



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 2017

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

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

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

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This announcement, for which the directors (the “Director(s)”) 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 (the “GEM Listing Rules”) 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 of the Company (the “Board”) hereby announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2017 together with comparative figures for the year ended 31 March 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2017

	<i>Notes</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i> (Restated)
Continuing operations			
Revenue	5	45,091	6,282
Cost of sales and services		(22,264)	(3,143)
Gross profit		22,827	3,139
Other income	6	525	245
Other losses	7	(1,039)	–
Distribution costs		(1,425)	(2,398)
Administrative expenses		(17,681)	(16,770)
Net fair value loss on financial assets at fair through profit or loss	14	(2,042)	–
Finance costs	8	(28,322)	(9,308)
Loss before income tax	9	(27,157)	(25,092)
Income tax (expense) credit	10	(1,214)	99
Loss for the year from continuing operations		(28,371)	(24,993)
Discontinued operation			
Profit (loss) for the year from discontinued operation	11	158,444	(208,974)
Profit (loss) for the year		130,073	(233,967)
Profit (loss) attributable to owners of the Company			
– from continuing operations		(27,300)	(24,425)
– from discontinuing operation		158,444	(208,974)
		131,144	(233,399)
Loss attributable to non-controlling interests from continuing operations		(1,071)	(568)
		130,073	(233,967)
		<i>HK\$</i>	<i>HK\$</i> (Restated)
Earnings (loss) per share attributable to owners of the Company	12		
Basic and Diluted			
– from continuing and discontinued operations		0.20	(2.20)
– from continuing operations		(0.04)	(0.23)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Profit (loss) for the year	<u>130,073</u>	<u>(233,967)</u>
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	8,810	8,825
Exchange differences reclassified on disposal of subsidiaries	<u>(101,818)</u>	<u>–</u>
Other comprehensive (expense) income for the year	<u>(93,008)</u>	<u>8,825</u>
Total comprehensive income (expense) for the year	<u>37,065</u>	<u>(225,142)</u>
Total comprehensive income (expense) attributable to:		
Owners of the Company	37,956	(224,677)
Non-controlling interests	<u>(891)</u>	<u>(465)</u>
	<u>37,065</u>	<u>(225,142)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	<i>Notes</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		6,452	26,702
Prepaid land lease payments		–	9,671
Goodwill		–	873
Other intangible assets		531	803
Investment in an associate		–	–
Deposit		10,000	–
Deferred tax assets		1,212	4,477
		18,195	42,526
Current assets			
Inventories		233	28,653
Loan receivables		700	4,549
Trade receivables	<i>13</i>	9,505	90,293
Prepayments, deposits and other receivables		1,742	38,621
Amount due from a related company		2,667	2,532
Held-to-maturity investment		–	5,031
Financial assets at fair value through profit or loss	<i>14</i>	36,595	–
Tax recoverable		–	41
Cash and cash equivalents		12,329	64,079
		63,771	233,799
Current liabilities			
Trade payables	<i>15</i>	4,708	53,926
Other payables and accruals		9,846	55,586
Amount due to a non-controlling shareholder of a subsidiary		677	726
Amount due to a director		–	17
Borrowings		63,901	286,694
Provision		–	55,002
Tax payable		2,088	–
		81,220	451,951
Net current liabilities		(17,449)	(218,152)
Total assets less current liabilities		746	(175,626)

	<i>Notes</i>	2017 HK\$'000	2016 <i>HK\$'000</i>
Non-current liabilities			
Deferred tax liabilities		354	584
Convertible bonds	<i>16</i>	165,769	102,070
		<u>166,123</u>	<u>102,654</u>
Net liabilities		<u>(165,377)</u>	<u>(278,280)</u>
EQUITY			
Capital and reserves			
Share capital		457	43
Reserves		(158,485)	(271,865)
		<u>(158,028)</u>	<u>(271,822)</u>
Equity attributable to owners of the Company		(158,028)	(271,822)
Non-controlling interests		(7,349)	(6,458)
		<u>(165,377)</u>	<u>(278,280)</u>
Capital deficiency		<u>(165,377)</u>	<u>(278,280)</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Equity component of convertible bonds HK\$'000	Capital reserve HK\$'000	Merger reserve HK\$'000 (note (a))	Statutory reserve HK\$'000 (note (b))	Contributed surplus HK\$'000 (note (c))	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2015	37,829	1,503,719	-	-	(197)	24,347	-	84,665	(1,764,255)	(113,892)	(5,993)	(119,885)
Loss for the year	-	-	-	-	-	-	-	-	(233,399)	(233,399)	(568)	(233,967)
Other comprehensive income												
- Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	8,722	-	8,722	103	8,825
Total comprehensive income (expense) for the year	-	-	-	-	-	-	-	8,722	(233,399)	(224,677)	(465)	(225,142)
Issue of shares	5,420	34,378	-	-	-	-	-	-	-	39,798	-	39,798
Share issue expenses	-	(1,197)	-	-	-	-	-	-	-	(1,197)	-	(1,197)
Capital reduction	(43,206)	-	-	-	-	-	43,206	-	-	-	-	-
Share premium reduction	-	(1,495,000)	-	-	-	-	1,495,000	-	-	-	-	-
Set-off contributed surplus against accumulated losses	-	-	-	-	-	-	(1,538,206)	-	1,538,206	-	-	-
Issue of convertible bonds (note 16(b))	-	-	29,723	-	-	-	-	-	-	29,723	-	29,723
Direct transaction costs attributable to equity component	-	-	(1,577)	-	-	-	-	-	-	(1,577)	-	(1,577)
At 31 March and 1 April 2016	43	41,900*	28,146*	-	(197)*	24,347*	-	93,387*	(459,448)*	(271,822)	(6,458)	(278,280)
Profit (loss) for the year	-	-	-	-	-	-	-	-	131,144	131,144	(1,071)	130,073
Other comprehensive income												
- Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	8,630	-	8,630	180	8,810
- Exchange differences reclassified upon disposal of subsidiaries (note 17)	-	-	-	-	-	-	-	(101,818)	-	(101,818)	-	(101,818)
Total comprehensive income (expense) for the year	-	-	-	-	-	-	-	(93,188)	131,144	37,956	(891)	37,065
Statutory reserve released upon disposal of subsidiaries	-	-	-	-	-	(24,347)	-	-	24,347	-	-	-
Issue of convertible bonds (note 16(a))	-	-	32,164	-	-	-	-	-	-	32,164	-	32,164
Direct transaction costs attributable to equity component	-	-	(1,943)	-	-	-	-	-	-	(1,943)	-	(1,943)
Conversion of convertible bonds (note (d))	400	50,749	(11,532)	-	-	-	-	-	-	39,617	-	39,617
Shares issued or to be issued in respect of bond interest payments (note (e))	14	(14)	-	6,000	-	-	-	-	-	6,000	-	6,000
At 31 March 2017	457	92,635*	46,835*	6,000*	(197)*	-	-	199*	(303,957)*	(158,028)	(7,349)	(165,377)

* These reserve accounts comprise the consolidated reserves of –HK\$158,485,000 (2016: –HK\$271,865,000) 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.
- (c) Pursuant to a special resolution passed by the shareholders of the Company at the special general meeting of the Company held on 21 August 2015, the following steps on the reorganisation of the share capital of the Company (the "Capital Reorganisation") had been taken place and completed on 24 August 2015:
 - (i) share consolidation whereby every ten shares of nominal value of HK\$0.01 each in the issued and unissued share capital of the Company were consolidated into one consolidated share of nominal value of HK\$0.10 each;
 - (ii) capital reduction whereby the nominal value of all the issued consolidated shares was reduced from HK\$0.10 each to HK\$0.0001 each by cancelling the paid-up capital to the extent of HK\$0.0999 on each consolidated share;
 - (iii) share sub-division of each of the authorised but unissued consolidated shares of HK\$0.10 each into one thousand adjusted shares of HK\$0.0001 each;
 - (iv) the credits arising from the capital reduction and share premium reduction of approximately HK\$43,206,000 and HK\$1,495,000,000 respectively were transferred to the contributed surplus account of the Company; and
 - (v) the credit of the contribution surplus account of the Company was set off against the accumulated losses of the Company as permitted under the laws of Bermuda and the bye-laws of the Company.
- (d) During the year, the bondholders of the 6% convertible bonds in the aggregate principal amount of HK\$130,000,000 due on 4 November 2018 (the "CB 2018") and the 6% convertible bonds in the aggregate principal amount of HK\$120,000,000 due on 28 June 2019 (the "CB 2019") have converted the CB 2018 and CB 2019 with the aggregate principal amount of HK\$30,000,000 and HK\$20,000,000 respectively at conversion price of HK\$0.05 per share into a total of 1,000,000,000 ordinary shares of the Company.
- (e) The bondholders of the CB 2018 and CB 2019 have requested to pay any interest payable by way of the Company's shares. During the year, the outstanding interests of HK\$1,762,000 have been paid by way of the Company's shares. 35,247,000 ordinary shares of the Company were issued at conversion price of HK\$0.05 per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on GEM. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is Rooms 2037-40, 20th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong. The Company is an investment holding company. The Group is principally engaged in provision of digital television services in Hong Kong and the PRC, provision of car beauty services in Hong Kong, money lending business in Hong Kong and securities investments in Hong Kong.

2. BASIC OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which includes all applicable HKFRSs, 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. In addition, these financial statements include applicable disclosures required by the GEM Listing Rules and by Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments measured at fair values as explained in the accounting policies set out below. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern

In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity and performance of the Group in light of the fact that as at 31 March 2017, the Group had net current liabilities of HK\$17,449,000 (2016: HK\$218,152,000) and a capital deficiency of HK\$165,377,000 (2016: HK\$278,280,000).

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:

- (a) a shareholder of the Company has confirmed that he will provide continuous financial support to the Company for a period of twelve months from the date of approval of these consolidated financial statements for the year ended 31 March 2017 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 or the existing lender 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.

In light of the measures and arrangements as described above, the Directors consider the Group 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 REVISED STANDARDS

3.1 Application of new and revised standards

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

HKFRS 14	Regulatory Deferral Accounts
Amendments to HKFRSs	Annual Improvements 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKFRSs 11	Accounting for Acquisition of Interest in Joint Operations
Amendments to HKFRS 10, HKFRS12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements

The application of the above new or revised HKFRSs in the current year has had 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 consolidated financial statements.

3.2 Issued but not yet effective Hong Kong Financial Reporting Standards

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

HKFRS 9	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 16	Leases ³
Amendments to HKAS 7	Disclosure Initiative ¹
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ¹
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ²
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKFRS 15	Clarification to HKFRS 15 Revenue from Contracts with Customers ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle ⁴

¹ Effective for annual periods beginning on or after 1 January 2017

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

⁴ Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018

⁵ No mandatory effective date yet determined but is available for adoption

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.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- (a) Digital television: broadcast and advertising income of digital television in Hong Kong and the PRC;
- (b) Car beauty: provision of car beauty and maintenance services in Hong Kong (commenced on 30 December 2015);
- (c) Money lending: provision of mortgage loans and short-term loans in Hong Kong (commenced on 8 March 2016); and
- (d) Securities investments: investments and trading of securities (commenced on 27 July 2016).

During the year ended 31 March 2017, the Group disposed of the entire equity interests in Big Success Enterprises Limited (“Big Success”) and its subsidiaries (collectively referred to as the “Disposal Group”) which are engaged in sale of tobacco agricultural machinery in the PRC. Accordingly, the Group’s tobacco agricultural machinery operation was treated as discontinued operation. The segment information reported below does not include any amounts for the discontinued operation which is disclosed in note 11.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before income tax. The adjusted profit or loss before income tax is measured consistently with the Group’s profit or loss before income tax except that bank interest income, finance costs as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, corporate and unallocated assets and assets relating to discontinued operation.

Segment liabilities exclude deferred tax liabilities, convertible bonds, corporate and unallocated liabilities and liabilities relating to discontinued operation.

Segment Results

For the year ended 31 March 2017

	Digital television <i>HK\$’000</i>	Car beauty <i>HK\$’000</i>	Money lending <i>HK\$’000</i>	Securities investments <i>HK\$’000</i>	Total <i>HK\$’000</i>
Segment revenue					
Sales to external customers	<u>39,759</u>	<u>2,786</u>	<u>2,546</u>	<u>–</u>	<u>45,091</u>
Segment results	<u>18,315</u>	<u>(3,610)</u>	<u>2,528</u>	<u>(2,042)</u>	<u>15,191</u>
Reconciliation:					
Bank interest income					3
Unallocated gains					522
Finance costs					(28,322)
Corporate and other unallocated expenses					<u>(14,551)</u>
Loss before income tax					<u>(27,157)</u>

For the year ended 31 March 2016 (restated)

	Digital television <i>HK\$'000</i>	Car beauty <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Securities investments <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue					
Sales to external customers	<u>5,545</u>	<u>718</u>	<u>19</u>	<u>–</u>	<u>6,282</u>
Segment results	<u>667</u>	<u>54</u>	<u>4</u>	<u>–</u>	<u>725</u>
Reconciliation:					
Bank interest income					1
Unallocated gains					245
Finance costs					(9,308)
Corporate and other unallocated expenses					<u>(16,755)</u>
Loss before income tax					<u>(25,092)</u>

**Segment Assets and Liabilities
At 31 March 2017**

	Digital television <i>HK\$'000</i>	Car beauty <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Securities investments <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>12,546</u>	<u>2,521</u>	<u>842</u>	<u>37,918</u>	<u>53,827</u>
Reconciliation:					
Deferred tax assets					1,212
Corporate and other unallocated assets					<u>26,927</u>
Total assets					<u>81,966</u>
Segment liabilities	<u>12,170</u>	<u>491</u>	<u>179</u>	<u>–</u>	<u>12,840</u>
Reconciliation:					
Deferred tax liabilities					354
Convertible bonds					165,769
Corporate and other unallocated liabilities					<u>68,380</u>
Total liabilities					<u>247,343</u>

At 31 March 2016 (restated)

	Digital television <i>HK\$'000</i>	Car beauty <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Securities investments <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>4,331</u>	<u>2,700</u>	<u>4,551</u>	<u>–</u>	11,582
Reconciliation:					
Deferred tax assets					522
Corporate and other unallocated assets					<u>69,186</u>
Total assets					<u>81,290</u>
Segment liabilities	<u>4,710</u>	<u>400</u>	<u>–</u>	<u>–</u>	5,110
Reconciliation:					
Deferred tax liabilities					539
Convertible bond					102,070
Corporate and other unallocated liabilities					<u>67,480</u>
Total liabilities					<u>175,199</u>

**Other Segment Information
For the year ended 31 March 2017**

	Digital television <i>HK\$'000</i>	Car beauty <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Securities investments <i>HK\$'000</i>	Total <i>HK\$'000</i>
Depreciation	231	716	–	–	947
Unallocated depreciation					<u>1,010</u>
					<u>1,957</u>
Amortisation of other intangible assets	7	91	–	–	98
Impairment of goodwill	–	873	–	–	873
Impairment of other intangible assets	–	166	–	–	166
Write-off of items of property, plant and equipment	–	–	–	–	28
Write-down of inventories	–	21	–	–	<u>21</u>
Capital expenditure	212	1,176	–	–	1,388
Unallocated expenditure					<u>268</u>
					<u>1,656</u>

For the year ended 31 March 2016 (restated)

	Digital television <i>HK\$'000</i>	Car beauty <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Securities investments <i>HK\$'000</i>	Total <i>HK\$'000</i>
Depreciation	262	123	–	–	385
Unallocated depreciation					<u>389</u>
					<u>774</u>
Amortisation of other intangible assets	7	23	–	–	<u>30</u>
Capital expenditure	124	10	–	–	134
Unallocated expenditure					<u>4,380</u>
					<u>4,514</u>

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.

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i> (Restated)
Revenue from external customers		
Hong Kong	39,475	737
The PRC	5,616	5,545
	<u>45,091</u>	<u>6,282</u>
	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i> (Restated)
Non-current assets		
Hong Kong	4,699	6,139
The PRC	2,284	2,471
	<u>6,983</u>	<u>8,610</u>

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".

Information about major customers

Revenue of HK\$6,000,000 (2016: HK\$Nil) was derived from a single customer of the digital television segment accounted for 10% or more of the Group's revenue for the year ended 31 March 2017.

5. REVENUE

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i> (Restated)
Continuing operations		
Digital television service income	39,759	5,545
Car beauty service income	2,786	718
Money lending income	2,546	19
	<u>45,091</u>	<u>6,282</u>

6. OTHER INCOME

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i> (Restated)
Continuing operations		
Bank interest income	3	1
Interest income from held-to-maturity investment	204	134
Interest income from amount due from a related company	135	32
Sundry income	183	78
	<u>525</u>	<u>245</u>

7. OTHER LOSSES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i> (Restated)
Continuing operations		
Impairment of goodwill	873	–
Impairment of other intangible assets	166	–
	<u>1,039</u>	<u>–</u>

8. FINANCE COSTS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i> (Restated)
Continuing operations		
Interest on other loans wholly repayable within five years	1,537	2,194
Interest on convertible bonds	26,785	7,114
	<u>28,322</u>	<u>9,308</u>

9. LOSS BEFORE INCOME TAX

Loss before income tax from continuing operations is arrived at after charging:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i> (Restated)
(a) Employee benefit expenses (including directors' remuneration)		
Salaries, wages and other benefits	13,183	9,212
Retirement benefit scheme contributions	591	481
	<u>13,774</u>	<u>9,693</u>
(b) Other items		
Amortisation of other intangible assets	98	30
Depreciation of items of property, plant and equipment	1,957	774
Write-off of items of property, plant and equipment	28	–
Write-down of inventories	21	–
Impairment of goodwill	873	–
Impairment of other intangible assets	166	–
Minimum lease payments under operating leases in respect of land and buildings	3,877	3,046
Minimum lease payments under operating leases in respect of office equipment	60	57
Auditors' remuneration	530	517
Cost of inventories sold	354	1,950
Research and development costs	5	–
	<u>5</u>	<u>–</u>

10. INCOME TAX EXPENSE (CREDIT)

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i> (Restated)
Continuing operations		
Current tax – Hong Kong Profits Tax	2,089	–
Deferred tax	(875)	(99)
	<u>1,214</u>	<u>(99)</u>
Income tax expense (credit)		
	<u>1,214</u>	<u>(99)</u>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits arising in Hong Kong for the years ended 31 March 2017 and 2016.

The provision for PRC Enterprise Income Tax is calculated at the standard rate of 25% on the estimated assessable income for the years as determined in accordance with the relevant income tax rules and regulations of the PRC. No PRC Enterprise Income Tax has been provided for the years ended 31 March 2017 and 2016.

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

	2017 HK\$'000	2016 <i>HK\$'000</i> (Restated)
Loss before income tax from continuing operations	<u>(27,157)</u>	<u>(25,092)</u>
Tax calculated at Hong Kong income tax rate of 16.5% (2016: 16.5%)	(4,481)	(4,140)
Tax effect of non-taxable income	(1,422)	(9,357)
Tax effect of non-deductible expenses	2,605	10,321
Tax effect of unused tax losses not recognised	<u>4,512</u>	<u>3,077</u>
Income tax expense (credit)	<u>1,214</u>	<u>(99)</u>

11. DISCONTINUED OPERATION

On 6 October 2016, the Group entered into a sale and purchase agreement with an independent third party for disposal of the Group's entire equity interests in the Disposal Group, which was engaged in sale of tobacco agricultural machinery in the PRC. The transaction was completed on 6 February 2017. Further details are included in note 17 to the consolidated financial statements.

Particulars of the Disposal Group are as follows:

Name of subsidiaries	Place of incorporation/ registration and operation	Particulars of issued and paid up share capital/ registered capital	Percentage held by the Company		Principal activities
			Direct	Indirect	
Big Success Enterprises Limited	British Virgin Islands	30,001 shares of USD1 per share	100%	–	Investment holding
Kang Yuan Universal Investment Limited	Hong Kong	10,000 shares of HKD1 per share	–	100%	Investment holding
Mega Top (China) Limited	Hong Kong	1 share of HKD1 per share	–	100%	Dormant
Jiangsu Kedi Modern Agriculture Company Limited* (江蘇科地現代農業 有限公司)	The PRC	USD11,600,000	–	100%	Manufacturing and trading of tobacco flue- curing agricultural machinery
Zhengzhou Ruihao Tobacco Technology Company Limited* (鄭州瑞豪煙草科技 有限公司)	The PRC	RMB10,000,000	–	100%	Trading of agricultural machinery

* English translated name is for identification only. The official name is in Chinese.

(a) The results of the Disposal Group for the year are presented below:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Revenue	113	13,169
Cost of sales	(57)	(12,918)
	<hr/>	<hr/>
Gross profit	56	251
Other revenue	7	29
Distribution costs	(414)	(7,039)
Administrative expenses	(18,893)	(24,496)
Other losses	–	(105,571)
Finance costs	(9,556)	(18,711)
Provision for legal claim	–	(55,002)
	<hr/>	<hr/>
Loss before income tax from discontinued operation	(28,800)	(210,539)
Income tax (expense) credit	(7)	1,565
	<hr/>	<hr/>
Loss after income tax from discontinued operation	(28,807)	(208,974)
Gain on disposal of subsidiaries (<i>note 17</i>)	187,251	–
	<hr/>	<hr/>
Profit (loss) for the year from discontinued operation and attributable to owners of the Company	158,444	(208,974)

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Employee benefit expense	199	6,143
Amortisation of prepaid land lease payments	212	273
Depreciation of items of property, plant and equipment	3,354	4,182
Impairment of items of property, plant and equipment	–	12,346
Impairment of trade receivables	–	93,137
Impairment of other receivables	–	88
Provision for legal claim	–	55,002
Write-down of inventories	4,982	7,359
Write-down of items of property, plant and equipment	–	2,368
Minimum lease payments under operating leases in respect of land and buildings	459	509
Cost of inventories sold	57	12,918
Research and development costs	–	248
	<hr/>	<hr/>

12. EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Basic earnings (loss) per share is calculated by dividing the profit (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.

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i> (Restated)
Earnings (loss)		
Profit (loss) attributable to owners of the Company		
From continuing operations	(27,300)	(24,425)
From discontinued operation	<u>158,444</u>	<u>(208,974)</u>
	<u>131,144</u>	<u>(233,399)</u>
Number of shares	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares in issue	<u>667,258</u>	<u>106,062</u>

No adjustment has been made to the basic earnings (loss) per share amounts presented for the years ended 31 March 2017 and 2016 in respect of a dilution as the impact of the convertible bonds outstanding had an anti-dilutive effect.

13. TRADE RECEIVABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade receivables	9,505	209,315
Less: Accumulated impairment	<u>–</u>	<u>(119,022)</u>
	<u>9,505</u>	<u>90,293</u>

(a) Aged analysis

The Group's credit terms with its customers generally range from 30 days to 180 days (2016: 30 days to 180 days). The Group seeks to apply strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. As at the end of the reporting period, an aged analysis of the trade receivables, net of allowance for bad and doubtful debts presented based on the respective dates on which revenue was recognised, are as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within 30 days	1,000	737
31–90 days	8,005	–
91–180 days	500	–
Over 180 days	<u>–</u>	<u>89,556</u>
	<u>9,505</u>	<u>90,293</u>

(b) **Accumulated impairment of trade receivables**

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Beginning of the year	119,022	29,554
Impairment losses recognised	–	93,137
Disposal of subsidiaries	(112,259)	–
Exchange difference	(6,763)	(3,669)
	<u> </u>	<u> </u>
End of the year	<u> </u> –	<u> </u> 119,022

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
0 to 3 months past due	8,005	23
4 to 6 months past due	500	5,879
Over 6 months past due	–	83,654
	<u> </u>	<u> </u>
	<u> </u> 8,505	<u> </u> 89,556

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.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Equity securities listed in Hong Kong	<u> </u> 36,595	<u> </u> –

The movements for the financial assets at fair value through profit or loss during the year are as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Beginning of the year	–	–
Additions	55,498	–
Net fair value loss recognised in profit or loss	(2,042)	–
Disposals	(16,861)	–
	<u> </u>	<u> </u>
End of the year	<u> </u> 36,595	<u> </u> –

Net fair value loss on financial assets at fair value through profit or loss included unrealised gain HK\$1,319,000 and realised loss of HK\$3,361,000.

The fair value of all equity securities is based on their current bid prices in an active market and the fair values are within level 1 of the fair value hierarchy.

15. TRADE PAYABLES

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within 30 days	4,167	–
31–90 days	–	1,063
91–180 days	315	2
Over 180 days	226	52,861
	<hr/> 4,708 <hr/>	<hr/> 53,926 <hr/>

Trade payables are due within 30 to 60 days (2016: 30 to 60 days) from the invoice date.

16. CONVERTIBLE BONDS

(a) 6% convertible bonds in the aggregate principal amount of HK\$120,000,000 due on 28 June 2019 (the “CB 2019”)

On 28 June 2016, the Company issued the CB 2019 in the aggregate principal amount of HK\$120,000,000 due in 2019 with a conversion price of HK\$0.05 per share. The terms of CB 2019 are satisfied the “fixed for fixed” rule in HKAS 32. The proceeds of the CB 2019 were allocated into two components, debt and equity elements on initial recognition. The equity element is presented in equity component of convertible bonds. The CB 2019 have been valued as at 28 June 2016 on the basis carried out at that date by an independent qualified professional valuer not connected with the Group.

The initial recognition of the CB 2019 was as follows:

	<i>HK\$'000</i>
Nominal value of convertible bonds at issuance date	120,000
Equity component	(32,164)
Direct transaction costs attributable to the liability component	(5,305)
	<hr/>
Liability component at the issuance date	82,531 <hr/>

The movements of the liability component of the CB 2019 during the year were as follows:

	2017 <i>HK\$'000</i>
Beginning of the year	–
Liability component at the issuance date	82,531
Effective interest expense for the year	11,360
Conversion during the year	(14,374)
	<hr/>
End of the year	79,517 <hr/>

(b) 6% convertible bonds in the aggregate principal amount of HK\$130,000,000 due on 4 November 2018 (the “CB 2018”)

On 5 November 2015, the Company issued the CB 2018 in the aggregate principal amount of HK\$130,000,000 due in 2018 with a conversion price of HK\$0.05 per share. The terms of CB 2018 are satisfied the “fixed for fixed” rule in HKAS 32. The proceeds of the CB 2018 were allocated into two components, debt and equity elements on initial recognition. The equity element is presented in equity component of convertible bonds. The CB 2018 have been valued as at 5 November 2015 on the basis carried out at that date by an independent qualified professional valuer not connected with the Group.

The initial recognition of the CB 2018 was as follows:

	<i>HK\$'000</i>
Nominal value of convertible bonds at issuance date	130,000
Equity component	(29,723)
Direct transaction costs attributable to the liability component	(5,321)
	<u>94,956</u>
Liability component at the issuance date	<u>94,956</u>

The movements of the liability component of the CB 2018 during the years were as follows:

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Beginning of the year	102,070	–
Liability component at the issuance date	–	94,956
Effective interest expense for the year	15,425	7,114
Conversion during the year	(25,243)	–
Shares to be issued in respect of bond interest payments	(6,000)	–
	<u>86,252</u>	<u>102,070</u>
End of the year	<u>86,252</u>	<u>102,070</u>

The principal terms of the CB 2019 and CB 2018 are as follows:

(i) Period

The convertible bonds are due and will mature on the third (3rd) anniversary of the date of issuance of the convertible bonds (the “Maturity Date”). Any unredeemed and unconverted Bond shall be redeemed at 100% of the outstanding principal amount in cash.

(ii) Conversion

The bondholder of the convertible bonds (the “Bondholder(s)”) has the right (the “Conversion Right”) to convert the outstanding principal amount of the convertible bonds in whole or in part into shares of the Company (the “Conversion Shares”) at any time following the date of issue until the Maturity Date.

The number of Conversion Shares to be issued on exercise of a Conversion Right shall be determined by dividing the principal amount of the convertible bonds being converted by HK\$0.05 (the “Conversion Price”), subject to customary adjustments in the events of share consolidation, share subdivision, capitalisation issues, capital distribution, rights issue and issues of other securities below 80 per cent of market price. In the opinion of the Directors, the adjustments to Conversion Price in those circumstances are all for anti-dilutive purpose to protect the right of the Bondholder.

(iii) *Early redemption*

The Company is entitled to redeem the convertible bonds at 100% of the outstanding principal amount of the convertible bonds (in whole or in part) at any time and from time to time at the option of the Company prior to the Maturity Date.

(iv) *Interest*

The convertible bonds bears interest from and including the date of its issue at the rate of 6% per annum on the outstanding principal amount thereof. The Bondholders have the option to request the Company to pay the interest by the addition shares of the Company instead of cash. The Bondholders have, by notice in writing served on the Company, required the Company to pay any interest payable hereunder by way of Shares.

17. DISPOSAL OF SUBSIDIARIES

The Group disposed of its 100% equity interest in Disposal Group to an independent third party for a cash consideration of HK\$5,000,000.

The carrying amounts of the assets and liabilities of the Disposal Group at the date of disposal were as follows:

	2017 HK\$'000
Net liabilities disposed of:	
Property, plant and equipment	15,329
Prepaid land lease payments	9,164
Deferred tax assets	3,723
Inventories	21,991
Trade receivables	75,398
Prepayments, deposits and other receivables	90,546
Tax receivables	38
Cash and cash equivalents	59,772
Trade payables	(41,692)
Other payables and accruals	(57,111)
Borrowings	(211,192)
Provision	(46,357)
Deferred tax liabilities	(42)
	<hr/>
	(80,433)
Reclassification of exchange reserve from other comprehensive income to the consolidated statement of profit or loss upon disposal of subsidiaries	(101,818)
Gain on disposal of subsidiaries (<i>note 11</i>)	187,251
	<hr/>
Consideration	5,000
	<hr/>

18. CONTINGENT LIABILITIES

As at 31 March 2016, the Group had contingent liabilities in terms of potential litigations in the PRC of total amount of approximately HK\$11.3 million.

Except as disclosed above, no contingent liabilities the Group were noted at 31 March 2017 and 2016.

19. EVENTS AFTER REPORTING PERIOD

- (a) On 28 April 2017, the Company and 中信國通企業管理有限公司 (the “Consignee”) entered into the memorandum of understanding (the “MOU”) in relation to the proposed acquisition of the entire issued share capital in the target company and related business by the Company as contemplated under the MOU (the “Proposed Acquisition”). The Consignee will also assist to arrange financing for the Company to complete the Proposed Acquisition, if needed. The target company is principally engaged in investment holding. The target group is principally engaged in mining related technology development. The consideration of the Proposed Acquisition will be not more than RMB500 million. Further details of the MOU were set out in the announcement of the Company dated 28 April 2017;
- (b) The Company entered into the settlement agreement with Artic Blue Corporation (“Artic Blue”) on 15 February 2017, pursuant to which, the Lender has conditionally agreed to accept and the Company has conditionally agreed to issue the convertible bonds for full settlement of the outstanding principal and accrued and outstanding interest under the loan agreement on and subject to the terms and conditions of the settlement agreement. However, the settlement agreement was lapsed on 15 May 2017. Further details of the settlement agreement were set out in the announcements of the Company dated 15 February 2017 and 17 May 2017;
- (c) The Company and Artic Blue have agreed to enter into a new deed of settlement on 24 May 2017 (the “Deed”) for full settlement of the outstanding principal accrued and outstanding interest under the Loan Agreement on and subject to the terms and conditions of the Deed. Pursuant to the Deed, all outstanding principal and outstanding accrued interest due and owing by the Company to the Lender under the Loan Agreement as at the date of the Deed shall be settled by (i) the cash payment of HK\$10,000,000; and (ii) the Company issuing the convertible bonds in an aggregate amount of HK\$44,000,000 to the Lender subject to the terms and conditions of the Deed. Further details of the Deed were set out in the announcement of the Company dated 24 May 2017; and
- (d) On 24 May 2017, the Group and Asian Capital Partners Group Company Limited were entered into the sale and purchase agreement in relation to the proposed acquisition, which had entered into a memorandum of understanding on 8 March 2017. A refundable deposit in the amount of HK\$10,000,000 was paid for the year ended 31 March 2017. The Group has conditionally agreed to acquire the entire issued share capital of the target company at the consideration of HK\$100,000,000. The principal business activity of the target group is investment advisory. The target group has developed fund management and asset management activities in the PRC. Further details of the proposed acquisition were set out in the announcement of the Company dated 24 May 2017.

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

Basis for disclaimer of opinion

1. *Opening balances, corresponding figures and comparative financial statements*

The auditor's report on the consolidated financial statements of the Group for the year ended 31 March 2016 was disclaimed. Amongst the bases for disclaimer of opinion were the limitations on the scope of the audit in relation to (i) fair value measurement of corporate guarantees provided by Jiangsu Kedi Modern Agriculture Company Limited ("Jiangsu Kedi"), a wholly owned subsidiary of the Group to third parties for the aggregate amounts of RMB58,000,000 ("Corporate Guarantee"); and (ii) completeness of corporate guarantee of Jiangsu Kedi. Details of which has been set out in the auditor's report date 27 June 2016.

As the auditor's report on the consolidated financial statements of the Group for the year ended 31 March 2016 formed the basis for the corresponding figures presented in the current year's consolidated financial statements, any adjustments found to be necessary in respect of the Corporate Guarantee would have a significant effect on the opening balances on the consolidated financial position of the Group and the related disclosures thereof in the consolidated financial statements of the Group for the year ended 31 March 2017.

2. *Limitation of scope in respect of disposal of Big Success Enterprises Limited*

As disclosed in note 38 to the consolidated financial statements, the Group disposed of the entire equity interests in Big Success Enterprises Limited ("Big Success") together with its wholly owned subsidiary, Jiangsu Kedi ("Big Success Group") at a cash consideration of HK\$5,000,000 ("Disposal"). Gain on Disposal of approximately HK\$187,251,000 was recognised in the consolidated financial statements for the year ended 31 March 2017.

Due to the consequence that the completeness of corporate guarantee of Jiangsu Kedi was qualified in prior year as mentioned in (1) above and such limitation of audit scope was still unresolved as at the date of Disposal, the Group therefore did not have adequate information as to whether Jiangsu Kedi had entered into any other corporate guarantee provided to third parties. Accordingly, we were unable to satisfy ourselves as to the completeness of liabilities of Jiangsu Kedi as at the date of Disposal and whether the gain on Disposal of approximately HK\$187,251,000 were free from material misstatement. Any adjustments found to be necessary in respect of the gain on Disposal would have a significant effect on the results of the Group for the year ended 31 March 2017 and the related disclosure thereof.

Furthermore, as at the date of Disposal, Big Success Group has bank and other borrowings of approximately HK\$211,192,000 (“Borrowings”), of which approximately HK\$121,572,000 were guaranteed by a director of the Company (“Guarantee”). Due to the fact that the Guarantee will not be released until settlement of the Borrowings, there was an uncertainty as to whether any contingent liabilities should be provided should Big Success Group failed to settle the Borrowings in future. Any adjustments found to be necessary in respect of the contingent liabilities for the Borrowings of Big Success Group would have a significant effect on the consolidated statements of financial position of the Group as at 31 March 2017 and the related disclosure thereof.

3. *Multiple uncertainties related to the going concern basis*

As disclosed in note 2.1 to the consolidated financial statements, the Group had net current liabilities of approximately HK\$17,449,000 and capital deficiency of approximately HK\$165,377,000 as at 31 March 2017 respectively. The existence of these material fundamental uncertainties casts significant doubt on the Group’s ability to continue as a going concern.

The consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern, the validity of which is dependent on the favourable outcomes of the steps being taken by the directors as described in note 2 to the consolidated financial statements. However, we were unable to obtain sufficient audit evidence to assess the appropriateness and validity of the going concern assumption. Should the going concern assumption be inappropriate, adjustments would have to be made to reclassify all noncurrent 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

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. 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 2017 (the “Year”), the Group was principally engaged in provision of digital television services in Hong Kong and the PRC, provision of car beauty services in Hong Kong, money lending business in Hong Kong and securities investments in Hong Kong.

The Group had disposed of its entire interests in the tobacco agricultural machinery operation. The results of the tobacco agricultural machinery segment during the Year were recorded under discontinued operation. The Group recorded the profit on discontinued operation of approximately HK\$158.4 million during the Year as compared to a loss of approximately HK\$209.0 million for the year ended 31 March 2016 (the “Preceding Year”). The increase in profit from discontinued operation during the Year was mainly attributable to the disposal gain and reclassification of exchange reserve from other comprehensive income to the consolidated statement of profit or loss upon disposal of this segment.

The Group recorded a loss for the Year from continuing operations of approximately HK\$28.4 million, as compared to approximately HK\$25.0 million for the Preceding Year. The further increase in loss for the Year from continuing operations was mainly attributable to the significant increase in finance costs relating to the interest on convertible bonds as compared to the Preceding Year.

SEGMENTAL ANALYSIS

Digital television

The Group recorded revenue of approximately HK\$39.8 million from the digital television segment, as compared to revenue of approximately HK\$5.5 million for the Preceding Year. The segment profit for the Year from this operation was increased to approximately HK\$18.3 million, as compared to approximately HK\$0.7 million for the Preceding Year. The revenue growth was mainly due to the management of the Group has placed more resources and effort on this operation during the Year. The Company has further injected capital in Hunan Xiaoxiang Digital Television Broadcast Company Limited for upgrading of certain equipment to provide a better vision effect to the audience. The management has designed an advertisement campaign “Advertisement Campaign Coordination” in Hong Kong and has been commenced from 1 March 2016. Feedback of existing clients is positive and demand of similar services is promising. The Company is optimistic that this operation will be continuously developed and expanded.

Car beauty

Revenue from this operation for the Year was approximately HK\$2.8 million, accounted for approximately 6.2% of the Group’s revenue from continuing operations. The Group commenced this operation in Hong Kong from December 2015 and opened the second workshop from July 2016. Faced with price competition from other competitors, this segment recorded a loss of approximately HK\$3.6 million for the Year. The Group has cooperated with a Japanese supplier and now all materials and products are imported from Japan with a view to improving the quality of the services. The Company believe this operation could provide steady revenue for the Group in the forthcoming financial years.

Money lending

The Group commenced its money lending business in Hong Kong from March 2016. Revenue from this operation for the Year was approximately HK\$2.5 million. As at 31 March 2017, gross loan receivables amounted to HK\$700,000.

Securities investments

The Group commenced securities investments in Hong Kong from July 2016. The segment loss for the Year of approximately HK\$2.0 million was the impact of fair value changes on financial assets at fair value through profit or loss. As at 31 March 2017, the financial assets at fair value through profit or loss amounted to HK\$36.6 million.

Details of investments in equity securities listed in Hong Kong held by the Group during the Year are as follows:

Stock Code	Stock Abbreviation	Number of shares held as at 31 March 2017	Fair value as at 31 March 2017 <i>HK\$'000</i>	Gain (losses) during the year ended 31 March 2017 <i>HK\$'000</i>
283	GOLDIN PPT	1,700,000	14,059	7,966
530	GOLDIN FIN HOLD	–	–	(4,003)
8103	TRILLION GRAND	2,700,000	4,968	(2,752)
8202	INNO-TECH HOLD	12,700,000	6,096	(630)
1166	SOLARTECH INT'L	7,420,000	3,302	20
8173	UNION ASIA ENT	102,520,000	2,768	(1,156)
8212	CELEBRATE INT	14,000,000	2,800	(1,068)
1387	RENHE COMM	300,000	59	(5)
8356	CNC HOLDINGS	13,400,000	1,045	(418)
1130	CHINA ENV RES	6,660,000	1,498	4
			<u>36,595</u>	<u>(2,042)</u>

FINANCIAL REVIEW

Revenue

For the Year, revenue of the Group from continuing operations amounted to approximately HK\$45.1 million, representing an increase of approximately 7.2 times from approximately HK\$6.3 million for the Preceding Year. The significant increase in revenue was mainly attributable to increase in revenue contributed by the digital television segment.

Cost of sales and services

The cost of sales and services from continuing operations increased to approximately HK\$22.3 million for the Year from approximately HK\$3.1 million for the Preceding Year, representing an increase of approximately 7.1 times. Such increase was along with the growth in revenue for the Year.

Gross Profit and gross profit margin

The Group's gross profit increased to approximately HK\$22.8 million for the Year from approximately HK\$3.1 million for the Preceding Year, representing an increase of approximately 7.3 times. Such increase was along with the growth in revenue for the Year. The Group's gross profit margin maintained at a steady level of approximately 50.6% for the Year and approximately 50.0% for the Preceding Year.

Distribution costs

The Group recorded distribution costs from continuing operations of approximately HK\$1.4 million, as compared to approximately HK\$2.4 million for the Preceding Year. Such decrease was mainly attributable to cost control.

Administrative expenses

Administrative expenses from continuing operations increased by 5.4% to approximately HK\$17.7 million, as compared to approximately HK\$16.8 million for the Preceding Year. Administrative expenses mainly consist of staff costs, depreciation, operating lease rentals for office, legal and professional fees and others. The Group will continue to adopt the stringent cost controls in the forthcoming years.

Finance costs

The Group recorded finance costs from continuing operations of approximately HK\$28.3 million, as compared to approximately HK\$9.3 million for the Preceding Year. The finance costs were mainly arising from the interest expense on convertible bonds which were issued in November 2015 and June 2016 with the effective interest rates of 18.5% and 21.1% per annum respectively.

Profit for the year and profit attributable to owners of the Company

The Group recorded a profit for the Year of approximately HK\$130.1 million, as compared to a loss of approximately HK\$234.0 million for the Preceding Year. Profit attributable to owners of the Company for the Year was approximately HK\$131.1 million, as compared to a loss of approximately HK\$233.4 million for the Preceding Year. The basic and diluted earnings per share of the Group for the Year were HK\$0.20, as compared to the basic and diluted loss per share of HK\$2.20 for the Preceding Year. The basic and diluted loss per share from continuing operations for the Year were HK\$0.04, as compared to HK\$0.23 for the Preceding Year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2017, the Group's cash and cash equivalents were approximately HK\$12.3 million (2016: HK\$64.1 million). The Group's current ratio, being the current assets of approximately HK\$63.8 million (2016: HK\$233.8 million) divided by the current liabilities of approximately HK\$81.2 million (2016: HK\$452.0 million), was computed as approximately 0.79 (2016: 0.52). The management viewed that the ratio was not healthy and acceptable and will try to improve the overall financial soundness and sustainability of the Group.

The Group's total indebtedness comprised the convertible bonds, borrowings, amount due to a director and amount due to a non-controlling shareholder of a subsidiary with a total amount of HK\$230.3 million (2016: HK\$389.5 million). The gearing ratio of the Group, being the total indebtedness divided by total assets excluding deferred tax assets and liabilities, was 285.2% (2016: 143.1%) as at 31 March 2017. The incremental of the ratio was mainly due to the issuance of the convertible bonds during the Year.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATE AND TREASURY POLICIES

The majority of the Group's cash balances and transactions were either denominated in Renminbi or Hong Kong dollars. The Group does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. As at 31 March 2017 and 2016, the Group did not have any outstanding hedging instruments.

CAPITAL STRUCTURE

As at 31 March 2017, the number of issued ordinary shares of the Company was 1,143,370,568 shares (2016: 108,123,473 shares). Additional shares may be issued by way of conversion of the convertible bonds which if fully converted would result in the issuance of 4,000,000,000 shares of the Company.

HUMAN RESOURCES

As at 31 March 2017, the Group had 62 (2016: 73) full-time employees including the Directors. Total staff costs from continuing operations for the Year, including director's emoluments were approximately HK\$13.8 million (2016: HK\$9.7 million).

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group disposed of its entire equity interest in a subsidiary, Big Success Enterprises Limited, which was engaged in sale of tobacco agricultural machinery in the PRC during the Year. Except for this, the Group had no other acquisitions and disposals of subsidiaries and affiliated companies for the years ended 31 March 2017 and 2016.

PLEDGE OF ASSETS

As at 31 March 2017, the Group did not pledge any of its assets (2016: HK\$21.2 million) as securities for any facilities granted to the Group.

CONTINGENT LIABILITY

As at 31 March 2016, the Group had contingent liabilities in terms of potential litigations in the PRC of total amount of approximately HK\$11.3 million. Except for this, the Group did not have any significant contingent liabilities as at 31 March 2017 and 2016.

CAPITAL COMMITMENT

The Group did not have any significant capital commitment as at 31 March 2017 and 2016.

PROSPECTS

Looking ahead, the Group is confident about the outlook and the prospects of the advertisement and culture market in Hong Kong and the PRC. The Group's professional and experienced teams have the ability to meet the needs of customers. The Group will open the door to any other opportunities with the business partners in the industry.

The Group expects the global business environment to remain challenging in the coming year due to economic and political uncertainty which will create certain pressure to the Group's revenue and gross profit margins. Nevertheless, the Directors are confident that the Group has the ability to handle these challenges and will continue to explore investment opportunities with a view to enhancing and improving returns to our stakeholders.

DIVIDENDS

The Directors do not recommend the payment of a dividend for the year ended 31 March 2017 (2016: Nil).

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 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, 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 chairlady 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 2016 (the “AGM 2016”), Ms. Jingquan was unable to attend the AGM 2016 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 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 2017, 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. Hau Chi Kit, 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 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.

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

Hong Kong, 26 June 2017

As at the date of this announcement, the executive Directors are Ms. Jingquan Yingzi (Chairman), Mr. Chin Wai Keung Richard, Mr. Wang Anyuan, Mr. Wang Rongqian, Mr. Hu Chao and Ms. Lin Yan Jenny; and the independent non-executive Directors are Mr. Hau Chi Kit, Mr. Lee Chi Hwa Joshua and Mr. Zhao Zhizheng.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication and on the Company’s website at <http://www.code-hk.com>.