



**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 2015**

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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## FINAL RESULTS

The board of directors (the “Board”) of the Company hereby announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2015 together with comparative figures for the year ended 31 March 2014 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the year ended 31 March 2015*

	<i>Notes</i>	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i> (Restated)
<b>Continuing operations</b>			
Revenue	5	131,078	473,543
Cost of sales and services		<u>(90,672)</u>	<u>(330,862)</u>
Gross profit		40,406	142,681
Other revenue and net income	6	8,928	29,253
Distribution costs		(29,150)	(95,756)
Administrative expenses		<u>(34,203)</u>	<u>(86,081)</u>
Loss from operations		(14,019)	(9,903)
Other losses	7	(80,439)	(114,612)
Finance costs	8	(25,868)	(24,921)
Impairment losses on other intangible assets	13	<u>(27,084)</u>	<u>(88,540)</u>
Loss before income tax	9	(147,410)	(237,976)
Income tax credit	10	<u>5,126</u>	<u>25,555</u>
<b>Loss for the year from continuing operations</b>		<b>(142,284)</b>	<b>(212,421)</b>
<b>Discontinued operations</b>			
Profit/(loss) for the year from discontinued operations	11	<u>7,703</u>	<u>(40,357)</u>
<b>Loss for the year</b>		<b><u>(134,581)</u></b>	<b><u>(252,778)</u></b>

	<i>Notes</i>	<b>2015</b> <b><i>HK\$'000</i></b>	2014 <i>HK\$'000</i> (Restated)
<b>Loss attributable to:</b>			
Owners of the Company		<b>(133,491)</b>	(247,690)
Non-controlling interests		<b>(1,090)</b>	(5,088)
		<b><u>(134,581)</u></b>	<b><u>(252,778)</u></b>
		<b><i>HK cents</i></b>	<b><i>HK cents</i></b>
<b>Loss per share attributable to</b>			
<b>owners of the Company</b>			
Basic and Diluted	<i>12</i>		
– From continuing and discontinued operations		<b><u>(4.84)</u></b>	<b><u>(9.13)</u></b>
– From continuing operations		<b><u>(5.15)</u></b>	<b><u>(7.81)</u></b>

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2015

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Loss for the year</b>	<u>(134,581)</u>	<u>(252,778)</u>
<b>Other comprehensive income</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	549	6,749
Exchange differences reclassified on disposal of subsidiaries	<u>(3,548)</u>	<u>–</u>
<b>Other comprehensive (expense)/income for the year</b>	<u>(2,999)</u>	<u>6,749</u>
<b>Total comprehensive expense for the year</b>	<u><u>(137,580)</u></u>	<u><u>(246,029)</u></u>
<b>Total comprehensive expense attributable to:</b>		
Owners of the Company	(136,469)	(240,767)
Non-controlling interests	<u>(1,111)</u>	<u>(5,262)</u>
	<u><u>(137,580)</u></u>	<u><u>(246,029)</u></u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

	<i>Notes</i>	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>42,979</b>	61,867
Prepaid land lease payments		<b>10,440</b>	10,586
Goodwill		–	–
Other intangible assets		<b>138</b>	31,661
Interest in an associate		–	–
Deferred tax assets		<b>4,037</b>	3,719
		<hr/> <b>57,594</b>	<hr/> 107,833
<b>Current assets</b>			
Inventories		<b>47,787</b>	50,735
Trade receivables	<i>14</i>	<b>186,685</b>	357,589
Prepayments, deposits and other receivables		<b>41,560</b>	170,494
Financial assets at fair value through profit or loss		–	1,875
Tax recoverable		<b>43</b>	–
Pledged deposits		–	44,078
Cash and cash equivalents		<b>7,983</b>	2,816
		<hr/> <b>284,058</b>	<hr/> 627,587
<b>Current liabilities</b>			
Trade and bills payables	<i>15</i>	<b>69,558</b>	68,417
Other payables and accruals		<b>45,968</b>	52,079
Amount due to a non-controlling shareholder of a subsidiary		<b>763</b>	852
Amount due to a director		<b>286</b>	–
Borrowings		<b>344,887</b>	383,266
Convertible bond		–	609,897
Tax payable		<b>27</b>	6
		<hr/> <b>461,489</b>	<hr/> 1,114,517
<b>Net current liabilities</b>		<hr/> <b>(177,431)</b>	<hr/> (486,930)
<b>Total assets less current liabilities</b>		<hr/> <b>(119,837)</b>	<hr/> (379,097)

	<b>2015</b>	2014
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Non-current liabilities</b>		
Borrowing	–	52,574
Deferred tax liabilities	<u>48</u>	<u>7,450</u>
	<u>48</u>	<u>60,024</u>
<b>Net liabilities</b>	<b><u>(119,885)</u></b>	<b><u>(439,121)</u></b>
<b>EQUITY</b>		
<b>Capital and reserves</b>		
Share capital	37,829	27,138
Reserves	<u>(151,721)</u>	<u>(462,787)</u>
Equity attributable to owners of the Company	(113,892)	(435,649)
Non-controlling interests	<u>(5,993)</u>	<u>(3,472)</u>
<b>Capital deficiency</b>	<b><u>(119,885)</u></b>	<b><u>(439,121)</u></b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2015

	Attributable to owners of the Company							Sub-total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	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			
At 1 April 2013	27,138	1,056,184	(1,401,360)	(197)	24,347	17,524	80,720	(195,644)	1,790	(193,854)
Loss for the year	-	-	(247,690)	-	-	-	-	(247,690)	(5,088)	(252,778)
Other comprehensive income										
- Exchange differences on translation of foreign operations	-	-	-	-	-	-	6,923	6,923	(174)	6,749
<b>Total comprehensive expense for the year</b>	<b>-</b>	<b>-</b>	<b>(247,690)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,923</b>	<b>(240,767)</b>	<b>(5,262)</b>	<b>(246,029)</b>
Share option scheme										
- Value of services	-	-	-	-	-	762	-	762	-	762
- Lapsed during the year	-	-	10,371	-	-	(10,371)	-	-	-	-
At 31 March and 1 April 2014	27,138	1,056,184*	(1,638,679)*	(197)*	24,347*	7,915*	87,643*	(435,649)	(3,472)	(439,121)
Loss for the year	-	-	(133,491)	-	-	-	-	(133,491)	(1,090)	(134,581)
Other comprehensive income										
- Exchange differences on translation of foreign operations	-	-	-	-	-	-	570	570	(21)	549
- Exchange differences reclassified on disposal of subsidiaries (note 16)	-	-	-	-	-	-	(3,548)	(3,548)	-	(3,548)
<b>Total comprehensive expense for the year</b>	<b>-</b>	<b>-</b>	<b>(133,491)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,978)</b>	<b>(136,469)</b>	<b>(1,111)</b>	<b>(137,580)</b>
Conversion of convertible bond	10,691	447,535	-	-	-	-	-	458,226	-	458,226
Disposal of subsidiaries (note 16)	-	-	-	-	-	-	-	-	(1,410)	(1,410)
Share option scheme										
- Lapsed during the year	-	-	7,915	-	-	(7,915)	-	-	-	-
At 31 March 2015	37,829	1,503,719*	(1,764,255)*	(197)*	24,347*	-	84,665*	(113,892)	(5,993)	(119,885)

\* These reserve accounts comprise the consolidated reserves of -HK\$151,721,000 (2014: -HK\$462,787,000) in the consolidated statement of financial position.

## Notes:

- (a) The merger reserve of the Group represents the difference between the nominal value of the share capital of a subsidiary acquired and the nominal value of the shares issued by the Company in exchange thereof pursuant to the Group reorganisation on 20 March 2001 as set out in the prospectus of the Company dated 26 March 2001.
- (b) In accordance with relevant regulations prevailing in the People's Republic of China (the "PRC"), the Company's subsidiaries established and operating in the PRC are required to appropriate 10% of their profit after income tax calculated under the accounting principles generally applicable to the PRC enterprises to the statutory reserve until the fund aggregates 50% of their respective registered capital. The statutory reserve can be utilised to offset prior years' losses or to increase capital. However, the balance of the statutory reserve must be maintained at a minimum of 25% of capital after these usages.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the GEM. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is Rooms 1120-26, 11th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong.

## 2. BASIS OF PREPARATION

The 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 accounting principles generally accepted in Hong Kong, and the disclosure requirements of Hong Kong Companies Ordinance. In addition, these financial statements include applicable disclosures required by the GEM Listing Rules.

The consolidated financial statements have been prepared under the historical cost convention except for certain financial instruments measured at fair values. The financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company.

### Going concern

In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity and performance of the Group and the Company in light of the fact that:

- (i) The Group incurred a loss for the year attributable to owners of the Company of HK\$133,491,000 (2014: HK\$247,690,000) for the year ended 31 March 2015 and, as of that date, the Group had net current liabilities of HK\$177,431,000 (2014: HK\$486,930,000) and a capital deficiency of HK\$119,885,000 (2014: HK\$439,121,000) and the Company had net current liabilities HK\$538,226,000 (2014: HK\$481,349,000) and a capital deficiency of HK\$538,226,000 (2014: HK\$533,923,000);
- (ii) Included in current liabilities in the consolidated financial statements are secured bank loans of HK\$48,101,000 (2014: HK\$Nil) which have expired but are in the process of renewal; and
- (iii) Included in current liabilities in the consolidated financial statements are unsecured loans from third parties of HK\$111,997,000 (2014: HK\$121,153,000) which are scheduled for repayment within one year.



The Directors reviewed the Group's financial and liquidity position, and have taken the following actions to mitigate the liquidity issues faced by the Group and the Company:

- (a) Two substantial shareholders and a director of the Company have confirmed that they will provide continuous financial support to the Company for a period of twelve months from the date of approval of the consolidated financial statements by the Directors;
- (b) Possible fund raising activities including, but not limited to, further placing, rights issues or open offer and issuance of convertible bonds are to be attempted;
- (c) The Group is in negotiation with financial institutions for new borrowings and extensions of existing borrowings upon due dates and applying for future credit facilities; and
- (d) The management plans to improve the Group's financial performance by taking steps to reduce discretionary expenses and administrative costs and exploring new business which will provide a growing and recurring source of income.

The Directors consider that taking account of the above, the cash requirements of the Group for the next twelve months from the end of the reporting period, and existing banking facilities are made continuously available for the Group's use, the Group and the Company will have sufficient working capital to meet their financial obligations as they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

### **3. ADOPTION OF NEW AND AMENDED HKFRSs**

#### **3.1 New and amended standards adopted by the Group**

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
Hong Kong (IFRIC) Interpretation 21	Levies

The application of the above new or revised HKFRSs in the current year has no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these financial statements.

### 3.2 New and amended standards issued but not yet effective

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 9	Financial Instruments <sup>4</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>5</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>3</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>2</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>2</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>2</sup>
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions <sup>1</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception <sup>2</sup>
Amendments to HKFRS 11	Accounting for Acquisition of Interest in Joint Operations <sup>2</sup>
Amendments to HKFRSs	Annual Improvements 2010-2012 Cycle <sup>6</sup>
Amendments to HKFRSs	Annual Improvements 2011-2013 Cycle <sup>1</sup>
Amendments to HKFRSs	Annual Improvements 2012-2014 Cycle <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2014.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2016.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2017.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>5</sup> Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group.

<sup>6</sup> Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

The Directors anticipate that the application of the above new or revised HKFRSs have been issued but are not yet effective will have no material impact on the results and the financial position of the Group and the Company.

#### 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.

The Group has identified the following reportable segments:

Continuing operations:

- Tobacco agricultural operation; and
- Digital television operation.

Discontinued operations:

- Fertilizer and pesticide operation (discontinued during the year ended 31 March 2015); and
- Healthcare products operation (discontinued during the year ended 31 March 2015).

Segment results represent the Group's profit or loss before income tax incurred by each segment, but exclude interest income, unallocated gains, corporate and other unallocated expenses, finance costs, other gains and losses and gain on disposal of subsidiaries.

Segment assets include all assets, but exclude deferred tax assets and corporate and unallocated assets.

Segment liabilities include all liabilities, but exclude, deferred tax liabilities, convertible bond and corporate and unallocated liabilities.

(a) Segment Results

For the year ended 31 March 2015

	Continuing operations			Discontinued operations			Total
	Tobacco agricultural operation HK'000	Digital television operation HK'000	Sub-Total HK'000	Fertilizer and pesticide operation HK'000	Healthcare products operation HK'000	Sub-Total HK'000	
Segment revenue							
Sales to external customers	122,943	8,135	131,078	–	13	13	131,091
Segment results	<u>(72,676)</u>	<u>(885)</u>	(73,561)	<u>(491)</u>	<u>(697)</u>	(1,188)	(74,749)
Reconciliation:							
Interest income			1,791			26	1,817
Unallocated gains			7,137			1	7,138
Corporate and other unallocated expenses			(9,308)			(3)	(9,311)
Finance costs			(25,868)			(2,188)	(28,056)
Other losses			(47,601)			–	(47,601)
Gain on disposal of subsidiaries			–			11,055	11,055
(Loss)/profit before income tax			<u>(147,410)</u>			<u>7,703</u>	<u>(139,707)</u>

For the year ended 31 March 2014 (restated)

	Continuing operations			Discontinued operations			Total
	Tobacco agricultural operation HK'000	Digital television operation HK'000	Sub-Total HK'000	Fertilizer and pesticide operation HK'000	Healthcare products operation HK'000	Sub-Total HK'000	
Segment revenue							
Sales to external customers	468,864	4,679	473,543	14,313	100	14,413	487,956
Segment results	<u>(112,720)</u>	<u>(1,414)</u>	(114,134)	<u>(30,183)</u>	<u>(4,757)</u>	(34,940)	(149,074)
Reconciliation:							
Interest income			3,018			162	3,180
Unallocated gains			26,235			587	26,822
Corporate and other unallocated expenses			(14,983)			(11)	(14,994)
Finance costs			(24,921)			(9,241)	(34,162)
Other losses			(113,191)			–	(113,191)
Loss before income tax			<u>(237,976)</u>			<u>(43,443)</u>	<u>(281,419)</u>

(b) Segment Assets and Liabilities

At 31 March 2015

	Continuing operations		
	Tobacco agricultural operation <i>HK\$'000</i>	Digital television operation <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment assets</b>	<b><u>332,141</u></b>	<b><u>3,604</u></b>	<b>335,745</b>
Reconciliation:			
Deferred tax assets			4,037
Corporate and other unallocated assets			<u>1,870</u>
Total assets			<b><u>341,652</u></b>
<b>Segment liabilities</b>	<b><u>388,106</u></b>	<b><u>3,654</u></b>	<b>391,760</b>
Reconciliation:			
Deferred tax liabilities			48
Corporate and other unallocated liabilities			<u>69,729</u>
Total liabilities			<b><u>461,537</u></b>

At 31 March 2014 (restated)

	Continuing operations			Discontinued operations			Total <i>HK'000</i>
	Tobacco agricultural operation <i>HK'000</i>	Digital television operation <i>HK'000</i>	Sub-total <i>HK'000</i>	Fertilizer and pesticide operation <i>HK'000</i>	Healthcare products operation <i>HK'000</i>	Sub-total <i>HK'000</i>	
Segment assets	<u>644,794</u>	<u>4,159</u>	648,953	<u>31,790</u>	<u>42,220</u>	74,010	722,963
Reconciliation:							
Deferred tax assets			3,719			–	3,719
Corporate and other unallocated assets			<u>2,403</u>			<u>6,335</u>	<u>8,738</u>
Total assets			<u>655,075</u>			<u>80,345</u>	<u>735,420</u>
Segment liabilities	<u>434,219</u>	<u>3,711</u>	437,930	<u>6,327</u>	<u>52,885</u>	59,212	497,142
Reconciliation:							
Deferred tax liabilities			7,450			–	7,450
Convertible bond			609,897			–	609,897
Corporate and other unallocated liabilities			<u>60,052</u>			<u>–</u>	<u>60,052</u>
Total liabilities			<u>1,115,329</u>			<u>59,212</u>	<u>1,174,541</u>

(c) Other Segment Information

For the year ended 31 March 2015

	Continuing operations			Discontinued operations			Total HK'000
	Tobacco agricultural operation HK'000	Digital television operation HK'000	Sub-Total HK'000	Fertilizer and pesticide operation HK'000	Healthcare products operation HK'000	Sub-Total HK'000	
Depreciation	4,691	311	5,002	7	363	370	5,372
Unallocated depreciation			<u>222</u>			<u>-</u>	<u>222</u>
			<u>5,224</u>			<u>370</u>	<u>5,594</u>
Amortisation of other intangible assets	4,832	8	4,840	-	-	-	4,840
Amortisation of prepaid land lease payments	280	-	280	-	-	-	280
Gain on disposal of subsidiaries	-	-	-	1,970	9,085	11,055	11,055
Impairment loss on trade receivables	29,554	-	29,554	-	-	-	29,554
Impairment loss on other receivables	1,915	-	1,915	-	-	-	1,915
Impairment losses on other intangible assets	27,084	-	27,084	-	-	-	27,084
Impairment losses on property, plant and equipment	1,369	-	<u>1,369</u>	-	-	<u>-</u>	<u>1,369</u>
Capital expenditure	315	175	490	-	163	163	653
Unallocated expenditure	-	-	<u>51</u>	-	-	<u>-</u>	<u>51</u>
			<u>541</u>			<u>163</u>	<u>704</u>

For the year ended 31 March 2014 (restated)

	Continuing operations			Discontinued operations			Total <i>HK'000</i>
	Tobacco agricultural operation <i>HK'000</i>	Digital television operation <i>HK'000</i>	Sub-Total <i>HK'000</i>	Fertilizer and pesticide operation <i>HK'000</i>	Healthcare products operation <i>HK'000</i>	Sub-Total <i>HK'000</i>	
Depreciation	5,580	352	5,932	21	2,065	2,086	8,018
Unallocated depreciation			<u>269</u>			<u>1</u>	<u>270</u>
			<u>6,201</u>			<u>2,087</u>	<u>8,288</u>
Amortisation of other intangible assets	31,658	8	31,666	12,920	-	12,920	44,586
Amortisation of prepaid land lease payments	276	-	276	-	-	-	276
Impairment loss on goodwill	-	-	-	5,132	-	5,132	5,132
Impairment losses on other intangible assets	88,540	-	88,540	10,844	-	10,844	99,384
Impairment losses on property, plant and equipment	1,421	-	1,421	-	-	-	1,421
Loss on dissolution of a subsidiary	501	-	<u>501</u>	-	-	<u>-</u>	<u>501</u>
Capital expenditure	69	406	475	443	10	453	928
Unallocated expenditure			<u>306</u>			<u>-</u>	<u>306</u>
			<u>781</u>			<u>453</u>	<u>1,234</u>



(d) **Geographical information**

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

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i> (Restated)
<b>Revenue from external customers</b>		
The PRC	<b>131,078</b>	473,543
Hong Kong	<u>—</u>	<u>—</u>
	<b><u>131,078</u></b>	<b><u>473,543</u></b>
	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i> (Restated)
<b>Non-current assets</b>		
The PRC	<b>53,324</b>	90,446
Hong Kong	<u>233</u>	<u>409</u>
	<b><u>53,557</u></b>	<b><u>90,855</u></b>

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 Bermuda and operated in Hong Kong, while 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**

Revenue of HK\$15,861,000 was derived from a single customer of the tobacco agricultural operation segment accounted for 10% or more of the Group's revenue for the year ended 31 March 2015.

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 year ended 31 March 2014.

## 5. REVENUE

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (Restated)
<b>Continuing operations</b>		
Sale of agricultural machinery	122,943	468,864
Provision of digital television services	8,135	4,679
	<u>131,078</u>	<u>473,543</u>

## 6. OTHER REVENUE AND NET INCOME

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (Restated)
<b>Continuing operations</b>		
Gain on disposal of property, plant and equipment	194	–
Government grants ( <i>note (a)</i> )	633	–
Interest income	1,791	3,018
Waiver of interest expenses on convertible bond	6,224	8,524
Waiver of payables ( <i>note (b)</i> )	–	17,219
Sundry income	86	492
	<u>8,928</u>	<u>29,253</u>

### Notes:

- (a) Government grants mainly include government grants received for investments in Jiangsu Province and Hunan Province of the PRC. There are no unfulfilled conditions or contingencies relating to these grants.
- (b) For year ended 31 March 2014, the amounts represented the waiver of other loan HK\$9,500,000 and relevant interest HK\$7,719,000 payable to an independent third party. In accordance with the loan agreement, the other loan is unsecured, interest bearing at 5% per annum and should be fully repaid on 28 February 2007. Upon the maturity date of other loan, the Group did not receive any request from the lender to demand for repayment. In view of the fact that the loan and the interest thereon were past due for 7 years. The Directors considered that the contractual obligation on this loan of the Group was remote, and therefore, the other loan was waived in prior year.

## 7. OTHER LOSSES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (Restated)
<b>Continuing operations</b>		
Change in fair value of financial assets at fair value through profit or loss	25	–
Change in fair value of convertible bond	46,594	86,990
Impairment losses on property, plant and equipment	1,369	1,421
Impairment loss on trade receivables ( <i>note 14</i> )	29,554	–
Impairment loss on other receivables	1,915	–
Loss on redemption of convertible bond	630	25,700
Loss on repurchase of debentures	352	–
Loss on dissolution of a subsidiary	–	501
	<u>80,439</u>	<u>114,612</u>

## 8. FINANCE COSTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (Restated)
<b>Continuing operations</b>		
Interest on bank loans wholly repayable within five years	15,009	14,773
Interest on other loans	10,859	10,148
	<u>25,868</u>	<u>24,921</u>

## 9. LOSS BEFORE INCOME TAX

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (Restated)
<b>(a) Staff costs</b>		
Salaries, wages and other benefits	17,425	30,516
Equity-settled share-based payment expenses	–	127
Retirement benefit scheme contributions	1,449	2,121
	<u>18,874</u>	<u>32,764</u>
<b>(b) Other items</b>		
Amortisation		
– prepaid land lease payments	280	276
– other intangible assets	4,840	31,666
Depreciation on property, plant and equipment	5,224	6,201
(Gain)/loss on disposals of property, plant and equipment	(194)	1,242
Write-off of property, plant and equipment	1	143
Write-off of inventories	–	661
Impairment losses		
– property, plant and equipment	1,369	1,421
– other intangible assets	27,084	88,540
– trade receivables	29,554	–
– other receivables	1,915	–
Operating lease charges:		
Minimum lease payments		
– hire of building	3,634	4,723
– hire of office equipment	60	69
Auditors' remuneration		
– audit services in current year	750	880
– audit services under provided in prior years	17	650
Cost of inventories recognised as expense	87,860	327,757
Research and development costs	3,109	7,320

## 10. INCOME TAX CREDIT

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (Restated)
<b>Continuing operations</b>		
<b>Current tax – Hong Kong Profits Tax</b>		
– Provision for the year	–	–
<b>Current tax – PRC Enterprises Income Tax</b>		
– Provision for the year	130	299
– Under provision in respect of prior years	2,512	–
	<u>2,642</u>	<u>299</u>
<b>Deferred tax</b>		
– Origination and reversal of temporary differences	(7,768)	(25,854)
Income tax credit	<u>(5,126)</u>	<u>(25,555)</u>

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 2015 and 2014.

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

Reconciliation between the income tax credit and the Group's accounting loss from continuing operations at applicable tax rates is as follows:

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000 (Restated)
Loss before income tax from continuing operations	<u><b>(147,410)</b></u>	<u>(237,976)</u>
Tax calculated at Hong Kong income tax rate of 16.5% (2014: 16.5%)	<b>(24,321)</b>	(39,266)
Tax effect of non-taxable income	<b>(33,442)</b>	(22,437)
Tax effect of non-deductible expenses	<b>47,008</b>	34,364
Tax effect of unused tax losses not recognised	<b>3,073</b>	1,535
Under provision in respect of prior years	<b>2,512</b>	–
Profit not subject to tax due to tax concessions	–	293
Effect of different tax rates of subsidiaries operating in other jurisdictions	<u><b>44</b></u>	<u>(44)</u>
Income tax credit	<u><b>(5,126)</b></u>	<u>(25,555)</u>

## 11. DISCONTINUED OPERATIONS

### Disposal of healthcare products operation

On 30 May 2014, the Group entered into a sale and purchase agreement with an independent third party for disposal of the Group's entire equity interests in Hong Kong New Success International Group Investment Company Limited ("New Success") and its subsidiaries (collectively referred to as the "New Success Group"), which carried out all of the Group's healthcare products operation. The transaction was completed on 31 May 2014. Further details are included in note 16 to the financial statements.

### Disposal of fertilizer and pesticide operation

On 30 May 2014, the Group entered into a sale and purchase agreement with a non-controlling shareholder for disposal of the Group's 50.5% equity interests in Henan Baorong Biological Technology Company Limited ("Henan Baorong"), which carried out all of the Group's of fertilizer and pesticide operation. The transaction was completed on 30 May 2014. Further details are included in note 16 to the financial statements.

(a) The results of the above-mentioned business segments are as below:

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Revenue	<b>13</b>	14,413
Cost of sales and services	<b>(57)</b>	(11,164)
Gross (loss)/profit	<b>(44)</b>	3,249
Other revenue and net income	<b>27</b>	749
Distribution costs	<b>(213)</b>	(2,233)
Administrative expenses	<b>(934)</b>	(19,991)
Loss from operations	<b>(1,164)</b>	(18,226)
Finance costs	<b>(2,188)</b>	(9,241)
Impairment losses on goodwill	–	(5,132)
Impairment losses on other intangible assets	–	(10,844)
Gain on disposal of subsidiaries ( <i>note 16</i> )	<b>11,055</b>	–
Profit/(loss) before income tax from discontinued operations	<b>7,703</b>	(43,443)
Income tax credit	–	3,086
Profit/(loss) for the year from discontinued operations	<b><u>7,703</u></b>	<b><u>(40,357)</u></b>
Profit/(loss) attributable to:		
Owners of the Company	<b>8,642</b>	(35,691)
Non-controlling interests	<b>(939)</b>	(4,666)
	<b><u>7,703</u></b>	<b><u>(40,357)</u></b>

(b) Analysis of the expenses of discontinued operations is as follows:

	<b>2015</b>	2014
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Staff costs	<b>256</b>	2,891
Amortisation		
– other intangible assets	–	12,920
Depreciation on property, plant and equipment	<b>370</b>	2,087
Write-off of property, plant and equipment	–	4
Impairment losses		
– goodwill	–	5,132
– other intangible assets	–	10,844
Operating lease charges:		
Minimum lease payments		
– hire of building	<b>25</b>	150
Cost of inventories recognised as expense	<b>57</b>	9,435
Research and development costs	–	32
	<b><u>          </u></b>	<b><u>          </u></b>

(c) The net cash flows of the discontinued operations for the year and the prior year dealt within these financial statements are as follows:

	<b>2015</b>	2014
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Operating activities	<b>(534)</b>	(10,461)
Investing activities	<b>(163)</b>	(571)
Financing activities	<b>593</b>	9,274
Effects of exchange rate changes	–	195
	<b><u>          </u></b>	<b><u>          </u></b>
Net cash outflow	<b><u>(104)</u></b>	<b><u>(1,563)</u></b>



## 12. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (Restated)
<b>(Loss)/Earnings</b>		
(Loss)/profit attributable to owners of the Company		
From continuing operations	(142,133)	(211,999)
From discontinued operations	<u>8,642</u>	<u>(35,691)</u>
	<u><u>(133,491)</u></u>	<u><u>(247,690)</u></u>
<b>Number of shares</b>		
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares in issue	<u><u>2,757,736</u></u>	<u><u>2,713,798</u></u>

- (b) No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 March 2015 and 2014 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during both years.

## 13. IMPAIRMENT LOSSES ON OTHER INTANGIBLE ASSETS

Based on the value in use calculation, impairment losses of intangible assets of approximately HK\$88,540,000 and HK\$27,084,000 associated with the tobacco agriculture cash-generating unit ("CGU") were provided for the years ended 31 March 2014 and 2015 respectively as the recoverable amounts of this CGU is less than the carrying value in respective year.

#### 14. TRADE RECEIVABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade receivables	216,239	357,589
Less: Accumulated impairment	<u>(29,554)</u>	<u>–</u>
	<u><b>186,685</b></u>	<u><b>357,589</b></u>

##### (a) Aged analysis

Based on the invoice dates and net of impairment losses, the aged analysis of the trade receivables is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current	5,984	7,253
30-90 days	1,634	7,860
91-180 days	23,967	44,700
Over 180 days	<u>155,100</u>	<u>297,776</u>
	<u><b>186,685</b></u>	<u><b>357,589</b></u>

The average credit period on sales of goods is 180 days (2014: 180 days) from the invoice date.

##### (b) Impairment of trade receivables

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Beginning of the year	–	–
Impairment loss recognised during the year ( <i>note 7</i> )	<u>29,554</u>	<u>–</u>
End of the year	<u><b>29,554</b></u>	<u><b>–</b></u>

At 31 March 2015, the Group's trade receivables of HK\$29,554,000 (2014: HK\$Nil) were individually determined to be impaired. The individually impaired receivables relate to customers who were in financial difficulties and management assessed that only a portion of these receivables are expected to be recovered. Accordingly, the Group has recognised impairment losses during the year in relation to the amounts which are considered to be irrecoverable.

(c) **Aged analysis of trade receivables that were past due but not impaired**

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0 to 3 months past due	<b>15,474</b>	107,796
4 to 6 months past due	<b>23,195</b>	78,618
Over 6 months past due	<b>116,431</b>	111,362
	<b>155,100</b>	297,776

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.

**15. TRADE AND BILLS PAYABLES**

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

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current	<b>644</b>	16,419
30-90 days	<b>5,691</b>	5,631
91-180 days	<b>16,774</b>	23,920
Over 180 days	<b>46,449</b>	22,447
	<b>69,558</b>	68,417

Trade payables are due within 30 to 60 days (2014: 30 to 60 days) from the invoice date.

At 31 March 2014, the Group's bills payables of HK\$11,944,000 were secured by the Group's time deposits amounting to HK\$11,944,000.

## 16. DISPOSAL OF SUBSIDIARIES

During the year ended 31 March 2015, the Group disposed of its 100% equity interest in the New Success Group to an independent third party for a consideration of HK\$1, and its 50.5% equity interests in Henan Baorong to a non-controlling shareholder for a consideration of RMB5,050,000 (equivalent to HK\$6,313,000).

The net assets/(liabilities) of the New Success Group and Henan Baorong at the date of disposal were as follows:

	New Success Group HK\$'000	Henan Baorong HK\$'000	2015 Total HK\$'000
Property, plant and equipment	12,709	424	13,133
Inventories	5,208	2,337	7,545
Trade receivables	988	482	1,470
Other receivables	28,079	12,418	40,497
Cash and bank balances	80	52	132
Trade payables	(268)	(5,570)	(5,838)
Other payables and accruals	(14,900)	(1,163)	(16,063)
Borrowings	(40,660)	–	(40,660)
Non-controlling interests	3,074	(4,484)	(1,410)
Net assets/(liabilities) disposed of	(5,690)	4,496	(1,194)
Exchange reserve released on disposal of subsidiaries	(3,395)	(153)	(3,548)
Gain on disposal of subsidiaries ( <i>note 11</i> )	9,085	1,970	11,055
Total consideration satisfied by cash	<u>–</u>	<u>6,313</u>	<u>6,313</u>

An analysis of the net cash flows in respect of the disposal of subsidiaries is as follows:

Cash consideration	–	6,313	6,313
Less: Cash and bank balances disposed of	<u>(80)</u>	<u>(52)</u>	<u>(132)</u>
Net cash (outflow)/inflow arising from disposal	<u>(80)</u>	<u>6,261</u>	<u>6,181</u>

## 17. LITIGATION

As detailed in the Company's announcement made on 18 June 2015, Jiangsu Kedi, a wholly-owned subsidiary of the Company, and other parties, had been named as defendants in a legal proceeding in the PRC, in which it was alleged that the respective defendants have default in repayment of debts.

It is alleged that Mr. Mei Jinsong (the “Plaintiff”) had advanced RMB111.5 million (“Alleged Loan”) indirectly to Jiangsu Yonglu Fertilizer Company Limited which was wholly owned and controlled by Mr. Shan Xiaochang before October 2012. Jiangsu Kedi, Jiangsu Zhongsai Environment Technology Company Limited, Mr. Shan Xiaochang and Ms. Shan Zhuojun of which are alleged to be the guarantors of the Alleged Loan. Mr. Shan Xiaochang resigned as an executive director of the Company on 2 November 2013 and legal representative of Jiangsu Kedi on 14 June 2013.

The Board, with the assistance of the PRC legal advisors, is gathering further information with respect to the case. The PRC legal advisors have also been instructed to ascertain and confirm the current status of and to handle all incidental matters in relation to the case so as to ensure that the Company has sufficient time under the relevant court rules to deal with the case properly and to safeguard the interests of the Company and Jiangsu Kedi.

Based on the legal opinion of the PRC legal advisors, the Directors are of the view that no provision for litigation was made for the year end 31 March 2015.

## **18. EVENT AFTER REPORTING PERIOD**

- (a) On 21 April 2015, the Company entered into a placing agreement with a placing agent, pursuant to which the Company has agreed to place up to 542,000,000 new ordinary shares of the Company of HK\$0.01 each through the placing agent at HK\$0.07 per share. On 29 April 2015, 142,000,000 ordinary shares of HK\$0.01 each were issued for cash at HK\$0.07 per share pursuant to the placing agreement dated 21 April 2015 for a total cash consideration, before related expenses, of approximately HK\$9,940,000.
- (b) On 11 May 2015, the Company entered into a placing agreement with a placing agent, pursuant to which the Company has agreed to place up to 400,000,000 new ordinary shares of the Company of HK\$0.01 each through the placing agent at HK\$0.074 per share. On 26 May 2015, 142,000,000 ordinary shares of HK\$0.01 each were issued for cash at HK\$0.074 per share pursuant to the placing agreement dated 11 May 2015 for a total cash consideration, before related expenses, of approximately HK\$10,508,000.
- (c) The Board proposes to implement a consolidation of every ten existing shares of HK\$0.01 each in the issued and unissued share capital of the Company into one consolidated share of HK\$0.10 in the issued and unissued share capital of the Company. The Board also proposes to change the board lot size for trading from 2,000 existing shares to 3,000 consolidated shares upon the share consolidation becoming effective. Further details of the arrangement were set out in the announcement of the Company dated 20 May 2015.
- (d) On 2 June 2015, the Company entered into a placing agreement with a placing agent, pursuant to which the Company has agreed to place up to 258,000,000 new ordinary shares of the Company of HK\$0.01 each through the placing agent at HK\$0.075 per share. On 11 June 2015, 258,000,000 ordinary shares of HK\$0.01 each were issued for cash at HK\$0.075 per share pursuant to the placing agreement dated 2 June 2015 for a total cash consideration, before related expenses, of approximately HK\$19,350,000.

## **19. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to the current year’s presentation or restated to disclose the results of the discontinued operations. These reclassifications have no impact on the Group’s and the Company’s loss for the year ended 31 March 2014 and the Group’s and the Company’s total equity as at 31 March 2014.

## **EXTRACT FROM INDEPENDENT AUDITOR'S REPORT**

### **Basis for disclaimer of opinion**

#### ***(i) Limitation of scope relating to unsecured other loan***

Included in the consolidated financial statements for the year ended 31 March 2015, the Company has an unsecured other loan, with a carrying amount approximately HK\$51,230,000 borrowed from an independent third party. The Company has assessed that the fair value of the loan is equal to its par value, and therefore, the loan is recognised and carried at its fair value approximately to its par value. In performing the audit, we were unable to obtain a formal loan agreement for this loan entered by the lender and the Company, and we were therefore unable to carry out any planned or alternative audit procedures to verify the existence, completeness and valuation on this loan. As a result, we are unable to obtain sufficient evidence to satisfy ourselves as to whether the initial recognition and subsequent measurement of the loan is free from material misstatement. Any adjustment that may have been found necessary in respect thereof, had we obtained appropriate audit evidence, would have had a consequential effect on the net liabilities of the Group and of the Company and on its loss for the current year.

#### ***(ii) Material uncertainties relating to the going concern basis***

As disclosed in note 2.3 to the consolidated financial statements, the Group and the Company have encountered a number of circumstances giving rise to material fundamental uncertainties. The Group and the Company are pursuing certain finance measures set out in note 2.3 and, therefore, the directors of the Company have prepared the consolidated financial statements on a going concern basis. However, we are unable to obtain sufficient audit evidence to assess the validity of the going concern assumption which depends on the continuing financial support of two substantial shareholders and a director of the Company, bankers and creditors and the Group's ability to generate adequate working capital in near future. The existence of these material fundamental uncertainties casts significant doubt on the Group's and the Company's ability to continue as a going concern.

Should the going concern assumption be inappropriate, adjustments would have to be made to reclassify all non-current assets and liabilities as current assets and liabilities, write down the value of assets to their recoverable amounts and to provide for any further liabilities which may arise. The consolidated financial statements do not include any of these adjustments.

### **Disclaimer of opinion**

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the financial position of the Company and the Group as at 31 March 2015 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

During the year ended 31 March 2015 (the “Year”), the Group was principally engaged in the manufacturing and sales of agricultural intensive flue-curing barns and trading of related machinery, and the service provision of digital television broadcasting in the PRC. The overall business performance was not satisfactory because of the shrinking demand, market uncertainties and sluggish economy in the PRC. The management has been making its best effort to overcome such hurdles by adoption of stringent cost control, closure of persistent non-performance business, and on the other hand, actively engaged in liaison for potential business opportunity and possible of capital injection with external investors.

## SEGMENTAL ANALYSIS

### **Tobacco agricultural operation**

Tobacco agricultural operation is operated through Jiangsu Kedi, an indirectly wholly owned subsidiary of the Company. Jiangsu Kedi is one of the manufacturers in the production of modern tobacco agricultural machinery. It focuses on the manufacturing, sales and distribution of intensive flue-curing tobacco barns and other related products in the PRC. Jiangsu Kedi is also one of the authorised suppliers of the China National Tobacco Corporation (“CNTC”). Most of its products are sold to the local counterparts of CNTC through public tendering and bidding procedures.

Revenue from this operation for the Year had been significantly decreased by 73.8% to HK\$122.9 million (2014: HK\$468.9 million). Such decrease was primarily due to the shrinkage of sales and uncertain market factors of tobacco flue-curing barns. This operation also recorded a loss of approximately HK\$72.7 million (2014: HK\$112.7 million) which included impairment losses on assets of HK\$59.9 million (2014: HK\$90.0 million). Similar to the last financial year, the rising production costs and direct overheads have continued to engulf the profits from this segment. Despite management’s efforts taken in cost control and having deployed more resources to enhance the sale of greenhouse and other transplanting machinery, this operation was still far from satisfaction for the Year.

### **Digital television operation**

Digital television operation was conducted through the business vehicle in Hunan Province of the PRC. The operation was well performed for the Year, which posted an increment of revenue of 73.9% to approximately HK\$8.1 million, accounted for 6.2% of the Group’s revenue from continuing operations, compared to last financial year of HK\$4.7 million. The increase in revenue was mainly driven by the significant improvement in the advertising income generated from the the broadcasting channels in Hunan Province. However, it still recorded segmental loss for the Year but had been trimmed down to HK\$0.9 million (2014: HK\$1.4 million).

Digital television broadcasting is a policy-driven industry and there are currently other substitutions such as the internet media posting pressure to this operation. To substantiate the growth of this segment, the Company considers to enhance its marketing strategies, program diversity and customer base by deploying more resources or inviting other strategic investors in the industry. The Company is optimistic that digital television operation could substantiate further growth in terms of its revenue and cash flow in the next financial year.

## **FINANCIAL REVIEW**

### **Revenue**

For the Year, the Group's revenue generated from continuing operations was HK\$131.1 million (2014: HK\$473.5 million), representing a decrease of 72.3% as compared to last year. Revenue from tobacco agricultural operation, accounted for 93.8% of the Group's total revenue, showed a decrease of 73.8% to approximately HK\$122.9 million (2014: HK\$468.9 million). The significant decline in revenue was mainly due to the sales shrinkage of tobacco flue-curing barns and uncertain market factors in the major tobacco-growing areas in the PRC. As to the unique seasonal effect of tobacco agricultural industry, it is a common phenomenon that more sales were swayed in the first half of the Year which explained why approximately 60% of the revenue was recorded in the first half of the Year.

### **Cost of sales and services and Gross Profit**

The Group recorded a total cost of sales and services from continuing operations of HK\$90.7 million, which approximately amounted to 69.2% of the total revenue. Overall gross profit for the Year generated from continuing operations has significantly decreased by 71.7% to HK\$40.4 million compared with last year of HK\$142.7 million. The gross profit margin was 30.8% which was slightly improved comparing to last year of 30.1%. The labour cost, sheet steel, logistic cost and production overheads were the key factors in maintaining an optimal gross profit.

The prices of sheet steel, the major component in manufacturing of the flue-curing barns, was relatively volatile for the Year compared to last year. The management believes that a constant supply with stable pricing is crucial for the operation, so the local management will keep close monitoring the sheet steel prices and may consider hedging when it is appropriate.

### **Distribution costs**

The Group recorded distribution costs from continuing operations of HK\$29.2 million for the Year (2014: HK\$95.8 million), accounted for 22.2% (2014: 20.2%) of the total revenue. The decrease in distribution costs was mainly attributable to the decrease in number of delivery times as a result of less sales orders were recorded during the Year. Direct labour costs involved in distribution costs was HK\$6.7



million (2014: HK\$11.9 million) which accounted for approximately 22.9% (2014: 12.4%) of the total distribution costs from continuing operations of the Year. The management will continue to streamline the logistic flow in order to achieve an optimal distribution costs.

### **Administrative expenses**

During the Year, the Group has adopted austerity measures including lay-off of non-operating staff and cease of other unnecessary administrative expenditures. As a result, administrative expenses from continuing operations for the Year have decreased by 60.3% to HK\$34.2 million (2014: HK\$86.1 million). The administrative expenses from continuing operations included amortisation on other intangible assets of HK\$4.8 million (2014: HK\$31.7 million), depreciation on property, plant and equipment of HK\$4.2 million (2014: HK\$4.7 million) and staff costs totally of HK\$10.6 million (2014: HK\$17.8 million). The Group will continue to adopt stringent cost controls in the forthcoming year.

### **Loss from operations**

Loss from operations from continuing operations for the Year was HK\$14.0 million (2014: HK\$9.9 million), representing a significant increase as compared with last year. The loss from continuing operations was mainly caused by shrinkage of sales, market uncertainties and other unexpected factors.

### **Finance costs**

Interest expenses on bank and other loans for the Year from continuing operations was HK\$25.9 million, representing a slight increase of 3.8% compared with last year of HK\$24.9 million. Such increase was mainly due to the less favourable interest rates on interest bearing loans and increase in interest expense on small and medium-sized enterprise Private Placement Bonds for the Year. In view of the heavy finance costs arose from the borrowings and to tackle the tight liquidity, the Company has been in negotiation with banks in the PRC for possible refinancing arrangement. The Company is also analysing the possibility of other fund raising activities in additional to placing and may also invite strategic business partners.

### **Discontinued operations**

The Group's discontinued operations represented the operations of fertilizer and pesticide and healthcare products. The operating loss of the discontinued operations for the Year decreased to HK\$1.2 million, as compared to HK\$18.2 million last year. The discontinued operations recorded a net profit after income tax of HK\$7.7 million for the Year, which included the gain on disposal of subsidiaries of HK\$11.1 million, as compared to loss of HK\$40.4 million last year.

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

Loss for the Year decreased by 46.8% to HK\$134.6 million as compared to last year of HK\$252.8 million. The loss for the Year was mainly attributable to the impairment losses on other intangible assets of HK\$27.1 million (2014: HK\$88.5 million) and impairment losses on trade and other receivables of HK\$31.5 million (2014: HK\$Nil). The loss attributable to owners of the Company amounted to HK\$133.5 million (2014: HK\$247.7 million). The loss per share was HK Cents 4.84 (2014: HK Cents 9.13). The loss per share from continuing operations was HK Cents 5.15 (2014: HK Cents 7.81).

## **CAPITAL STRUCTURE**

During the Year, the convertible bond had been converted into 1,069,140,697 ordinary shares of the Company. As at 31 March 2015, the total number of issued ordinary shares of the Company was 3,782,938,941 shares (2014: 2,713,798,244 shares).

Subsequent to the year ended, the Board proposes the share consolidation (“Share Consolidation”) on the basis that every ten existing shares of HK\$0.01 each in the issued and unissued share capital of the Company be consolidated into one consolidated share of HK\$0.10 in the issued and unissued share capital of the Company, and the Board also proposes to change the board lot size for trading from 2,000 existing shares to 3,000 consolidated shares upon the Share Consolidation becoming effective. It is expected that the liquidity in trading of the shares will increase accordingly and the market value of the shares will more precisely reflect the intrinsic value of the Company. The Board believes that both the Share Consolidation and the change in board lot size would be beneficial to the Company and the shareholders of the Company as a whole. Details of the Share Consolidation and the change in board lot size were disclosed in the Company announcement dated 20 May 2015.

## **LIQUIDITY AND FINANCIAL RESOURCES**

Along with the early redemption of convertible bond of HK\$192.7 million on 11 March 2015, the outstanding principal of the convertible bond was reduced to HK\$459,730,500 which was subsequently converted to 1,069,140,697 ordinary shares of the Company on 17 March 2015. The overall financial position and gearing of the Group have thus been improved. As at the reporting date, there was no convertible bond outstanding. As at 31 March 2015, the Group recorded net current liabilities of HK\$177.4 million (2014: HK\$486.9 million) and net liabilities of HK\$119.9 million (2014: HK\$439.1 million).

The Group generally financed its operations through internally generated cash flows and borrowings. As at 31 March 2015, the Group had aggregate cash and bank balance and pledged deposits of approximately HK\$8.0 million (2014: HK\$46.9 million) and the cash and cash equivalents materially increased to HK\$8.0 million (2014: HK\$2.8 million). The Group’s current ratio, being the current assets

of HK\$284.1 million (2014: HK\$627.6 million) divided by current liabilities of HK\$461.5 million (2014: HK\$1,114.5 million), was computed as 0.62 (2014: 0.56). The management viewed that the ratio was not healthy and acceptable and will try to improve the overall financial soundness and sustainability.

As at 31 March 2015, the Group's total indebtedness comprised the fair value of outstanding convertible bond, borrowings, bills payables, amount due to a director and amount due to a non-controlling shareholder of a subsidiary was recorded with aggregate amount of approximately HK\$345.9 million (2014: HK\$1,058.5 million). The gearing ratio of the Group, being the total indebtedness divided by total assets excluding deferred tax assets, was 102.5% (2014: 144.7%) at the Year. The improvement in the Group's gearing ratio was primarily due to the conversion of convertible bond during the Year.

In terms of currency denomination, the convertible bond was denominated in Hong Kong dollars. For the borrowings, bills payables and amount due to a non-controlling shareholder of a subsidiary, over 83.7% of the balances were denominated in Renminbi with the balance in Hong Kong dollars.

The Company has an unsecured other loan, with a carrying amount approximately HK\$54.1 million borrowed from an independent third party. The Company was unable to reach a formal loan agreement with the lender last year. Subsequent to the year ended, the Company has started active communication with the lender's representative and the lender has confirmed the principal amount of HK\$51.2 million as at 31 March 2015. It is optimistic that a formal agreement could be concluded in the forthcoming period.

In view of the tight liquidity, two substantial shareholders and a director of the Company have undertaken to provide financial supports to the Company. The Company is also considering possible fund raising activities, liaison of investment from external investors and attempting to invite strategic business partners for corporation. The Company has been handling the liquidity and solvency issues in a cautious and prudent manner and the Directors believe that the Company could substantiate a sound financial position and a sustainable development in the long run.

## **FUND RASING ACTIVITIES**

### **Placing of New Shares Under General Mandate**

Subsequent to the year ended, the Company has completed three tranches of Placing and total of 542 million new ordinary shares were allotted and issued to independent third parties. The aggregate net proceeds raised from the Placing was approximately HK\$38.6 million and will be used as general working capital to support the operation and to facilitate the business development of the Group. Details of the Placing were disclosed in the Company's announcements dated 2 June 2015, 11 May 2015 and 21 April 2015.

## **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 2015, the Group's certain leasehold land and buildings with aggregate carrying amount of approximately HK\$36.6 million (2014: HK\$39.3 million) and bank deposits of HK\$Nil (2014: HK\$44.1 million) were pledged to secure the bank borrowings of a PRC subsidiary.

## **CONTINGENT LIABILITY**

As at 31 March 2015 and 2014, the Group did not have any significant contingent liabilities.

## **CAPITAL COMMITMENT**

As at 31 March 2015 and 2014, the Group did not have any significant capital commitment.

## **LEGAL PROCEEDINGS**

Reference is made to the Company's announcement dated 18 June 2015 in relation to a civil debt litigation, being (2015) Xi Min Chu Zi No. 0005 that Jiangsu Kedi, a company indirectly wholly owned by the Company together with another three parties, namely, Jiangsu Zhongsai Environment Technology Company Limited, Shan Xiaochang and Shan Zhuojun were named as co-defendants in their capacity as guarantors of the debt involved.

It is alleged that the Mei Jinsong, (the "Plaintiff") had advanced RMB111.5 million ("Alleged Loan") indirectly to Jiangsu Yonglu Fertilizer Company Limited ("Jiangsu Yonglu") before October 2012. The Plaintiff seeks relief of approximately RMB30.0 million together with the interests incurred thereon from the defendants.

Shan Xiaochang was the executive director of the Company and legal representative of Jiangsu Kedi, and he resigned from aforesaid offices on 2 November 2013 and 14 June 2013, respectively. To the best understanding and knowledge of the Company, Jiangsu Yonglu was a company wholly owned and controlled by Shan Xiaochang.

The Board has taken over the conduct of the legal proceedings and appointed PRC legal advisors to handle all incidental matters in relation to the case and sought their advice on the relevant matters.

## **EMPLOYEES**

As at 31 March 2015, the Group had 164 (2014: 231) full-time employees including the Directors. Total staff costs from continuing operations for the Year, including director's emoluments but excluding equity-settled share-based payment expenses, were approximately HK\$18.9 million (2014: HK\$32.8 million). As a result of cost control measures, labours involved in the production of tobacco flue-curing tobacco barn and other administrative function in Jiangsu Kedi have been reduced. There were no equity-settled share-based payment expenses incurred for the Year (2014: HK\$0.13 million) which 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**

Along with the on-going "12th National Five-Year Plan", the PRC government continues to address the agricultural issues. Being one of the manufacturers of agricultural intensive flue-curing barns in the agricultural machinery industry, the Company is trying to capture opportunities arising from agricultural policies.

The Company considers to reallocate more resources to the digital television operation in order to grasp the opportunities arising from flourishing film exhibition and the entertainment industry in the PRC. Besides, the Group will continue to streamline its business model and structure, adopt stringent cost control and explore other business opportunities in the agricultural industry or other industries if opportunity arises.

## **DIVIDENDS**

The Directors do not recommend the payment of a dividend for the year ended 31 March 2015.

## **PURCHASE, REDEMPTION OR SALE OF SHARES**

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities 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 CG Code as set out in Appendix 15 of the GEM Listing Rules. The principles adopted by the Company emphasize a quality board, sound internal controls and transparency and accountability to shareholders. In the opinion of the Board, the Company has complied with the CG Code for the year ended 31 March 2015, save and except for the following:

1. Code Provision E.1.2 specifies that the chairman of the board should attend the annual general meeting. Ms. Jingquan Yingzi, the chairman of the Board has been heavily involved in the business operations of the Group. Despite her utmost intention to be present at the AGM of the Company held on 29 September 2014 (the "AGM 2014"), Ms. Jingquan was unable to attend the AGM 2014 due to other urgent business commitments of the Group. Mr. Chin Wai Keung Richard, an executive Director, has taken the chair; and
2. Code Provision A.1.3 of requires of at least 14 days' notice should be given to all directors for regular board meetings. 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 endeavour to give 14 days' advanced notifications of Board meeting to the extent practicable.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

During the Year, 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.

## **COMPETING INTEREST**

As at 31 March 2015, as far as the Directors are aware of, none of the Directors has an interest in a business that competed or may compete with the business of the Group.

## AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) comprises three members, namely, Mr. Sousa Richard Alvaro, Mr. Lee Chi Hwa Joshua and Mr. Zhao Zhizheng. All of them are independent non-executive Directors. The chairman of the Audit Committee is Mr. Lee Chi Hwa Joshua, who has extensive accounting and related financial reporting expertise. The Group’s unaudited quarterly and interim results and audited annual results and consolidated financial statements during the year ended 31 March 2015 have been reviewed by the Audit Committee, which is of opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made. The Audit Committee held four meetings during the Year.

On behalf of the Board  
**Code Agriculture (Holdings) Limited**  
**Jingquan Yingzi**  
*Chairman*

Hong Kong, 29 June 2015

*As of the date of this announcement, the executive Directors are Ms. Jingquan Yingzi (Chairman), Mr. Chin Wai Keung Richard, 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>.*