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 2014

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

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

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

This announcement, for which the directors (the "Directors") of Code Agriculture (Holdings) Limited (the "Company") collectively and individually accept full responsibility, includes particular given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief, the information contained in this 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.

FINAL RESULTS

The board of directors (the "Board") of Code Agriculture (Holdings) Limited (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 2014 together with comparative figures for the year ended 31 March 2013 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2014

	Note	**2014** **HK$'000**	2013 HK$'000
Turnover	5	**487,956**	734,660
Cost of sales and services		**(342,026)**	(500,549)
Gross profit		**145,930**	234,111
Other revenue	6	**30,002**	23,904
Distribution costs		**(97,989)**	(127,217)
Administrative expenses		**(106,072)**	(135,450)
Loss from operations		**(28,129)**	(4,652)
Other losses	7	**(114,612)**	(125,410)
Finance costs	8	**(34,162)**	(22,914)
Share of results of associates		**–**	(681)
Impairment losses on goodwill	12	**(5,132)**	(8,495)
Impairment losses on other intangible assets	13	**(99,384)**	(135,396)
Loss before income tax	9	**(281,419)**	(297,548)
Income tax credit	10	**28,641**	44,954
Loss for the year		**(252,778)**	(252,594)
Loss attributable to:			
Owners of the Company		**(247,690)**	(248,806)
Non-controlling interests		**(5,088)**	(3,788)
		(252,778)	(252,594)
		HK cents	HK cents
Loss per share			
– Basic and Diluted	11	**(9.13)**	(9.17)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2014

	2014 HK$'000	2013 HK$'000
Loss for the year	**(252,778)**	(252,594)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**6,749**	(741)
Total comprehensive income for the year	**(246,029)**	(253,335)
Total comprehensive income attributable to:		
Owners of the Company	**(240,767)**	(249,503)
Non-controlling interests	**(5,262)**	(3,832)
	(246,029)	(253,335)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	Note	**2014** **HK$'000**	2013 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**61,867**	71,746
Prepaid land lease payments		**10,586**	10,727
Goodwill	12	**–**	5,069
Other intangible assets	13	**31,661**	173,463
Interest in an associate		**–**	–
Deferred tax assets		**3,719**	3,399
		107,833	264,404
Current assets			
Inventories		**50,735**	106,899
Financial assets at fair value through profit or loss		**1,875**	–
Trade and bills receivables	14	**357,589**	363,120
Prepayments, other receivables and deposits		**170,494**	310,192
Amounts due from related companies		**–**	20,705
Pledged deposits		**44,078**	181,237
Cash and cash equivalents		**2,816**	11,313
		627,587	993,466
Current liabilities			
Trade and bills payables	15	**68,417**	96,331
Other payables and accruals		**52,079**	50,688
Amount due to a non-controlling shareholder of a subsidiary		**852**	1,129
Amount due to a director		**–**	5,541
Borrowings		**383,266**	502,811
Convertible bond	16	**609,897**	–
Tax payable		**6**	2,143
		1,114,517	658,643
Net current (liabilities)/assets		**(486,930)**	334,823
Total assets less current liabilities		**(379,097)**	599,227

	Note	**2014** **HK$'000**	2013 HK$'000
Non-current liabilities			
Borrowings		**52,574**	–
Deferred tax liabilities		**7,450**	36,120
Convertible bond	16	**–**	756,961
		60,024	793,081
Net liabilities		**(439,121)**	(193,854)
EQUITY			
Share capital		**27,138**	27,138
Reserves		**(462,787)**	(222,782)
Equity attributable to owners of the Company		**(435,649)**	(195,644)
Non-controlling interests		**(3,472)**	1,790
Capital deficiency		**(439,121)**	(193,854)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2014

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.

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 disclosure 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").

The consolidated financial statements have been prepared under the historical cost convention except for certain financial instruments measured at fair values.

Going Concern

In preparing the consolidated financial statements, the Directors of the Company 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$247,690,000 (2013: HK$248,806,000) for the year ended 31 March 2014 and, as of that date, the Group's current liabilities exceeded its current assets by HK$486,930,000 and the Company's current liabilities exceeded its current assets by HK$481,349,000;

(ii) Included in current liabilities in the consolidated financial statements are unsecured loans from third parties of HK$121,153,000 (2013: HK$43,317,000) which are scheduled for repayment within one year; and

(iii) As detailed in note 16 to the consolidated financial statement, the principal amount of convertible bond of approximately HK$652,400,500 will be matured in March 2015.

The Directors have taken the following actions to mitigate the liquidity issues faced by the Group and the Company:

(i) Subsequent to the end of the reporting period, the Company received a letter from Cyberland (China) Limited ("Cyberland"), which holds the convertible bond of principal amount outstanding of approximately HK$652.4 million (the "CB 2015") issued by the Company, that Cyberland may consider the following arrangements: (i) unconditional waiver of around HK$200 million to HK$300 million of the CB 2015 without recourse; (ii) early redemption of around HK$200 million to HK$300 million of the CB 2015 in cash or by way of other assets of the Group; and (iii) remaining balance of which to be replaced by an unsecured loan with tenure not less than 2 years or partial or full capitalisation by exercising the right of conversion prior to maturity;

(ii) The Group is in negotiation with financial institutions for new borrowings and extension existing borrowings upon their due date;

(iii) A substantial shareholder and a director of the Company have confirmed to provide continuous financial support to the Company; and

(iv) The Group has adopted austerity measures to control and minimize administrative expenses and streamline the business model by disposal or closure of non-performing operation in the PRC.

The Directors consider that taking into account the above, the cash requirements of the Group for the next twelve months from the end of the reporting period and existing banking facilities could be continuously available for the Group's use, and 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/AMENDED HKFRSs

3.1 New/amended HKFRSs which are effective during the year

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

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associate and Joint Ventures

The Group has assessed the impact of the adoption of these new standards and amendments to standards and considered that, except for the adoption of HKAS 1 (Amendment) which affected the Group's presentation of the consolidated financial statements and required additional disclosures, there was no other significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies and presentation of the consolidated financial statements.

3.2 New/amended HKFRSs which are issued but not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[1]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendments)	Investment Entities[1]
HK(IFRIC)-Int 21	Levies[1]
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
HKFRS 9	Financial Instruments[4]
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle[3]
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014
4 Available for application – the mandatory effect date will determine when the outstanding phases of HKFRS are finalised

The Group will adopt the above new standards and amendments to standards as and when they become effective. The Group has already commenced the assessment of the impact to the Group and is not yet in a position to state whether these would have a significant impact on its results of operations and financial position.

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:

– 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 losses, share of results of associates, loss on disposal on interest in an associate, gain on disposal of assets held for sale and income tax which are not directly attributable to the business activities of any operating segment.

Segment assets include all assets, but exclude interest in an associate, deferred tax assets and unallocated corporate assets.

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

(a) Segment Results

	2014					2013				
	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	Fertilizer and pesticide operation HK$'000	Digital television operation HK$'000	Healthcare products operation HK$'000	Total HK$'000
Segment revenue										
Sales to external customers	**468,864**	**14,313**	**4,679**	**100**	**487,956**	683,194	44,730	6,335	401	734,660
Other revenue	**–**	**–**	**–**	**–**	**–**	900	–	–	–	900
	468,864	**14,313**	**4,679**	**100**	**487,956**	684,094	44,730	6,335	401	735,560
Segment results	**(112,720)**	**(30,183)**	**(1,414)**	**(4,757)**	**(149,074)**	(124,673)	(13,983)	(639)	(5,420)	(144,715)
Reconciliation:										
Interest income					**3,180**					7,047
Unallocated gains					**26,822**					15,957
Corporate and other unallocated expenses					**(14,994)**					(30,161)
Finance costs					**(34,162)**					(22,914)
Other losses					**(113,191)**					(156,046)
Share of results of associates					**–**					(681)
Loss on disposal of interest in an associate					**–**					(1,504)
Gain on disposal of assets held for sale					**–**					35,469
Loss before income tax					**(281,419)**					(297,548)

(b) Segment Assets and Liabilities

	2014					2013				
	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	Fertilizer and pesticide operation HK$'000	Digital television operation HK$'000	Healthcare products operation HK$'000	Total HK$'000
Segment assets	**644,794**	**31,790**	**4,159**	**42,220**	**722,963**	1,093,194	74,174	6,606	42,620	1,216,594
Reconciliation:										
Deferred tax assets					**3,719**					3,399
Corporate and other unallocated assets					**8,738**					37,877
Total assets					**735,420**					1,257,870
Segment liabilities	**434,219**	**6,327**	**3,711**	**52,885**	**497,142**	578,358	3,942	21,235	39,597	643,132
Reconciliation:										
Deferred tax liabilities					**7,450**					36,120
Convertible bond					**609,897**					756,961
Corporate and other unallocated liabilities					**60,052**					15,511
Total liabilities					**1,174,541**					1,451,724

(c) Other Segment Information

	2014					2013				
	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	Fertilizer and pesticide operation HK$'000	Digital television operation HK$'000	Healthcare products operation HK$'000	Total HK$'000
Depreciation	**5,580**	**21**	**352**	**2,065**	**8,018**	5,564	–	395	2,112	8,071
Unallocated depreciation					**270**					519
					8,288					8,590
Amortisation of other intangible assets	**31,658**	**12,920**	**8**	**–**	**44,586**	53,271	12,742	8	–	66,021
Amortisation of prepaid land lease payments	**276**	**–**	**–**	**–**	**276**	273	–	–	–	273
Impairment loss on goodwill	**–**	**5,132**	**–**	**–**	**5,132**	–	8,495	–	–	8,495
Impairment loss on other receivables	**–**	**–**	**–**	**–**	**–**	–	–	–	–	5,000
Impairment loss on other intangible assets	**88,540**	**10,844**	**–**	**–**	**99,384**	135,396	–	–	–	135,396
Impairment loss on property, plant and equipment	**1,421**	**–**	**–**	**–**	**1,421**	3,329	–	–	–	3,329
Loss on dissolution of a subsidiary	**501**	**–**	**–**	**–**	**501**	–	–	–	–	–
Loss on redemption of convertible bond					**25,700**					44,570
Expense recognised in respect of equity-settled share-based payment					**762**					9,749
Waiver of interest expenses on convertible bond					**(8,524)**					(9,295)
Waiver of payables					**(17,219)**					(6,466)
Change in fair value of convertible bond					**86,990**					106,487
Capital expenditure	**69**	**443**	**406**	**10**	**928**	2,228	8	261	9	2,506
Unallocated expenditure	**–**	**–**	**–**	**–**	**306**	–	–	–	–	–
					1,234					2,506

(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.

	2014	2013
	HK$'000	HK$'000
Revenue from external customers		
The PRC	**487,956**	734,660
Hong Kong	**–**	–
	487,956	734,660

	2014	2013
	HK$'000	HK$'000
Non-current assets		
The PRC	**103,705**	260,490
Hong Kong	**409**	515
	104,114	261,005

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

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 2014 and 2013.

5. TURNOVER

	2014	2013
	HK$'000	HK$'000
Sale of agricultural machinery	**468,864**	683,194
Sale of fertilizer and pesticide	**14,313**	44,730
Provision of digital television services	**4,679**	6,335
Sale of cordyceps-related and other healthcare products	**100**	401
	487,956	734,660

6. OTHER REVENUE

	2014 HK$'000	2013 HK$'000
Net gain on exchanges	**483**	–
Government grants (note (a))	**–**	324
Interest income	**3,180**	7,047
Waiver of interest expenses on convertible bond (note 16(e))	**8,524**	9,295
Waiver of payables (note (b))	**17,219**	6,466
Sundry income	**596**	772
	30,002	23,904

Notes:

(a) 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.

(b) For year ended 31 March 2014, the amounts represent 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 does 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 consider that the contractual obligation on this loan of the Group was remote, and therefore, the other loans was written off in this year.

7. OTHER LOSSES

	2014 HK$'000	2013 HK$'000
Change in fair value of financial assets designated at fair value through profit or loss	**–**	(3)
Gain on bargain purchase	**–**	(8)
Gain on disposal of assets held for sale	**–**	(35,469)
Impairment loss on property, plant and equipment	**1,421**	3,329
Impairment loss on other receivables	**–**	5,000
Loss on redemption of convertible bond	**25,700**	44,570
Loss on disposal of interest in an associate	**–**	1,504
Loss on dissolution of a subsidiary	**501**	–
Change in fair value of convertible bond (note 16)	**86,990**	106,487
	114,612	125,410

8. FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Interest on bank loans wholly repayable within five years	**14,773**	14,701
Interest on other loans	**19,389**	8,213
	34,162	22,914

9. LOSS BEFORE INCOME TAX

	2014 HK$'000	2013 HK$'000
(a) Staff costs		
Contributions to defined contribution retirement plans	**2,322**	2,170
Equity-settled share-based payment expenses	**127**	672
Salaries, wages and other benefits	**33,206**	45,927
	35,655	48,769
(b) Other items		
Amortisation		
– prepaid land lease payments	**276**	273
– other intangible assets	**44,586**	66,021
Gain on bargain purchase*	**–**	(8)
Depreciation on property, plant and equipment	**8,288**	8,590
Loss on disposals of property, plant and equipment	**1,242**	342
Write-off of property, plant and equipment	**147**	1,956
Write-off of inventories	**661**	–
Gain on disposal of assets held for sale	**–**	(35,469)
Impairment losses		
– property, plant and equipment	**1,421**	3,329
– goodwill (note 12)	**5,132**	8,495
– other intangible assets (note 13)	**99,384**	135,396
– other receivables	**–**	5,000
Operating lease charges: minimum lease payments		
– hire of building	**4,873**	5,371
– hire of office equipment	**69**	62
Auditors' remuneration		
– audit services in current year	**880**	950
– audit services under/(over) provided in prior years	**660**	(778)
– other services in current year	**–**	1,046
Cost of inventories recognised as expense	**337,192**	484,689
Research and development costs	**7,352**	5,431

* Gain on bargain purchase is included in "Other losses" in the consolidated income statement.

10. INCOME TAX CREDIT

	2014 **HK$'000**	2013 HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**–**	–
Current tax – PRC Enterprises Income Tax		
Provision for the year	**758**	8,476
Under provision in respect of prior years	**–**	420
	758	8,896
Deferred tax		
Origination and reversal of temporary differences	**(29,399)**	(53,850)
Income tax credit	**(28,641)**	(44,954)

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 2014 and 2013.

Under the Corporate Income Tax Law of the People's Republic of China ("New CIT Law"), in general, the applicable income tax rate of enterprises in China 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 New CIT Law. Jiangsu Kedi Modern Agriculture Co., Ltd, an indirectly wholly owned subsidiary of the Company, has been approved and certified by relevant authorities as a "High-Tech Enterprise" is entitled to the favorable statutory tax rate of 15% from 2013 to 2015.

Reconciliation between the income tax credit and accounting loss at applicable tax rates is as follows:

	2014 **HK$'000**	2013 HK$'000
Loss before income tax	**(281,419)**	(297,548)
Tax calculated at domestic income tax rate of 16.5% (2013: 16.5%)	**(46,434)**	(49,095)
Tax effect of share of results of associates	**–**	112
Tax effect of non-taxable income	**(26,163)**	(32,859)
Tax effect of non-deductible expenses	**41,934**	38,890
Tax effect of unused tax losses not recognised	**1,765**	73
Under provision in respect of prior years	**–**	420
Loss/(profit) not subject to tax due to tax concessions	**302**	(5,348)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(45)**	2,853
Income tax credit	**(28,641)**	(44,954)

11. LOSS PER SHARE

(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 excluding ordinary shares purchased by the Company.

	2014	2013
	HK$'000	HK$'000
Loss attributable to owners of the Company	**(247,690)**	(248,806)
Weighted average number of ordinary shares in issue (thousands)	**2,713,798**	2,713,798

(b) Basic and diluted loss per share for the years ended 31 March 2014 and 2013 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 per share amounts presented for the years ended 31 March 2014 and 2013 in respect of a dilution as the impact of the convertible bond outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

12. GOODWILL

	2014	2013
	HK$'000	HK$'000
At beginning of year:		
Cost	**315,842**	315,842
Accumulated impairment	**(310,773)**	(302,278)
Net carrying amount	**5,069**	13,564
Net carrying amount:		
At 1 April	**5,069**	13,564
Impairment losses	**(5,132)**	(8,495)
Exchange differences	**63**	–
At 31 March	**–**	5,069
At the end of year:		
Cost	**315,842**	315,842
Accumulated impairment	**(315,842)**	(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 date of the acquisition ("Acquisition") of the entire equity interest in Kang Yuan Universal Investment Limited and its subsidiaries (collectively referred to as "Kang Yuan Group"), the 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.

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 (2013: 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 21.66% (2013: 29.2%). The growth for the calculation of the terminal value is 3% (2013: 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$135,396,000 and HK$88,540,000 and (2) property, plant and equipment of approximately HK$3,329,000 and HK$1,421,000, for the years ended 31 March 2013 and 2014 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 (2013: five-year period) approved by management and valued by the professional valuers. The discount rate applied to the cash flow projections was 18.35% (2013: 17.38%) and cash flows beyond the five-year period were extrapolated using a growth rate of 3% (2013: 3%) by reference to the long term average growth rate.

Goodwill associated with the fertilizer and pesticide CGU was impaired by approximately HK$27,986,000 as up to 31 March 2013 and recognised a further impairment loss of approximately HK$5,132,000 for the year ended 31 March 2014 (2013: HK$8,495,000) due to the recoverable amounts of this CGU is less than the carrying value.

Based on the value in use calculation, the goodwill associated with the fertilizer and pesticide CGU was fully impaired as at 31 March 2014 and impairment loss was further recognised on other intangible assets of approximately HK$10,844,000 for the year ended 31 March 2014 as the recoverable amounts of this CGU is less than the carrying value in current year.

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

	2014 **HK$'000**	2013 HK$'000
Tobacco agricultural business	**–**	–
Fertilizer and pesticide business	**–**	5,069
Carrying amount at end of the year	**–**	5,069

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 Group 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

	Club membership HK$'000	**Technologies** HK$'000	**Patent and license rights** HK$'000 (note a)	**Tradename** HK$'000 (note b)	**Non-competition agreement** HK$'000	**Customers relationships** HK$'000 (note c)	**Distribution network** HK$'000	**License with definite useful lives** HK$'000	**Total** HK$'000
At 1 April 2012	157	20,607	84,555	106,965	28,062	25,005	109,382	–	374,733
Acquisition of a subsidiary	–	–	–	–	–	–	–	147	147
Amortisation for the year	(8)	(15,005)	–	–	(16,276)	(8,825)	(25,894)	(13)	(66,021)
Impairment losses	–	(2,664)	(40,133)	(50,773)	(2,192)	–	(39,634)	–	(135,396)
At 31 March 2013 and 1 April 2013	149	2,938	44,422	56,192	9,594	16,180	43,854	134	173,463
Amortisation for the year	**(7)**	**(2,975)**	**–**	**–**	**(6,420)**	**(8,936)**	**(26,217)**	**(31)**	**(44,586)**
Impairment losses	**–**	**–**	**(33,169)**	**(41,958)**	**(3,294)**	**(7,446)**	**(13,413)**	**(104)**	**(99,384)**
Exchange differences	**2**	**37**	**555**	**703**	**120**	**202**	**548**	**1**	**2,168**
At 31 March 2014	**144**	**–**	**11,808**	**14,937**	**–**	**–**	**4,772**	**–**	**31,661**

Notes:

(a) The patents and license rights ("Licenses") was purchased as part of business combinations in the Acquisition of Kang Yuan Group on 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 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 (2013: 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 loss for these intangible assets of approximately HK$99,384,000 for the year under review (2013: HK$135,396,000) which has been reflected in the consolidated income statement.

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.

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 (2013: 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 21.66% (2013: 29.2%). The growth for the calculation of the terminal value is 3% (2013: 3%) which was benchmarked to the long term average growth rate of the market.

Based on the value in use calculation, impairment loss of intangible assets of approximately HK$135,396,000 and HK$88,540,000 associated with the tobacco agriculture CGU were provided for the years ended 31 March 2013 and 2014 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 (2013: five-year period) approved by management and valued by the professional valuers. The discount rate applied to the cash flow projections was 18.35% (2013: 17.38%) and cash flows beyond the five-year period were extrapolated using a growth rate of 3% (2013: 3%) by reference to the long term average growth rate.

Based on the value in use calculation, the goodwill associated with the fertilizer and pesticide CGU was fully impaired as at 31 March 2014 and impairment loss was further recognised on other intangible assets of approximately HK$10,844,000 for the year ended 31 March 2014 as the recoverable amounts of this CGU is less than the carrying value in current year.

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

	Technologies HK$'000	**Patent & license rights HK$'000**	**Tradename HK$'000**	**Non-competition agreement HK$'000**	**Customers relationships HK$'000**	**Distribution network HK$'000**	**License with definite useful lives HK$'000**	**Total HK$'000**
Tobacco agricultural business	**–**	**11,808**	**14,937**	**–**	**–**	**4,772**	**–**	**31,517**
Fertilizer and pesticide business	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
At 31 March 2014	**–**	**11,808**	**14,937**	**–**	**–**	**4,772**	**–**	**31,517**

	Technologies HK$'000	Patent & license rights HK$'000	Tradename HK$'000	Non-competition agreement HK$'000	Customers relationships HK$'000	Distribution network HK$'000	License with definite useful lives HK$'000	Total HK$'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

Management's key assumptions include stable profit margins, which are determined based on past performance and its expectations for market share after taking into consideration of published market forecast 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 and that reflect specific risk 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:

	2014	2013
	HK$'000	HK$'000
Current	**7,253**	65,067
30–90 days	**7,860**	20,567
91–180 days	**44,560**	66,694
Over 180 days	**297,916**	210,792
	357,589	363,120

The average credit period on sales of goods is 180 days (2013: 180 days) from the invoice date.

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

	2014	2013
	HK$'000	HK$'000
0 to 3 months past due	**184,872**	132,563
4 to 6 months past due	**56,535**	33,896
Over 6 months past due	**56,785**	44,333
	298,192	210,792

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.

15. TRADE AND BILLS PAYABLES

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

	2014	2013
	HK$'000	HK$'000
Current	**16,419**	35,534
30–90 days	**5,631**	25,275
91–180 days	**23,920**	11,687
Over 180 days	**22,447**	23,835
	68,417	96,331

Trade payables are due within 30 to 60 days (2013: 30 to 60 days) from the invoice date.

16. CONVERTIBLE BOND

	2014	2013
	HK$'000	HK$'000
At 1 April	**756,961**	791,992
Interest expenses waived (note (e))	**(8,524)**	(9,295)
Redeemed during the year (notes (b), (c) and (d))	**(225,530)**	(132,223)
Change in fair value (note 7)	**86,990**	106,487
At 31 March	**609,897**	756,961
Non-current portion	**–**	756,961
Current portion	**609,897**	–
	609,897	756,961

(a) On 25 March 2010, the Company issued convertible bond in the principal amount of HK$1,098,000,000 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 out 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.

The fair values of the liability component of the CB 2015 at 31 March 2014 and 2013 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:

	2014	2013
Stock price	**0.068**	0.09
Exercise price	**0.43**	0.43
Expected volatility	**48.74%**	49.45%
Maturity life	**0.99 years**	1.99 years
Risk-free rate	**0.2%**	0.187%
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) The Convertible Bond Number 3 was redeemed on 8 May 2013 when the Company borrowed approximately HK$51,230,000 from an independent third party and had directly deposited into the High Court in relation to the High Court Action No. HCCW31/2013.

(d) The Company has redeemed part of convertible bond issued by the Company to Cyberland at an amount of HK$200,000,000 on 31 March 2014.

(e) At 31 March 2014, the Company's convertible bond of the principal amount of HK$652,400,500 (2013: HK$852,400,500) was held by Cyberland. As agreed with the convertible bond holder of the Company, the interest on the convertible bond, amounting to approximately HK$8,524,000 (2013: HK$9,295,000), was waived with the objective of improving the profitability and liquidity of the Group.

17. EVENT AFTER REPORTING PERIOD

On 30 May 2014, the Group entered into a sale and purchase agreement to dispose of 100% equity interests in a subsidiary, Hong Kong New Success International Group Investment Company Limited and its subsidiaries to an independent third party at a total consideration of HK$1. The transaction was completed on 31 May 2014.

On 30 May 2014, the Group entered into a sale and purchase agreement to dispose of its entire shareholding of 50.5% equity interests in a subsidiary, Henan Baorong Biological Technology Company Limited to a non-controlling shareholder at a consideration of RMB5,050,000 (equivalent to HK$6,312,000).

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 2014, 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 are unable to obtain a formal loan agreement on this loan entered by the borrower and the Company, and we are 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 might 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 Company and on its loss for the current year.

(ii) Material uncertainties relating to the going concern basis

As disclosed in note 2 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 to the consolidated financial statements, 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 for us to assess the validity of the going concern assumption which depends on the continuing financial support of a substantial shareholder 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 state of affairs of the Company and the Group as at 31 March 2014 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 accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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 the non-compliance with HKFRSs in relation to the consolidated financial statements of the Group for the year ended 31 March 2010. Trading in the shares of the Company was finally resumed on 16 January 2014 after the non-compliance was properly dealt with.

During the year ended 31 March 2014 ("the Year"), the principal business activities of the Group remained as the manufacturing and sales of agricultural intensive flue-curing barns and trading of related machinery and fertilizers, and the service provision of digital television broadcasting in the PRC. The overall business performance was not satisfactory because of the shrinking demand, uncertainties over local policies and sluggish economy in the PRC. The management has been making their best effort to overcome such hurdles by adoption of stringent cost control, closure of persistent non-performance business section for better resources utilization, liaison for potential business opportunity and possible of capital injection from external investors. The Company also considers possible arrangement of banking facilities. In between this turbulence, the management has been conducting negotiations with Cyberland for possible exit of the CB 2015 of remaining outstanding principal amount of approximately HK$652.4 million.

In all the time, the Group will never falter in its mission to deliver high quality agricultural machinery for the development and modernization of agriculture in the PRC.

SEGMENTAL ANALYSIS

Tobacco agricultural operation

Tobacco agricultural operation is operated through Jiangsu Kedi Modern Agriculture Co., Ltd. ("Jiangsu Kedi"), an indirectly wholly owned subsidiary of the Company. Jiangsu Kedi is one of the key players in the modern tobacco agricultural machinery production industry with focus on the manufacturing, sales and distribution of intensive flue-curing tobacco barns and other related products in the PRC. It is also one of the major 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. The intensive flue-curing barn can serve flue-curing for 20 mu of tobacco field per time and provides semi-automatic operation for tobacco farmers. It can also facilitate the process of mechanisation of curing, reducing labour input and enhancing production efficiency. Same as last year "KH" series remains as the well-recognised product in the industry.

Turnover from the tobacco agricultural operation for the Year significantly decreased by 31.4% to HK$468.9 million (2013: HK$684.2 million). Such decrease was primarily due to the shrinkage of sales and uncertain market conditions of tobacco flue-curing barns in the PRC. The segment recorded a loss of approximately HK$112.7 million (2013: HK$124.7 million) which was mainly attributable to the non-cash item, impairment losses on other intangible assets of HK$88.5 million (2013: HK$135.4 million). The management has observed that the rising production costs and direct overhead costs are likely to continue to engulf the profit from operations. In order to diversify the product and market risk, management have taken measures to expand the product scope and reallocate more resources to facilitate the sale of greenhouse and other transplanting machinery.

Fertilizer and pesticide operation

Turnover from fertilizer and pesticide operation has significantly decreased from last year of HK$44.7 million to the Year of HK$14.3 million, representing a 68.0% decline. The major revenue driver of this operation is the BM series, a kind of biological fertilizers which are generally applied in soil transformation for tobacco cultivation. The management is not optimistic in the coming fiscal year with regard to the prevailing the uncertain market conditions. The management realized that in order to secure optimal profit, the Company must set up its own research and development team with a production plant which will involve tremendous initial capital input. Financially, it is not feasible to establish the production plant for such mass production. As a result, the Group has disposed of one of its fertilizer business vehicles – Henan Baorong Biological Technology Company Limited ("Henan Baorong") at a consideration of RMB5.05 million after the reporting period.

Digital television operation

Digital television operation recorded a turnover of HK$4.7 million (2013: HK$6.3 million) which amounted to 1.0% of the Group's overall turnover, and a loss of HK$1.4 million (2013: HK$0.6 million). The decrease in turnover was mainly caused by the reduction of advertising income from the operation of the broadcasting channels in Hunan Province of the PRC. Digital television broadcasting is a policy-driven industry in the PRC and is basically hard to estimate its future performance. The pie of digital broadcasting business is in fact descending. On top of existing peer competitors, other substitutions in the internet media are emerging and have already imposed immense pressure to this operation. However, the Group will continue to explore new business model and improve its program quality and diversity.

Other operation

The healthcare products operation persistently underperformed with turnover of HK$0.1 million for the Year (2013: HK$0.4 million) and recorded a segment loss of HK$4.8 million (2013: HK$5.4 million). The loss was mainly due to the significant reduction in the demand of cordyceps-related healthcare products, industry competition and surge in operating costs. Subsequent to the reporting period, the whole of other operation consisting of Hong Kong New Success International Group Investment Company Limited and its two PRC subsidiaries with consolidated net liabilities was disposed at a consideration of HK$1. The management determined that disposal of this non-performing business will optimize and facilitate the resources utilization within the Group.

FINANCIAL REVIEW

Turnover

For the Year under review, the Group's turnover was HK$488.0 million (2013: HK$734.7 million), representing a decrease of 33.6% as compared to last year. Turnover from tobacco agricultural operation accounting for 96.1% of the Group's total turnover showed a decrease of 31.4% to approximately HK$468.9 million (2013: HK$684.2 million). The decrease was mainly due to the sales shrinkage of tobacco flue-curing barns and uncertain market conditions in 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 are recorded in the first half of the Year. That is the reason why over 80% of the turnover is reported in the first half of the Year.

Turnover from fertilizer and pesticide operation and digital television operation for the Year were approximately HK$14.3 million (2013: HK$44.7 million) and HK$4.7 million (2013: HK$6.3 million) respectively, and accounted for 2.9% and 1.0% of the Group's turnover respectively.

Cost of sales and services and Gross Profit

During the Year, total cost of sales, consisting of costs of inventories sold, sheet steel and direct wages, was HK$339.0 million, approximately 69.5% of the total turnover. Overall gross profit for the Year has significantly decreased by 37.7% to HK$145.9 million compared with last year of HK$234.1 million. The gross profit margin has slightly reduced from last year of 31.9% to the Year of 29.9% partially due to the increase in the costs of labour, sheet steel, logistic cost and production overheads. The pricing of sheet steel for the Year, the major component in manufacturing of the flue-curing barns, was relatively volatile compared to last year. A constant supply with stable pricing of sheet steel is crucial for the operation, so the management may consider hedging on the future purchase of sheet steel when it is appropriate.

Distribution costs

The Group recorded distribution cost of HK$98.0 million for the Year (2013: HK$127.2 million), showing a decrease of 23.0% as compared to last year. However, the magnitude of decrease in distribution costs was not in line with the drop in the sales decrease of 33.6%. One of the reasons was that the delivery cost was continued to rise as compared to last year. Nevertheless, staff costs which account for approximately 14.6% (2013: 20.0%) of the total distribution costs of the Year have decreased by 43.7% after adoption of stringent cost on wages as compared to last year. The management will continue to streamline the logistic flow in order to achieve an optimal distribution costs.

Administrative expenses

As a result of tight cost controls, administrative expenses for the Year have decreased by 21.7% to 106.1 million (2013: HK$135.4 million). The administrative expenses mainly included amortisation on other intangible assets of HK$44.6 million (2013: HK$66.0 million), and staff costs totally of HK$19.6 million (2013: HK$19.3 million). The Group will continue to adopt stringent cost controls to minimise administrative expenses.

Loss from operations

Loss from operations for the Year was HK$28.1 million, representing a sharp increase of about 6 times as compared with last year (2013: HK$4.7 million). The increase in loss from operations was mainly caused by shrinkage of sales and other market uncertainties. The Company foresees that the raw materials of production, direct labour costs and logistic related expenditures will unlikely affect there rising in the forthcoming year. However, management will continue to explore any potential business opportunity.

Finance costs

Interest expenses on bank and other loans for the Year was HK$34.2 million, representing an increase of 49.1% compared with last year of HK$22.9 million. Such increase was mainly due to the less favourable interest rates on interest bearing loans for the Year and more coverage of the financial year in respect of the interest accrual.

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

Loss for the Year was slightly increased by 0.1% to HK$252.8 million as compared to last year of HK$252.6 million. The loss for the Year was mainly attributed to the impairment losses on other intangible assets of HK$99.4 million (2013: HK$135.4 million), impairment loss on goodwill of HK$5.1 million (2013: 8.5 million), and losses arising from the fair value change and redemption of convertible bond with aggregate amount of HK$112.7 million (2013: HK$151.1 million). The loss attributable to owners of the Company amounted to HK$247.7 million (2013: Loss HK$248.8 million). The loss per share was HK Cents 9.13 (2013: HK Cents 9.17).

PROSPECTS

Being one of the major manufacturers of intensive flue-curing barn equipment in the agricultural machinery industry, one of the Group's goals 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"), to implement policies and business strategies in the best interests of our shareholders, tobacco farmers and other stakeholders.

The Company has encountered a difficult business environment along with the slow-down in economy in the PRC and liquidity issues of the Company. Both the turnover and gross profit margins have recorded a decline. In response to the unfavorable market factors and to minimize business risk, the Company will strive to enhance the conventional core business of manufacturing of flue-curing barn for tobacco and reallocate more resources in the trading of transplanting machine, cultivator hiller and greenhouse building. The Group will also continue to explore other business opportunities of flue-curing barn by curing other agricultural products, for example, herbal and vegetables on a trial basis with minimal input. We believe the development of a multi-functional and cost-effective flue-curing barn can facilitate the modernisation of agriculture and contribute to the livelihood of general farm communities in the PRC.

The Group remains cautiously optimistic towards the business of agriculture machinery industry despite the uncertainties in the complicated economic environment coupled with the on-going liquidity issues.

CAPITAL STRUCTURE

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Along with the full redemption of convertible bond number 3 amounting to HK$51.2 million on 8 May 2013 and another early redemption of HK$200 million of the convertible bond on 31 March 2014, the outstanding principal amount has reduced to approximately HK$652.4 million. The convertible bond, if not converted, would be due for repayment on 25 March 2015. During the Year, the Group recorded net current liabilities of HK$486.9 million as the aforesaid convertible bond was due to repay within the upcoming twelve months and being classified as current liabilities. The Group also recorded net liabilities of HK$439.1 million as at 31 March 2014. Resolving the Group's liquidity issues requires a close co-operation with Cyberland and other possible support from external resources. The Company is close negotiation with Cyberland on how to deal with the exit of the CB2015, including but not limited to unconditional waiver, early redemption, securitization and replacement by an unsecured loan. The aforesaid intended arrangement is still at a very preliminary stage. No substantial actions are realized up to the date of this announcement, and all possible actions to be taken are subject to the final agreement between the Company and Cyberland. A shareholder and a director of the Company have undertaken to provide financial support to the Company. Nevertheless, management is also actively in liaison of possible viable projects from external investors and considers seeking financial resources from financial institutes.

The Group generally financed its operations through borrowing and internally generated cash flows. As at 31 March 2014, the Group had aggregate cash and bank balance and pledged deposits of approximately HK$46.9 million (2013: HK$192.6 million). As the convertible bond due to mature within one year, it is classified under current liabilities instead of non-current liabilities. The Group's current ratio, being the current assets of HK$627.6 million (2013: HK$993.5 million) divided by current liabilities of HK$1,114.5 million (2013: HK$658.6 million), was computed as 0.56 (2013: 1.51) which was not regarded as healthy and unacceptable, because the fair value of convertible bond was classified under the current liabilities. The cash and cash equivalents materially reduced to HK$2.8 million as at 31 March 2014 (2013: HK$11.3 million).

As at 31 March 2014, the Group's total indebtedness comprised the fair value of outstanding convertible bond, borrowings, bills payables and amount due to a non-controlling shareholder of a subsidiary was recorded with aggregate amount of approximately HK$1,058.5 million (2013: HK$1,278.8 million). The gearing ratio of the Group, being the total indebtedness divided by total assets excluding deferred tax assets, was 144.7% (2013: 101.9%) at the Year. The higher 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. During the Year, the Group has successfully raised RMB60 million (equivalent to approximately HK$74.9 million) in May 2013 by issuance of small and medium-sized enterprises private placement bonds ("SME Private Bonds") with terms of 24 months tenure, unlisted, unsecured and bearing interest at the rate of 9% per annum and redeemable after 18 months. The SME Private Bonds is an unlisted financial product with designated subscribers and is registered in Shenzhen Stock Exchange.

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 90% of the balances were 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 has 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 2014, the Group's certain leasehold land and buildings with aggregate carrying amount of approximately HK$39.3 million (2013: 45.4 million) and bank deposits of HK$44.1 million (2013: 181.2 million) were pledged to secure general banking facilities granted to the Group.

LEGAL PROCEEDINGS

The litigation in relation to the winding-up petition filed by Zhang Weibing (the "Petitioner") against the Company has been dismissed during the Year. For another High Court Action in relation to the Writ of Summons issued by Cyberland claiming against the Petitioner and the Company, the Company has subsequently reached a settlement on 24 September 2013 with Cyberland for discontinuation of the High Court Action with no order as to costs.

CONTINGENT LIABILITY

As at 31 March 2014 and 31 March 2013, the Group did not have any significant contingent liabilities.

CAPITAL COMMITMENT

As at 31 March 2014 and 31 March 2013, the Group did not have any significant capital commitment.

EMPLOYEES

As at 31 March 2014, the Group had 231 (2013: 372) 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$35.5 million (2013: HK$48.1 million). As a result of cost control measures, labours involved in the production of tobacco flue-curing barn and other administrative function in Jiangsu Kedi have been reduced. The equity settled share based payment expenses of approximately HK$0.13 million (2013: HK$0.67 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.

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 on Corporate Governance Practices (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 2014, 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 10 December 2013 (the "AGM 2013"), Ms. Jingquan was unable to attend the AGM 2013 due to other urgent business commitments of the Group. Mr. Stephen William Frostick, 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 ended 31 March 2014.

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct regarding securities transactions throughout the year ended 31 March 2014. The Company shall iterate and remind the Directors from time to time in respect of the relevant procedures, rules and requirements in relation to Directors' dealing in order to ensure the Directors' compliance.

COMPETING INTEREST

As at 31 March 2014, as far as the Directors are aware of, none of the Directors (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. The members of the audit committee have reviewed the consolidated financial statements of the Group for the year ended 31 March 2014 and are of the opinion that such statements comply with the applicable accounting standards, the GEM Listing Rules and legal requirements. The chairman of Audit Committee is Mr. Lee Chi Hwa Joshua, who has extensive accounting and related financial reporting expertise. Five meetings were held by audit committee during the Year.

On behalf of the Board
Jingquan Yingzi
Chairman

Hong Kong, 25 June 2014

As of the date of this announcement, the executive Directors are Ms. Jingquan Yingzi (Chairman), Mr. Wong Man Hung Patrick, 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.