



CODE AGRICULTURE (HOLDINGS) LIMITED

科地農業控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8153)

QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE-MONTH PERIOD ENDED 30 JUNE 2012

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

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This announcement, for which the directors of Code Agriculture (Holdings) Limited (the “Directors”) collectively and individually accept full responsibility, includes particular given in compliance with the Rules Governing the Listing of Securities on the GEM for the purpose of giving information with regard to Code Agriculture (Holdings) Limited. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this announcement misleading.

HIGHLIGHTS

- The Group had recorded a turnover of HK\$460,901,000 for the three-month period ended 30 June 2012, representing an increase of 93% over the corresponding period of last year.
- Profit attributable to owners of the Company for the three-month period ended 30 June 2012 increased by 18 times to HK\$153,780,000 over the corresponding period of last year.
- Basis and diluted earnings per share attributable to the owners of the Company for the three-month period ended 30 June 2012 increased by 18 times to HK5.67 cents over the corresponding period of last year.
- The Board does not recommend the payment of a dividend for the three-month period ended 30 June 2012.
- On 29 May 2012, the Group has completed the transaction in relation to the disposal of certain non-current assets which were classified as assets held for sale. A disposal gain of HK\$67,168,000 was recorded.

QUARTERLY RESULTS

The board of directors (the “Board”) of Code Agriculture (Holdings) Limited (the “Company”) presents the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three-month period ended 30 June 2012 together with comparative figures for the previous year are as follows:

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three-month period ended 30 June

	<i>Note</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i> (Restated)
Turnover	3	460,901	238,795
Cost of sales and services		(321,966)	(165,498)
Gross profit		138,935	73,297
Other revenue	4	2,143	540
Distribution costs		(10,074)	(8,523)
Administrative expenses		(19,543)	(21,615)
Profit from operations		111,461	43,699
Finance costs	5	(9,150)	(13,795)
Other gain	6	—	319
Share of losses of associates		(681)	—
Loss on disposal of interest in an associate	11	(1,504)	—
Gain on disposal of assets held for sale	12	67,168	—
Impairment losses on other intangible assets	7	—	(20,000)
Profit before income tax		167,294	10,223
Income tax expense	8	(14,025)	(1,437)
Profit for the period		153,269	8,786
Other comprehensive income, net of income tax			
Exchange differences on translating foreign operations		887	4,486
Total comprehensive income for the period		154,156	13,272
Profit/(loss) attributable to:			
— Owners of the Company		153,780	8,555
— Non-controlling interests		(511)	231
		153,269	8,786
Total comprehensive income/(loss) attributable to:			
— Owners of the Company		154,667	12,749
— Non-controlling interests		(511)	523
		154,156	13,272
Earnings per share			
Basic and diluted — HK cents per share	9	5.67	0.32

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company										
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i> <i>(note)</i>	Capital reserve <i>HK\$'000</i>	Share-based payment reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Convertible bonds reserve <i>HK\$'000</i>	Subtotal <i>HK\$'000</i>	Non-controlling interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2011	27,138	1,056,184	(861,808)	(197)	26,062	9,774	20,772	427,825	705,750	27,757	733,507
Profit for the period	—	—	8,555	—	—	—	—	—	8,555	231	8,786
Exchange differences on translating foreign operations	—	—	—	—	—	—	4,194	—	4,194	292	4,486
Total comprehensive income for the period	—	—	8,555	—	—	—	4,194	—	12,749	523	13,272
At 30 June 2011	<u>27,138</u>	<u>1,056,184</u>	<u>(853,253)</u>	<u>(197)</u>	<u>26,062</u>	<u>9,774</u>	<u>24,966</u>	<u>427,825</u>	<u>718,499</u>	<u>28,280</u>	<u>746,779</u>
At 1 April 2012	27,138	1,056,184	(903,138)	(197)	33,014	9,499	36,433	427,825	686,758	(497)	686,261
Profit for the period	—	—	153,780	—	—	—	—	—	153,780	(511)	153,269
Exchange differences on translating foreign operations	—	—	—	—	—	—	887	—	887	—	887
Total comprehensive income for the period	—	—	153,780	—	—	—	887	—	154,667	(511)	154,156
Settlement relating to disposal of assets held for sale <i>(note 12)</i>	—	—	—	—	—	—	—	(68,069)	(68,069)	—	(68,069)
At 30 June 2012	<u>27,138</u>	<u>1,056,184</u>	<u>(749,358)</u>	<u>(197)</u>	<u>33,014</u>	<u>9,499</u>	<u>37,320</u>	<u>359,756</u>	<u>773,356</u>	<u>(1,008)</u>	<u>772,348</u>

Note:

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 reorganization on 20 March 2001 as set out in the prospectus of the Company dated 26 March 2001.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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 unaudited consolidated financial statements are presented in Hong Kong dollars (HK\$), which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION

The unaudited consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the unaudited consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM and by the Hong Kong Companies Ordinance. The principal accounting policies used in the quarterly financial statements are consistent with those adopted in the financial statements for the year ended 31 March 2012 and these unaudited quarterly financial statements should be read in conjunction with such financial statements.

HKICPA has issued a number of new and revised HKFRSs. For those which are effective for accounting periods beginning on 1 April 2012, the adoption has no material effect on the reported results and the financial position of the Group for the current or prior accounting periods. For those which are not yet effective and have not been early adopted, the Group is in the process of assessing their impact on the Group’s results and financial position.

Change in presentation of unaudited consolidated statement of comprehensive income

In the current period, the Directors decided to change the classification of certain line items in the unaudited consolidated statement of comprehensive income to better reflect the relevance of financial information of the Group’s activities. Prior year figures have been re-presented to reflect the new presentation. The reclassification has had no net effect on the results of the Group for the three-month period ended 30 June 2011.

The effect of changes in presentation for the prior year by line items presented in the unaudited consolidated statement of comprehensive income is as follows:

	Originally stated <i>HK\$’000</i>	Adjustments <i>HK\$’000</i>	Restated <i>HK\$’000</i>
Turnover	238,126	669	238,795
Cost of sales and services	(168,844)	3,346	(165,498)
Other revenue	839	(299)	540
Distribution costs	<u>(4,807)</u>	<u>(3,716)</u>	<u>(8,523)</u>

The quarterly results are unaudited and have been reviewed by the Audit Committee of the Company.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

3. TURNOVER

The principal activities of the Group are manufacturing and sale of tobacco machinery products, sale of tobacco fertilizer and pesticide products, construction, provision of digital television services and manufacturing and sale of healthcare products in the People Republic of China (the "PRC").

Turnover represents revenue arising from sale of agricultural machinery, sale of fertilizer and pesticide, construction contracts revenue, provision of digital television services and sale of cordyceps-related and other healthcare products. An analysis of the Group's revenue is as follows:—

	Three-month period ended 30 June	
	2012	2011
	HK\$'000	HK\$'000 (Restated)
Sale of agricultural machinery and provision of construction services	445,110	236,124
Sale of fertilizer and pesticide	14,385	1,108
Provision of consultancy services	59	17
Provision of digital television services	1,262	760
Sale of cordyceps-related and other healthcare products	85	786
	460,901	238,795

4. OTHER REVENUE

	Three-month period ended 30 June	
	2012	2011
	HK\$'000	HK\$'000 (Restated)
Interest income	2,143	518
Sundry income	—	22
	2,143	540

5. FINANCE COSTS

Interest expenses on financial liabilities not at fair value through profit or loss are as follows-

	Three-month period ended 30 June	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans wholly repayable within five years	4,947	10,199
Interest on other loans	1,526	919
Effective interest expenses on convertible bonds	2,677	2,677
	<u>9,150</u>	<u>13,795</u>

6. OTHER GAIN

	Three-month period ended 30 June	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Change in fair value of financial assets designated at fair value through profit or loss	—	319

7. IMPAIRMENT LOSSES ON OTHER INTANGIBLE ASSETS

For the three-month period ended 30 June 2011, the impairment losses on other intangible assets relating to technologies owned by Kang Yuan Universal Investment Limited (“Kang Yuan”, which holds 100% equity interest of Jiangsu Kedi Modern Agricultural Company Ltd (“Jiangsu Kedi”) and the subsidiaries (collectively as “Jiangsu Kedi Group”)). During the last period, certain technologies owned by Jiangsu Kedi were contributed to the State Tobacco Monopoly Administration for the newly established industry standards of the intensive flue-curing machinery. Accordingly, the Company made provision for impairment on the technologies amounting to HK\$20,000,000.

8. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Taxation in the unaudited consolidated statement of comprehensive income represents:

	Three-month period ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Current tax — Hong Kong Profits Tax		
Provision for the period	—	—
Current tax — PRC Enterprise Income Tax		
Provision for the period	15,111	5,822
Deferred tax		
Revaluation of properties and technologies	(1,086)	(4,385)
	<u>14,025</u>	<u>1,437</u>

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as there were no estimated assessable profits for three-month periods ended 30 June 2012 and 2011.

In accordance with the relevant tax laws in the PRC, the subsidiaries of the Company in the PRC are subject to an enterprise income tax rate of 25% (2011: 25%) on its taxable income. However, in accordance with the relevant tax laws in the PRC, a subsidiary of the Company is exempted from enterprise income tax for its first two profit-making years (after deducting losses incurred in previous years) and is entitled to a 50% tax reduction for the succeeding three years. The year of 2012 is the fifth profit-making years of that subsidiary and accordingly, the applicable income tax rate for that subsidiary is 12.5% for the year. In addition, one of the subsidiaries of the Company had been designated as a high-tech enterprise and its PRC enterprise income tax rate was reduced from 25% to 15% in accordance to the relevant tax law in the PRC. The remaining subsidiaries of the Company in the PRC are subject to PRC enterprise income tax at 25% (2011: 25%) for their taxable income.

9. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Three-month period ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Profit		
Profit attributable to the owners of the Company	<u>153,780</u>	<u>8,555</u>
	2012	2011
	'000	'000
Number of shares		
Weighted average number of shares for the purpose of basis earnings per share	<u>2,713,798</u>	<u>2,713,798</u>

Basic and diluted earnings per share for the three-month periods ended 30 June 2012 and 2011 have been presented as the same because the exercise prices of the Company's share options and the conversion prices of the Company's convertible bonds were higher than the average market prices for these periods and therefore the effect is considered as anti-dilutive.

10. INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the three-month period ended 30 June 2012 (2011: Nil).

11. LOSS ON DISPOSAL OF INTEREST IN AN ASSOCIATE

The Group holds 20% interest in Xian Shenghua Electronic Engineering Company Limited ("Xian Shenghua"), which holds the entire interest in Xuchang Tongxia Modern Agricultural Technology Limited (collectively as "Xian Shenghua Group").

On 10 May 2012, the Group disposed of its entire interest in Xian Shenghua to a third party for proceeds of RMB6 million (Equivalent to HK\$7,407,000). This transaction has resulted a disposal loss recognised in the income statement. The calculation is as follows:—

	<i>HK\$'000</i>
Proceeds of disposal	7,407
Less: Carrying amount	<u>(8,911)</u>
Loss recognised	<u><u>(1,504)</u></u>

12. GAIN ON DISPOSAL OF ASSETS HELD FOR SALE

On 29 May 2012, the Group has completed a transaction in relation to the disposal of its certain prepaid land lease payments and property and equipment which were classified as assets held for sale in the 2012 Annual Report. The sales proceeds is settled by the convertible bond issued by the Company to Cyberland China Limited. A disposal gain is calculated as follows:—

	<i>HK\$'000</i>
Proceeds of disposal	
Convertible bonds (liability portion)	102,530
Convertible bonds (equity portion)	<u>68,069</u>
	170,599
Less: Carrying amount	<u>(103,431)</u>
Gain recognised	<u><u>67,168</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in manufacturing, sale and distribution of tobacco agricultural machinery, related products and provision of related services, provision of digital television service and distribution of healthcare products in the PRC.

The Group recorded a profit for the period of HK\$153,269,000 and a profit attributable to the owners of the Company of HK\$153,780,000 for the three-month period ended 30 June 2012. The Group's turnover and gross profit went up by 93% and 90% to HK\$460,901,000 and HK\$138,935,000 respectively compared to the corresponding period of last year. Such increases were principally due to continuous business growth of the Group's core operations, namely, tobacco agricultural operation.

On 29 May 2012, the Group has completed the disposal of its certain prepaid land lease payments and property and equipment with an aggregate net carrying amount of HK\$103,431,000 and the sale proceeds is settled by the convertible bonds issued by the Company to Cyberland China Limited amounting to HK\$170,599,000. A disposal gain of HK\$67,168,000 was recorded.

Tobacco agricultural operation

The Group's tobacco agricultural operation performed well during the period. Turnover from the tobacco agricultural operation grew by 94% to HK\$459,554,000 (2011: HK\$237,249,000). Such increase was principally due to the increased sale volume of the Group's core product — flue-curing machinery products “KH” series.

On 10 May 2012, the Group entered into a share transfer agreement with an independent third party to dispose of the remaining 20% interest in Xian Shenghua for a consideration of RMB6,000,000 (Equivalent to HK\$7,407,000). The transaction was completed on 16 May 2012 and a disposal loss of HK\$1,504,000 was recorded.

On 28 February 2011, the Group entered into a memorandum of understanding with an independent third party for a possible acquisition of 70% interests in a company which was principally engaged in the tobacco related agricultural operation in the PRC. The memorandum of understanding was expired on 28 August 2011 and the Group and the seller were mutually agreed in oral to further extend the negotiation. At the date of the announcement, the discussion is still on-going and no formal agreement has been entered by both parties.

Digital television operation

Performance from the Group's digital television business in the PRC was improving due to the rising advertising income as a result of the partial unlocked scientific channel in Hunan Province. Turnover from the digital television operation increased by 66% to HK\$1,262,000 (2011: HK\$760,000).

Healthcare products operation

In contrast, the Group's healthcare products operation faced considerable pressure from competition and rising operating costs. During the period, turnover from this operation was HK\$85,000 (2011: HK\$786,000). As the competitive pressure is not expected to ease and the operating costs will remain high in the coming years, the operation will still be challenging. The Group is now considering various measures to improve its performance and financial position or alternatively, may dispose of the operation if opportunity arises.

FINANCIAL REVIEW

Turnover

The Group's turnover increased by 93% to HK\$460,901,000 (2011: HK\$238,795,000). Turnover from tobacco agricultural operation, which representing 99.71% of the Group's turnover, increased by 94% to HK\$459,554,000 (2011: HK\$237,249,000). Turnover from digital television operation and healthcare products operation were HK\$1,262,000 and HK\$85,000 respectively and representing 0.27% and 0.02% respectively of the Group's turnover.

Cost of sales and services and gross profit

The Group's cost of sales and services mainly included costs of inventories sold and transportation costs, together representing 99% of the Group's cost of sales and services. The Group's gross profit increased sharply by 90% to HK\$138,935,000 (2011: HK\$73,297,000). The Group's gross profit margin remained 30% for the period (2011: 30%).

Distribution costs

The Group's distribution costs of HK\$10,074,000 (2011: HK\$8,523,000) mainly consisted of staff costs, travelling expenses and entertainment. The increased distribution costs were mainly attributable to the increased headcount of temporary employees and uprising pressure for wages in the PRC.

Administrative expenses

Administrative expenses for the current period were comparable to the last period, decreased by 10% to HK\$19,543,000 (2011: HK\$21,615,000).

Profit from operations

Profit from operations for the period was HK\$111,461,000 (2011: HK\$43,699,000), representing an increase of 3 times compared to the last period, mainly due to the favourable operating result from the tobacco agricultural business.

Finance costs

The finance costs decreased by 34% to HK\$9,150,000 (2011: HK\$13,795,000) mainly due to the decreased loan size.

PROSPECTS

The Group will continue to reinforce its leading position in the intensive flue-curing machinery. The Group believes in technical competence and effective operational management. We have established a solid foundation and a reputable brand name providing the comprehensive capability for sustainable development in the tobacco agricultural industry in the PRC. The Group remains optimistic and confident in the future performance due to the fact that sustainable modernization in the PRC's tobacco industry will drive consolidation amongst the industry participants and create additional business opportunities for the industry leading players.

As a leading player in the PRC's tobacco agricultural industry, the Group's business direction is to assist in the continuing modernization in the industry and execute policy in the best interests of our shareholders, stakeholders, our employees, and the tobacco farmers in the PRC. In view of the current challenging global economy, the Group will take a prudent approach to expose and capture new business opportunities to develop our business in the industry with an aim to maximize the long term return to the shareholders.

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

At 30 June 2012, the interest and short position of the Directors and chief executives of the Company in the share of HK\$0.01 each in the share capital of the Company (the "Shares"), underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Future Ordinance (the "SFO"), as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the SFO or the GEM Listing Rules were as follows:-

Long positions in the ordinary shares of the Company

Name of Director	Capacity and Nature of interest	Number of shares/underlying shares held	Approximate percentage of the Company's issued share capital
Ms. Jingquan Yingzi	Interests held by controlled corporation and beneficial owner	2,027,546,744 (note (b))	74.71%
Mr. Wong Man Hung Patrick	Beneficial owner	25,000,000	0.92%
Mr. Shan Xiaochang	Interests held by controlled corporation and beneficial owner	1,984,776,744 (notes (a) and (b))	73.14%
Mr. Feng Xiaoping	Interests held by controlled corporation	31,718,750 (note (c))	1.17%

Note:

(a) 1,982,326,744 shares are held by Cyberland (China) Limited, which is legally and beneficially owned by Stepwise International Holdings Limited ("Stepwise") as to 54.63%.

Stepwise is solely and beneficially owned by Mr. Shan Xiaochang.

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

(c) 31,718,750 shares are held by Sino Unicom Technology Limited, a company in which Mr. Feng Xiaoping has an indirect interest of 51% therein.

Save as disclosed prescribed, as at 30 June 2012, no Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the SFO) which are required (a) to be recorded in the register maintained by the Company under section 352 of the SFO or (b) to be notified to the Company and the Stock Exchange pursuant to the SFO or the GEM Listing Rules.

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

At 30 June 2012, so far as was known to the Directors of the Company, the following persons (not being Directors or chief executives of the Company) had, or were deemed to have, interests and long positions in the Shares or underlying shares which would fall to be disclosed under the provisions of Divisions 2 & 3 of part XV of the SFO and were recorded in the register kept by the Company pursuant to section 336 of the SFO.

Name of shareholders	Number of shares-long position	Percentage of Share capital (%)	Derivative interests	
			Number of underlying shares-long position	Percentage of share capital to issued capital at 30 June 2012 (%)
Mr. Lee Yuk Lun	219,298,244	8.08	—	—
Cyberland (China) Limited	—	—	1,982,326,744 <i>(notes (a) and (b))</i>	73.05
Stepwise International Holdings Limited ("Stepwise")			1,982,326,744 <i>(notes (a), (b) and (c))</i>	73.05
Ms. Wu Shuhua			1,984,776,744 <i>(note (d))</i>	73.14

Notes:

- (a) The interests refer to the same parcel of shares.
- (b) Cyberland (China) Limited is legally and beneficially owned as to 54.63% by Stepwise.
- (c) Stepwise is solely and beneficially owned by Mr. Shan.
- (d) Ms. Wu Shuhua is the spouse of Mr. Shan Xiaochang. By virtue of the SFO, Ms. Wu Shuhua is also deemed to be interested in all shares in which Mr. Shan Xiaochang is interested and/or deemed to be interested.

Save as disclosed above and in the above section headed "Directors' and chief executives' interests and short positions in the Shares, underlying shares and debentures of the Company or any associated corporation", the Company had not been notified of any other interests or short positions in the issued share capital of the Company to be recorded under Section 336 of the SFO at 30 June 2012.

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 three-month period ended 30 June 2012.

CORPORATE GOVERNANCE PRACTICES

The Company applied the principles and complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the three-month period ended 30 June 2012, with the exception of the deviation in respect of the appointment term of non-executive Directors.

Under code provision A4.1, non-executive directors should be appointed for specific term. There is no specific term of appointment of the non-executive directors, however, they are subject to retirement by rotation in accordance with Bye-laws of the Company. Accordingly the Company considers that sufficient measures have been taken to deal with the requirement in respect of the appointment terms of non-executive directors as required under the code provision.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

Throughout the three-month period ended 30 June 2012, the Company continued to adopt 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 by the Directors for the three-month period ended 30 June 2012.

COMPETING INTEREST

As far as the Directors are aware of, none of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) has an interest in a business that competed or may compete with the business of the Group.

AUDIT COMMITTEE

The Company established an audit committee on 20 March 2001 with written terms of reference in compliance with the requirements as set out in Rules 5.23 and 5.24 of the GEM Listing Rules. The primary duties of the audit committee are to review the Group's annual report and accounts, half-year report and quarterly reports and provide advice and comments thereon to the Board and to review and to provide supervision over the financial reporting process and internal control system of the Group. The present members of the audit committee are 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 three-month period ended 30 June 2012 and are of the opinion that such statements comply with the applicable accounting standards, the GEM Listing Rules and legal requirements.

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

Hong Kong, 13 August 2012

As of the date of this announcement, the executive directors of the Company are Ms. Jingquan Yingzi, Mr. Wong Man Hung Patrick, Mr. Shan Xiaochang, Mr. Wu Zhongxin, Mr. Feng Xiaoping and Mr. Stephen William Frostick; the non-executive directors 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 GEM website at www.hkgem.com on the "Latest Company Announcements" page and on the Company's website of <http://www.code-hk.com> for a minimum period of at least 7 days from the date of its posting.