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

(Incorporated in Bermuda with limited liability)

(Stock code: 8153)

ANNOUNCEMENT

This announcement is made by the board (“Board”) of directors (“Directors”) of Code Agriculture (Holdings) Limited (the “Company”) pursuant to the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 17.10 of the Rules Governing the Listing of Securities on the Growth Enterprise Market (the “GEM Listing Rules”) of The Stock Exchange of Hong Kong Limited.

Reference is made to the announcement of the Company dated 21 June 2013 (“First Announcement”). Unless the context provided otherwise, this announcement adopts the definitions mentioned in the First Announcement.

ALLEGED NON-COMPLIANCE 2010

The Alleged Non-compliance 2010 referred in our First Announcement, as stated in the Enquiry Report compiled by the Financial Reporting Review Committee (“FRRC”), is related to certain accounting treatments for the acquisition (“Acquisition”) of the entire issued share capital of Kang Yuan Universal Investment Limited (“Kang Yuan”) on 1 February 2010 as reported in the consolidated financial statements of the Company and its subsidiaries for the year ended 31 March 2010 (“Relevant Financial Statements”). For easy reference, the Company outlines the major Alleged Non-compliance 2010 raised by the FRRC below:

1. The Company's circular in respect of the Acquisition dated 28 December 2009 stated that the completion of the Acquisition was subject to the fulfillment of certain conditions. One of the conditions was that the Company had obtained duly executed non-competition agreements (“NCA”) from two directors of a subsidiary of Kang Yuan and the vendor in the Acquisition. It is alleged that the Relevant Financial Statements have not shown those NCA as being separately recognized as one of the net assets acquired in the Acquisition.

2. There was a significant fair value adjustment on other intangible assets that arose from the Acquisition, which may give rise to a taxable temporary difference. It is alleged that no corresponding deferred tax liability was recognized in the Relevant Financial Statements which was not in compliance with Hong Kong Accounting Standard (“HKAS”) 12.
3. The net assets acquired in the Acquisition have included an item described as “capital reserve” with a carrying amount and fair value of HK\$26.1 million. However, it was noted that this item was recognized directly in the consolidated statement of changes in equity of the Relevant Financial Statements.
4. The Company issued convertible bonds as part of the consideration for the Acquisition. It was mentioned in the Relevant Financial Statements that the liability component was assigned the residual amount of the proceeds from the issuance of the convertible bonds after deducting the amount determined for the equity component. The relevant accounting treatment for the Embedded Call Option was not explained or disclosed in the Relevant Financial Statements.
5. It was noted that goodwill of HK\$817.2 million (“Goodwill”) acquired in the Acquisition was allocated to a cash generating unit (“CGU”) or a group of CGUs described as “sales of agricultural machinery” and “sales of fertilizer”. The Company should have separately allocated the Goodwill to each of the operating segment “sales of agricultural machinery” and “sales of fertilizer” based on the synergies expected to derive from the Acquisition. It was alleged that there was a non-compliance with HKAS 36 in the allocation of Goodwill to CGUs for the purposes of impairment assessment.

SUSPENSION OF TRADING

The Directors consider that the Alleged Non-compliance 2010 would cast significant uncertainty over the financial results for the years ended 31 March 2010, 2011 and 2012. The Directors also consider that it is in the interest of the Company as a whole to delay the publication of the 2013 Annual Results Announcement until the Alleged Non-compliance 2010 and related accounting adjustments that may thereby arise in subsequent years are rectified.

At present, the Company anticipates that it is unable to publish the 2013 Annual Results Announcement within the time requirement pursuant to Rule 18.49 of the GEM Listing Rules, and, therefore, as a responsible and prudent approach, requests that the trading of shares of the Company on the GEM of The Stock Exchange of Hong Kong Limited be suspended from 24 June 2013 to the date on which the 2013 Annual Results Announcement is published.

The Company is now actively working with the Auditors and other professionals to rectify the Alleged Non-compliance 2010 and related issues. The release of the Annual Results and the dispatch of the Annual Report are currently expected to be taken place on 5 August 2013 and 8 August 2013 respectively. The Company will issue further announcement(s) as and when appropriate.

Shareholders and investors of the Company are advised to exercise caution in dealing with the Shares or other securities of the Company.

By order of the Board
Code Agriculture (Holdings) Limited
Jingquan Yingzi
Chairman

Hong Kong, 26 June 2013

As of the date of this announcement, the executive directors of the Company 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, for which the directors of Code Agriculture (Holdings) Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Code Agriculture (Holdings) Limited. The directors, having made all reasonable enquiries, 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.

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>.