As at 31 March 2013, the Group had 372 (2012: 417) full-time employees including Directors. Total staff costs for the Year, including director's emoluments but excluding equity settled share based payment expenses, was approximately HK$48.1 million (2012: HK$43.0 million). The decrease in number of staff at the year ended date mainly reflected that two subsidiaries were ceased to be the Company's subsidiaries during the Year. The equity settled share based payment expenses of approximately HK$0.67 million (2012: HK$0.99 million) represented the fair value of share options granted to eligible person of the share option scheme and were not resulted in any cash outflow.

PROSPECTS

Being one of the leading players of intensive flue-curing barn manufacturer in agricultural machinery industry, one of the Group's goal is to assist a sustainable modernisation of agricultural technology in the PRC as outlined in the mid-to-long term technology development plan in the tobacco industry issued by State Tobacco Monopoly Administration ("STMA"), and to implement policies and business strategies in the best interests of our shareholders, tobacco farmers, business partners, employees and other stakeholders. In additional to the consolidation of conventional core business of manufacturing of flue-curing barn for tobacco, the Group will deploy some resources in the trading of transplanting machine, cultivator hiller and greenhouse building. Furthermore, the Group will also continue to explore other business opportunities of flue-curing barn by curing other agricultural products, for example, fruits, herbal and vegetables on a trial basis. We believe by the development of a multi-functional and cost-effective flue-curing barn could facilitate the modernisation of agriculture and contribute to the livelihood of general peasants in the PRC.

The Group will continue to reinforce its leading position in the manufacturing of intensive flue curing machinery by means of streamlining its business model, aspiring further advancement in its product quality and innovation, and enhancing the Group's resources utilisation in a cost-effective approach.

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

As at 31 March 2013, the interests and short positions of the Directors and chief executives of the Company in the ordinary shares of HK$0.01 each of the Company ("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 Shares and underlying Shares

Name of Directors	Capacity and nature of interests	Number of Shares and underlying Shares held	Approximate percentage of shareholding
Ms. Jingquan Yingzi	Interests held by controlled corporation and beneficial owner	2,027,546,744 *(notes (a) and (b))*	74.71%
Mr. Wong Man Hung Patrick	Beneficial owner	32,000,000	1.18%
Mr. Shan Xiaochang	Interests held by controlled corporation and beneficial owner	1,984,776,744 *(notes (a) and (b))*	73.14%
Mr. Feng Xiaoping *(note (c))*	Interests held by controlled corporation	31,618,750	1.17%

Notes:

(a) 1,982,326,744 underlying Shares are held by Cyberland, which is legally and beneficially owned as to 54.63% by Stepwise International Holdings Limited ("Stepwise"). Stepwise is legally and beneficially wholly owned by Mr. Shan Xiaochang ("Mr. Shan") an executive Director.

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

(c) 31,618,750 Shares are held by Sino Unicorn Technology Limited, a company in which Mr. Feng Xiaoping ("Mr. Feng") has an indirect interest of 51% therein. Mr. Feng has retired as an executive Director with effect on 28 September 2012.

Save as disclosed above, as at 31 March 2013, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of GEM Listing Rules relating to securities transactions entered by Directors.

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

As at 31 March 2013, 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.

			Derivative interests	
Name of shareholders	**Number of Shares held (long position)**	**Percentage of shareholding**	**Number of underlying Shares held (long position)**	**Percentage of shareholding**
Mr. Lee Yuk Lun	219,298,244	8.08%	–	
Cyberland (China) Limited			1,982,326,744 *(notes (a) and (b))*	73.05%
Stepwise International Holdings Limited			1,982,326,744 *(notes (a), (b) and (c))*	73.05%
Ms. Wu Shuhua			1,984,776,744 *(note (d))*	73.14%

Notes:

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

(b) Cyberland is legally and beneficially owned as to 54.63% by Stepwise.

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

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

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.

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.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles and the code provisions as set out in the Code as set out in Appendix 15 of the GEM Listing Rules. The principles adopted by the Company emphasis a quality board, transparency and accountability to shareholders. In the opinion of the Board, the Company has complied with the Code for the year ended 31 March 2013, save and except for the following:

1. Following the resignation of Ms. Chan Mei Bo Mabel, the independent non-executive Director, a member of audit committee, a member of remuneration committee and a member of nomination committee of the Company, on 27 April 2012, the Company had only two independent non-executive Directors and two audit committee members, the number of which fell below the minimum number required under Rules 5.05(1) and 5.28 of the GEM Listing Rules until the Company appointed Mr. Zhao Zhizheng to fill in the vacancy on 26 July 2012;

2. Provision E.1.2 of the Code 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 annual general meeting of the Company held on 28 September 2012 (the "AGM 2012"), Ms. Jingquan was unable to attend the AGM 2012 due to other urgent business commitments of the Group. Mr. Wong Man Hung Patrick, an executive Director, has taken the chair; and

3. Provision A.1.3 of the Code requires of at least 14 days' notice should be given to all Directors for a regular Board meeting. 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 endeavours 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 year ended 31 March 2013.

COMPETING INTEREST

As at 31 March 2013, 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 Audit Committee comprises all Independent Non-executive Directors, namely, Mr. Sousa Richard Alvaro, Mr. Lee Chi Hwa Joshua and Mr. Zhao Zhizheng who was appointed by the Company on 26 July 2012. The members of the audit committee have reviewed the consolidated financial statements of the Group for the year ended 31 March 2013 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 by audit committee 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 2013 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 2013. 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, 8 October 2013

As of the date of this announcement, the executive Directors are Ms. Jingquan Yingzi (Chairman), Mr. Wong Man Hung Patrick, Mr. Shan Xiaochang, Mr. Wu Zhongxin and Mr. Stephen William Frostick; the non-executive Director is Prof. Liu Guoshun; and the independent non-executive Directors are Mr. Sousa Richard Alvaro, Mr. Lee Chi Hwa Joshua and Mr. Zhao Zhizheng.

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