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## **CODE AGRICULTURE (HOLDINGS) LIMITED**

**科地農業控股有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 8153)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016**

#### **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 “Directors”) of Code Agriculture (Holdings) Limited (the “Company”) collectively and individually accept full responsibility, includes particular given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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.*

## INTERIM RESULTS (UNAUDITED)

The board of Directors (the “Board”) of the Company hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2016 (the “Period”), together with the unaudited comparative figures for the corresponding period in 2015 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

For six months ended 30 September 2016

	Notes	Three months ended 30 September		Six months ended 30 September	
		2016 HK\$'000	2015 HK\$'000 (Restated)	2016 HK\$'000	2015 HK\$'000 (Restated)
<b>Continuing operations</b>					
Revenue	6	20,389	2,289	30,933	4,014
Cost of sales and services		(7,489)	(666)	(9,902)	(1,466)
Gross profit		12,900	1,623	21,031	2,548
Other income	7	110	21	207	80
Distribution costs		(617)	(635)	(699)	(1,313)
Administrative expenses		(4,117)	(5,421)	(7,040)	(8,607)
Net fair value gain on financial assets at fair value through profit or loss		2,697	–	2,697	–
Finance costs	8	(8,661)	(377)	(13,546)	(803)
Profit (loss) before income tax	9	2,312	(4,789)	2,650	(8,095)
Income tax credit (expense)	10	61	–	(219)	–
<b>Profit (loss) for the period from continuing operations</b>		<b>2,373</b>	<b>(4,789)</b>	<b>2,431</b>	<b>(8,095)</b>
<b>Discontinued operation</b>					
Loss for the period from discontinued operation	11	(12,560)	(27,296)	(23,125)	(64,241)
<b>Loss for the period</b>		<b>(10,187)</b>	<b>(32,085)</b>	<b>(20,694)</b>	<b>(72,336)</b>
<b>(Loss) profit attributable to:</b>					
Owners of the Company		(9,730)	(32,217)	(19,703)	(72,350)
Non-controlling interests		(457)	132	(991)	14
		(10,187)	(32,085)	(20,694)	(72,336)
		<i>HK cents</i>	<i>HK cents</i> (Restated)	<i>HK cents</i>	<i>HK cents</i> (Restated)
<b>(Loss) earning per share attributable to owners of the Company</b>					
Basic and Diluted	12				
– From continuing and discontinued operations		(1.43)	(29.80)	(6.55)	(69.58)
– From continuing operations		0.42	(4.55)	1.14	(7.80)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
(UNAUDITED)**

*For six months ended 30 September 2016*

	<b>Three months ended 30 September</b>		<b>Six months ended 30 September</b>	
	<b>2016</b>	2015	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
		(Restated)		(Restated)
<b>Loss for the period</b>	<b>(10,187)</b>	(32,085)	<b>(20,694)</b>	(72,336)
<b>Other comprehensive income</b>				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translation of foreign operations	<b>874</b>	4,261	<b>7,640</b>	4,730
<b>Total comprehensive expense for the period</b>	<b>(9,313)</b>	(27,824)	<b>(13,054)</b>	(67,606)
<b>Total comprehensive (expense) income attributable to:</b>				
Owners of the Company	<b>(8,855)</b>	(28,023)	<b>(12,155)</b>	(67,687)
Non-controlling interests	<b>(458)</b>	199	<b>(899)</b>	81
	<b>(9,313)</b>	(27,824)	<b>(13,054)</b>	(67,606)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 September 2016*

		(Unaudited) As at 30 September 2016 <i>HK\$'000</i>	(Audited) As at 31 March 2016 <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		7,225	26,702
Prepaid land lease payments		–	9,671
Goodwill		873	873
Other intangible assets		749	803
Deferred tax assets		618	4,477
		<b>9,465</b>	<b>42,526</b>
<b>Current assets</b>			
Inventories		189	28,653
Loan receivables		4,731	4,549
Trade receivables	14	18,294	90,293
Prepayments, deposits and other receivables		1,683	38,621
Amount due from a related company		2,599	2,532
Held-to-maturity investment		5,007	5,031
Financial assets at fair value through profit or loss		22,688	–
Tax recoverable		–	41
Cash and cash equivalents		30,820	64,079
		<b>86,011</b>	<b>233,799</b>
Assets of the disposal group classified as held for sale	11	<b>281,094</b>	–
		<b>367,105</b>	<b>233,799</b>
<b>Current liabilities</b>			
Trade payables	15	1,107	53,926
Other payables and accruals		13,344	55,286
Amount due to a non-controlling shareholder of a subsidiary		701	726
Amount due to a director		–	17
Borrowings		63,360	286,694
Provision		–	55,002
Tax payable		398	–
		<b>78,910</b>	<b>451,951</b>
Liabilities of the disposal group classified as held for sale	11	<b>360,934</b>	–
		<b>439,844</b>	<b>451,951</b>

	<b>(Unaudited)</b>	(Audited)
	<b>As at</b>	As at
	<b>30 September</b>	31 March
	<b>2016</b>	2016
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Net current liabilities</b>	<u>(72,739)</u>	<u>(218,152)</u>
<b>Total assets less current liabilities</b>	<u>(63,274)</u>	<u>(175,626)</u>
<b>Non-current liabilities</b>		
Deferred tax liabilities	456	584
Convertible bonds	<u>175,223</u>	<u>102,070</u>
	<u>175,679</u>	<u>102,654</u>
<b>Net liabilities</b>	<u><b>(238,953)</b></u>	<u><b>(278,280)</b></u>
<b>EQUITY</b>		
<b>Capital and reserves</b>		
Share capital	273	43
Reserves	<u>(231,869)</u>	<u>(271,865)</u>
Equity attributable to owners of the Company	<u>(231,596)</u>	<u>(271,822)</u>
Non-controlling interests	<u>(7,357)</u>	<u>(6,458)</u>
<b>Capital deficiency</b>	<u><b>(238,953)</b></u>	<u><b>(278,280)</b></u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
*For the six months ended 30 September 2016*

	Attributable to owners of the Company										
	Share capital HK'000	Share premium HK'000	Equity component of convertible bonds 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 (audited)	37,829	1,503,719	-	(197)	24,347	-	84,665	(1,764,255)	(113,892)	(5,993)	(119,885)
Loss for the period	-	-	-	-	-	-	-	(72,350)	(72,350)	14	(72,336)
Other comprehensive income											
- Exchange differences on translation of foreign operations	-	-	-	-	-	-	4,663	-	4,663	67	4,730
Total comprehensive expense for the period	-	-	-	-	-	-	4,663	(72,350)	(67,687)	81	(67,606)
Issue of shares	5,420	34,378	-	-	-	-	-	-	39,798	-	39,798
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	-	-	-
Share issue expenses	-	(1,197)	-	-	-	-	-	-	(1,197)	-	(1,197)
At 30 September 2015 (unaudited)	43	41,900	-	(197)	24,347	-	89,328	(298,399)	(142,978)	(5,912)	(148,890)
At 1 April 2016 (audited)	43	41,900	28,146	(197)	24,347	-	93,387	(459,448)	(271,822)	(6,458)	(278,280)
Loss for the period	-	-	-	-	-	-	-	(19,703)	(19,703)	(991)	(20,694)
Other comprehensive income											
- Exchange differences on translation of foreign operations	-	-	-	-	-	-	7,548	-	7,548	92	7,640
Total comprehensive expense for the period	-	-	-	-	-	-	7,548	(19,703)	(12,155)	(899)	(13,054)
Issue of convertible bonds (note (d))	-	-	30,221	-	-	-	-	-	30,221	-	30,221
Conversion of convertible bonds (note (e))	224	27,758	(6,521)	-	-	-	-	-	21,461	-	21,461
Shares issued in respect of bond interest payments (note (f))	6	693	-	-	-	-	-	-	699	-	699
At 30 September 2016 (unaudited)	273	70,351	51,846	(197)	24,347	-	100,935	(479,151)	(231,596)	(7,357)	(238,953)

*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 (the "Shareholders") 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 was divided 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 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) On 28 June 2016, the Company issued the 6% convertible bonds in the aggregate principal amount of HK\$120,000,000 due on 28 June 2019 (the "CB 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.
- (e) During the Period, 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 CB 2019 have converted the CB 2018 and CB 2019 with the aggregate principal amount of HK\$15,000,000 and HK\$13,000,000 respectively at conversion price of HK\$0.05 per share into a total of 560,000,000 ordinary shares of the Company.
- (f) During the Period, the bondholders of the CB 2018 and CB 2019 have requested to pay the outstanding interests of HK\$699,000 by way of the Company's shares. 13,986,000 ordinary shares of the Company were issued at conversion price of HK\$0.05 per share.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)***For the six months ended 30 September 2016*

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2016</b>	2015
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash flows used in operating activities	<b>(28,523)</b>	(11,154)
Net cash flows used in investing activities	<b>(21,346)</b>	(38)
Net cash flows generated from financing activities	<b>112,752</b>	18,619
	<hr/>	<hr/>
<b>Net increase in cash and cash equivalents</b>	<b>62,883</b>	7,427
Cash and cash equivalents at beginning of the period	<b>64,079</b>	7,983
Effect of foreign exchange rate changes	<b>4,778</b>	(6,346)
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of the period</b>	<b>131,740</b>	9,064
	<hr/>	<hr/>
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	<b>30,820</b>	9,064
Cash and bank balances attributable to a discontinued operation	<i>11</i> <b>100,920</b>	–
	<hr/>	<hr/>
	<b>131,740</b>	9,064
	<hr/>	<hr/>



## NOTES TO THE CONDENSED 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 and the principal activities of the Group are provision of digital television services in the PRC and Hong Kong, money lending business in Hong Kong and provision of car beauty services in Hong Kong.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousands except when otherwise indicated. The condensed consolidated financial statements for the six months ended 30 September 2016 (the “Interim Financial Statements”) are unaudited but were reviewed by the Audit Committee of the Company (the “Audit Committee”) and approved for issue by the Board on 10 November 2016.

### 2. BASIS OF PREPARATION

The Interim Financial Statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules. The Interim Financial Statements do not include all the information required in annual financial statements in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual HKFRSs, HKASs and Interpretations issued by the HKICPA, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 March 2016 (the “Annual Report 2016”).

#### Going concern

The Group incurred unaudited loss for the six months ended 30 September 2016 of approximately HK\$20.7 million and, as at that date, the Group recorded both unaudited net current liabilities of HK\$72.7 million and capital deficiency of HK\$239.0 million. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern.

As stated in the Annual Report 2016, the Directors have taken the following actions to mitigate the liquidity issues facing by the Group:

- (a) A director of the Company has confirmed that she will provide continuous financial support to the Company for a period of twelve months from the date of approval of the Company’s financial statements for the year ended 31 March 2016 by the Directors;
- (b) Possible fund raising activities including, but not limited to, further placing, rights issues or open offer are to be attempted;
- (c) The Group is in negotiation with financial institutions for loan restructuring 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 to enhance the source of income.

In light of the measures and arrangements as described above, the Directors consider the Group and the Company will have sufficient working capital to meet their financial obligations as they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

### 3. SIGNIFICANT ACCOUNTING POLICIES

The Interim Financial Statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values. The accounting policies used in the preparation of the Interim Financial Statements are consistent with those set out in the Annual Report 2016, except that the Group has applied for the first time, the following new standards, amendments and interpretations (the “new HKFRSs”) issued by the HKICPA, which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 April 2016.

HKFRS 14	Regulatory Deferral Accounts
Amendments to HKFRSs	Annual Improvements 2012–2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKFRS 11	Accounting for Acquisition of Interest in Joint Operations
Amendments to HKFRS 10, HKFRS 12 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 adoption of the new and revised HKFRSs had no material effect on the results and financial position for the current or prior accounting periods which have been prepared and presented. Accordingly, no prior period adjustment has been recognised.

### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Interim Financial Statements in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from their estimates.

The significant judgments, estimates and assumptions applied in the preparation of the Interim Financial Statements are consistent with those used in the Annual Report 2016.

### 5. OPERATING SEGMENT INFORMATION

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

- (a) Digital television: provision of broadcasting, coordinating advertisement campaign and advertising of digital television in the PRC and Hong Kong;
- (b) Car beauty: provision of car beauty and maintenance services in Hong Kong (commenced on 30 December 2015); and
- (c) Money lending: provision of mortgage loans and short-term loans in Hong Kong (commenced on 8 March 2016).

During the six months ended 30 September 2016, the Group planned to dispose of the entire equity interests in Big Success Enterprises Limited (“Big Success”) and its subsidiaries (collectively, the “Big Success Group”) which were engaged in manufacture and 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 tax is measured consistently with the Group's profit before 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 (unaudited)

#### For the six months ended 30 September 2016

	Digital television <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Car beauty <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue</b>				
Sales to external customers	<u>27,268</u>	<u>2,419</u>	<u>1,246</u>	<u>30,933</u>
<b>Segment results</b>	<u>17,520</u>	<u>2,414</u>	<u>(1,132)</u>	<u>18,802</u>
Reconciliation:				
Bank interest income				2
Unallocated gains				205
Net fair value gain on financial assets at fair value through profit or loss				2,697
Finance costs				(13,546)
Corporate and other unallocated expenses				<u>(5,510)</u>
Profit before income tax				<u>2,650</u>

#### For the six months ended 30 September 2015 (restated)

	Digital television <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Car beauty <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue</b>				
Sales to external customers	<u>4,014</u>	<u>–</u>	<u>–</u>	<u>4,014</u>
<b>Segment results</b>	<u>46</u>	<u>–</u>	<u>–</u>	<u>46</u>
Reconciliation:				
Bank interest income				1
Unallocated gains				79
Finance costs				(803)
Corporate and other unallocated expenses				<u>(7,418)</u>
Loss before income tax				<u>(8,095)</u>

## Segment Assets and Liabilities

At 30 September 2016 (unaudited)

	Digital television <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Car beauty <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment assets</b>	<b>21,375</b>	<b>6,990</b>	<b>3,360</b>	<b>31,725</b>
Reconciliation:				
Deferred tax assets				618
Corporate and other unallocated assets				<u>63,133</u>
Total assets excluding assets relating to discontinued operation				<u>95,476</u>
<b>Segment liabilities</b>	<b>10,365</b>	<b>398</b>	<b>493</b>	<b>11,256</b>
Reconciliation:				
Deferred tax liabilities				456
Convertible bond				175,223
Corporate and other unallocated liabilities				<u>67,654</u>
Total liabilities excluding liabilities relating to discontinued operation				<u>254,589</u>

At 31 March 2016 (audited)

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

	Revenue from external customers (Unaudited)		Non-current assets (Unaudited) (Audited)	
	Six months ended 30 September		As at 30 September	
	2016	2015	2016	As at 31 March 2016
	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)
The PRC	9,268	4,014	2,427	2,471
Hong Kong	21,665	–	6,420	6,139
	<u>30,933</u>	<u>4,014</u>	<u>8,847</u>	<u>8,610</u>

## Information about major customers (unaudited)

No sales to a single customer or a group of customers under with common control accounted for 10% or more of the Group's revenue for the six months ended 30 September 2016 and 2015.

## 6. REVENUE (UNAUDITED)

	Three months ended 30 September		Six months ended 30 September	
	2016	2015	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)
<b>Continuing operations</b>				
Digital television service income	19,620	2,289	27,268	4,014
Money lending income	135	–	2,419	–
Car beauty service income	634	–	1,246	–
	<u>20,389</u>	<u>2,289</u>	<u>30,933</u>	<u>4,014</u>

**7. OTHER INCOME (UNAUDITED)**

	Three months ended		Six months ended	
	30 September		30 September	
	2016	2015	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)		(Restated)
<b>Continuing operations</b>				
Bank interest income	2	–	2	1
Interest income from held-to-maturity investment	74	–	137	–
Interest income from amount due from a related company	34	–	68	–
Sundry income	–	21	–	79
	<u>110</u>	<u>21</u>	<u>207</u>	<u>80</u>

**8. FINANCE COSTS (UNAUDITED)**

	Three months ended		Six months ended	
	30 September		30 September	
	2016	2015	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)		(Restated)
<b>Continuing operations</b>				
Interest on other loans wholly repayable within five years	405	377	764	803
Interest on convertible bonds	8,256	–	12,782	–
	<u>8,661</u>	<u>377</u>	<u>13,546</u>	<u>803</u>

## 9. PROFIT (LOSS) BEFORE INCOME TAX (UNAUDITED)

Profit (loss) before income tax from continuing operations is arrived at after charging:

	Three months ended 30 September		Six months ended 30 September	
	2016 HK\$'000	2015 HK\$'000 (Restated)	2016 HK\$'000	2015 HK\$'000 (Restated)
<b>(a) Employee benefit expenses (including directors' remuneration)</b>				
Salaries, wages and other benefits	3,533	3,142	5,777	4,943
Retirement benefit scheme contributions	171	110	298	220
	<u>3,704</u>	<u>3,252</u>	<u>6,075</u>	<u>5,163</u>
<b>(b) Other items</b>				
Amortisation of other intangible assets	25	2	49	4
Depreciation of items of property, plant and equipment	519	106	955	236
Write-off of items of property, plant and equipment	–	–	28	–
Write-down of inventories	21	–	21	–
Minimum lease payments under operating leases in respect of land and buildings	957	689	1,852	1,393
Minimum lease payments under operating leases in respect of office equipment	15	14	30	28
	<u>15</u>	<u>14</u>	<u>30</u>	<u>28</u>

## 10. INCOME TAX (CREDIT) EXPENSE (UNAUDITED)

	Three months ended 30 September		Six months ended 30 September	
	2016 HK\$'000	2015 HK\$'000 (Restated)	2016 HK\$'000	2015 HK\$'000 (Restated)
<b>Continuing operations</b>				
Current tax – Hong Kong Profits Tax				
– Provision for the period	22	–	398	–
Current tax – PRC Enterprises Income Tax (“EIT”)				
– Provision for the period	–	–	–	–
Deferred tax				
– Origination and reversal of temporary differences	(83)	–	(179)	–
Income tax (credit) expense	<u>(61)</u>	<u>–</u>	<u>219</u>	<u>–</u>

Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the Period.

The provision for EIT is calculated at the standard rate of 25% (2015: 25%) on the estimated assessable income for the period as determined in accordance with the relevant income tax rules and regulations of the PRC.

## 11. DISCONTINUED OPERATION (UNAUDITED)

The Board passed a resolution to dispose of the entire issued share capital of Big Success to an independent third party.

As at 30 September 2016, the discussion and negotiation for the disposal were in progress and Big Success Group had been classified as a disposal group held for sale and as a discontinued operation. With Big Success Group being classified as a discontinued operation, the tobacco agricultural machinery segment is no longer included in the note for operating segment information as at 30 September 2016.

On 6 October 2016, the Company announced that it entered into an agreement regarding the Disposal of Big Success Group. A circular containing information on the Disposal of Big Success Group is expected to be despatched to the shareholders on 18 November 2016. The special general meeting of the Company approving the Disposal of Big Success Group will be convened and held for the shareholders.

The results of Big Success Group for the period are presented below:

	Three months ended		Six months ended	
	30 September		30 September	
	2016	2015	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	<b>21</b>	1,177	<b>116</b>	11,011
Cost of sales and services	<b>(2)</b>	(1,238)	<b>(60)</b>	(8,854)
Gross profit (loss)	<b>19</b>	(61)	<b>56</b>	2,157
Other income	–	3	<b>5</b>	9
Distribution costs	<b>(314)</b>	(951)	<b>(327)</b>	(5,206)
Administrative expenses	<b>(9,387)</b>	(4,521)	<b>(16,826)</b>	(7,489)
Other losses	–	(15,253)	–	(40,276)
Finance costs	<b>(2,890)</b>	(6,526)	<b>(6,011)</b>	(13,381)
Loss before income tax from discontinued operation	<b>(12,572)</b>	(27,309)	<b>(23,103)</b>	(64,186)
Income tax credit (expense)	<b>12</b>	13	<b>(22)</b>	(55)
Loss for the period from discontinued operation	<b>(12,560)</b>	(27,296)	<b>(23,125)</b>	(64,241)



The major classes of assets and liabilities of Big Success Group classified as held for sale are as follows:

	<b>As at 30 September 2016 HK\$'000</b>
<b>ASSETS</b>	
Property, plant and equipment	16,706
Prepaid land lease payments	9,205
Deferred tax assets	3,794
Inventories	22,622
Trade receivables	77,221
Prepayments, deposits and other receivables	50,587
Tax recoverable	39
Cash and cash equivalents	<u>100,920</u>
	<u>281,094</u>
<b>LIABILITIES</b>	
Trade payables	42,661
Other payables and accruals	54,559
Borrowings	216,237
Provision	47,435
Deferred tax liabilities	<u>42</u>
	<u>360,934</u>
Net liabilities directly associated with Big Success Group	<u>(79,840)</u>

The net cash flows incurred by Big Success Group are as follows:

	<b>Six months ended 30 September 2016 HK\$'000</b>
Operating activities	(29,985)
Financing activities	<u>120,671</u>
Net cash inflows	<u>90,686</u>

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

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

	Three months ended		Six months ended	
	30 September		30 September	
	2016	2015	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)		(Restated)
<b>(Loss) earnings</b>				
(Loss) profit attributable to owners of the Company				
From continuing operations	<b>2,830</b>	(4,921)	<b>3,422</b>	(8,109)
From discontinued operation	<b>(12,560)</b>	(27,296)	<b>(23,125)</b>	(64,241)
	<b>(9,730)</b>	(32,217)	<b>(19,703)</b>	(72,350)
<b>Number of shares</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares in issue	<b>682,109</b>	108,123	<b>300,797</b>	103,988

- (b) No adjustment has been made to the basic (loss) earnings per share amounts presented for the three months and six months ended 30 September 2016 and 2015 in respect of a dilution as the impact of the convertible bonds outstanding had an anti-dilutive effect.

**13. DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2016 (2015: Nil).

**14. TRADE RECEIVABLES**

	(Unaudited)	(Audited)
	As at	As at
	30 September	31 March
	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	<b>18,294</b>	209,315
Less: Accumulated impairment	<b>–</b>	(119,022)
	<b>18,294</b>	<b>90,293</b>

The 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:

	(Unaudited) As at <b>30 September</b> <b>2016</b> <i>HK\$'000</i>	(Audited) As at 31 March 2016 <i>HK\$'000</i>
Current	18,007	737
30–90 days	287	–
91–180 days	–	–
Over 180 days	–	89,556
	<u>18,294</u>	<u>90,293</u>

## 15. TRADE PAYABLES

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

	(Unaudited) As at <b>30 September</b> <b>2016</b> <i>HK\$'000</i>	(Audited) As at 31 March 2016 <i>HK\$'000</i>
Current	686	–
30–90 days	81	1,063
91–180 days	116	2
Over 180 days	224	52,861
	<u>1,107</u>	<u>53,926</u>

## 16. LITIGATION

For the detailed information of litigation cases, please refer to page 25 in the paragraph headed “Legal Proceedings” in this announcement. Based on the legal opinion of the PRC legal advisors, the Directors are of the view that no further provision for legal claim was required to be made for the six months ended 30 September 2016 (2015: Nil).

## 17. EVENTS AFTER REPORTING PERIOD

- (a) On 6 October 2016, the Company entered into a sale and purchase agreement with Harmonic Ally Investments Limited (the “Purchaser”) and Mr. Zhou Xin (the “Guarantor”), pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the entire issued share capital of Big Success Group at the consideration of HK\$5,000,000 and the Guarantor has agreed to guarantee the due and punctual performance by the Purchaser of its obligations under the sale and purchase agreement. The special general meeting of the Company will be convened and held to pass the relevant resolution approving the Disposal of Big Success Group. Further details please refer to note 11 to the financial statements and the announcement of the Company dated 6 October 2016 and 28 October 2016.
- (b) On 19 October 2016, the bondholders of the CB 2018 have converted the CB 2018 with the principal amount of HK\$7,000,000 and the outstanding interest of HK\$397,000 at conversion price of HK\$0.05 per share into 147,939,726 ordinary shares of the Company.
- (c) On 7 November 2016, the Company entered into a non-legally binding memorandum of understanding with two individuals in relation to a proposed investment of a jade mining business in Australia (the “Proposed Investment”). A formal agreement in relation to the Proposed Investment is expected to be entered into by the relevant parties to finalise the specific terms for the cooperation upon acceptance of the due diligence review on the Proposed Investment. Further details please refer to the announcement of the Company dated 7 November 2016.
- (d) On 9 November 2016, the bondholders of the CB 2018 have converted the CB 2018 with the principal amount of HK\$7,000,000 and the outstanding interest of HK\$419,000 at conversion price of HK\$0.05 per share into 148,376,986 ordinary shares of the Company.

## 18. COMPARATIVE FIGURES

The comparative statement of profit or loss has been re-presented as if the operation discontinued during the current period had been discontinued at the beginning of the comparative period.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Business Review**

During the Period, the Group was principally engaged in provision of digital television services in the PRC and Hong Kong, money lending business in Hong Kong and provision of car beauty services in Hong Kong.

During the Period, the Group planned to dispose of its entire equity investment in the tobacco agricultural machinery operation. As a result, financial results of this segment were recorded under discontinued operation.

### ***Digital television operation***

This operation is operated by Hunan Xiaoxiang Digital Television Broadcast Company Limited (“Hunan Digital TV”), an indirectly owned subsidiary of the Company. Hunan Digital TV is currently operating three broadcasting channels, namely Channel 92, 93 and 94 in Hunan Province. Revenue from this operation for the Period significantly increased by 579.3% to HK\$27.3 million (2015: HK\$4.0 million), accounted for 88.2% of the Group’s revenue. The revenue growth was mainly due to the management of the Group has placed more emphasis on this operation during the Period. They have been actively utilising their network to expand this operation. The Company has enlarged its capital injection in Hunan Digital TV to upgrade of certain equipment in order to enhance the quality of TV programs. The culture, media and entertainment related business are fast growing along with the increase in the disposable personal income in the PRC, so the management believes the market is full of expansion capacity and the performance of the digital television broadcasting could be uplifted in the future. The Company is optimistic that this operation will have a sustainable growth in the future.

### ***Money lending related operation***

The Group has successfully applied for Money Lenders Licence on 8 March 2016 and the business of money lending has officially launched since March 2016. It is envisaged to provide mainly short-term secured financing and mortgage loans in Hong Kong, whereby personal properties or other securities will be demanded as collaterals. Revenue from this operation for the Period was HK\$2.4 million, accounted for 7.8% of the Group’s revenue. The Group is positive towards incubating money lending business.

### ***Car beauty operation***

The Group has launched the first car beauty workshop in Hong Kong on 30 December 2015 which targets on mid-to-high end private cars. In order to expand its market share, the Company has set up one more workshop at Kowloon Bay in August 2016.

Revenue from this operation for the Period was HK\$1.2 million, accounted for 4.0% of the Group’s revenue. The Company has formulated strategic planning for this operation and believes this operation will provide steady revenue for the Group in the forthcoming financial periods.

## **Financial Review**

### ***Revenue***

The Group's revenue from continuing operations for the Period was HK\$30.9 million (2015: HK\$4.0 million), representing an increase of 670.6% as compared to the same period in 2015. The increase in revenue was mainly attributable to revenue contributed by the digital television operation.

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

The Group recorded total cost of sales and services from continuing operations for the Period of HK\$9.9 million (2015: HK\$1.5 million). Overall gross profit from continuing operations for the Period has significantly increased by 725.4% to HK\$21.0 million (2015: HK\$2.5 million). The gross profit margin increased to 68.0% (2015: 63.5%) due to the fact that fixed direct costs were diluted and the money lending operation was requiring low direct costs and the reasons stated in the business review above.

### ***Distribution costs and administrative expenses***

The Group recorded distribution costs from continuing operations for the Period of HK\$699,000 (2015: HK\$1.3 million) and administrative expenses from continuing operations for the Period of HK\$7.0 million (2015: HK\$8.6 million). The Group will continue to adopt the stringent cost controls in the future.

### ***Finance costs***

Finance costs from continuing operations for the Period increased significantly to HK\$13.5 million (2015: HK\$0.8 million). The amount included the interests on other loan of HK\$0.8 million (2015: HK\$0.8 million) and the interests of HK\$12.7 million (2015: Nil) from 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.

### ***Loss for the period and profit (loss) attributable to owners of the Company***

As a result of the above factors, loss for the Period decreased by 71.4% to HK\$20.7 million (2015: HK\$72.3 million). Loss attributable to owners of the Company for the Period was HK\$19.7 million (2015: HK\$72.4 million) after share of loss with the non-controlling interests. Profit per share from continuing operations attributable to owners of the Company was HK\$0.01 (2015: loss of HK\$0.08).

## **PROSPECTS**

Despite the slow economic growth in the PRC, the Company considers that there are more opportunities arising from the flourishing culture, media and entertainment industry in the PRC. One of our major investments, Hunan Digital TV, will strengthen its operation in the three broadcasting Channels 92, 93 and 94 in Hunan Province by enhancing the scope and quality of TV program, featured films and advertisement.

The management considers that there is growth potential in car beauty business and money lending business in Hong Kong. The Company plans to expand its market share by opening more shops for car beauty business. Meanwhile, the Group will put more resources on the money lending business. In future, it is believed that these two operations will provide steady cash inflows for the Group.

The Group will also continue to explore investment opportunities and remain dedicated to constantly review, reinforce and, in appropriate circumstances, restructure its existing business segments with a view to enhancing and improving returns to our stakeholders.

## **CAPITAL STRUCTURE**

As at 30 September 2016, the number of issued ordinary shares of the Company was 682,109,199 shares (31 March 2016: 108,123,473 shares).

As at 30 September 2016, the Company may have to issue a total of 4,440,000,000 shares upon full conversion of the HK\$222 million principal amount of the convertible bonds.

### **Placing of convertible bonds under specific mandate**

On 22 April 2016, the Company entered into the placing agreement with the placing agent, pursuant to which the placing agent agreed amongst other things to procure not less than six placees to subscribe for up to HK\$120 million of the convertible bonds on a best effort basis by one or more tranches of not less than HK\$10 million each. Further details of the placing were set out the announcements of the Company dated 22 April 2016 and 3 June 2016 and the circular of the Company dated 18 May 2016. The Company has finally completed the placing of convertible bonds in the aggregate principal amount of HK\$120 million taken place on 28 June 2016. The net proceeds from the placing of convertible bonds were approximately HK\$112.8 million, out of which HK\$88.9 million will be used for settlement of borrowings and interests, and the remaining amount of HK\$23.9 million will be used for general working capital and/or investment opportunities as may be identified from time to time.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 September 2016, the Group's cash and cash equivalents including assets classified as held for sale were HK\$131.7 million (31 March 2016: HK\$64.1 million). The Group's current ratio, being the current assets of HK\$367.1 million (31 March 2016: HK\$233.8 million) divided by current liabilities of HK\$439.8 million (31 March 2016: HK\$452.0 million), was computed as 0.83 (31 March 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 including liabilities classified as held for sale at 30 September 2016 comprised the convertible bonds, borrowings, amount due to a director and amount due to a non-controlling shareholder of a subsidiary with the aggregate amount of HK\$455.7 million (31 March 2016: HK\$389.5 million). As mentioned in the paragraph headed "Legal Proceedings" below, the small and medium-sized enterprise placement bonds (the "SME Private Bonds") with the aggregate principal amount of HK\$19.7 million (31 March 2016: HK\$20.3 million) were already overdue and the Company received a civil judgement regarding the dispute over the SME Private Bonds. Besides, the bank loans with the aggregate amount of HK\$252.9 million (31 March 2016: HK\$203.6 million) are either overdue or repayable within one year. The gearing ratio of the Group, being the total indebtedness divided by total assets excluding deferred tax assets and liabilities, was 122.4% (31 March 2016: 143.1%) at 30 September 2016. To cope with the imminent need for settlement of the loans and trimming down the Group's debt level to a healthy level, the management is considering other fund raising opportunities.

## **EXPOSURE TO FLUCTUATION IN EXCHANGE RATE**

The majority of the Group's borrowings and transactions were primarily denominated in Renminbi and Hong Kong dollars. Both the operating expenses and revenue were primarily denominated in Renminbi. The continued growth in the economy of the PRC is expected to warrant a continued appreciation of Renminbi. The Group's reported assets, liabilities and results may be affected by the Renminbi exchange rates. Although Renminbi exchange risk exposure did not have significant impact on the Group during the period under review, the Group will keep on reviewing and monitoring the fluctuation in exchange rates between Renminbi and Hong Kong dollars, and may make appropriate foreign exchange hedging arrangements when necessary.



## **CHARGE ON GROUP ASSETS**

As at 30 September 2016, the Group's certain leasehold land and buildings classified as held for sale with aggregate carrying amount of approximately HK\$19.6 million (31 March 2016: HK\$21.2 million) were pledged to secure the bank borrowings which classified as held for sale.

## **CONTINGENT LIABILITY**

No material contingent liability of the Group was noted at 30 September 2016.

## **EMPLOYEE**

As at 30 September 2016, the Group had 81 (31 March 2016: 73) full-time employees including Directors. Total staff costs from continuing operations, including directors' emoluments for the Period was HK\$6.8 million (2015: HK\$5.2 million).

## **LEGAL PROCEEDINGS**

### **(a) (2015) Xi Min Chu Zi No. 0005#**

As disclosed in the Company's announcement dated 18 June 2015, there was a legal proceeding in the PRC (the "PRC Proceeding"), namely (2015) Xi Min Chu Zi No. 0005# ((2015)錫民初字第0005號) whereby Jiangsu Kedi Modern Agriculture Company Limited ("Jiangsu Kedi"), an indirectly wholly-owned subsidiary of the Company, together with Jiangsu Zhongsai Environment Technology Company Limited# (中賽環境科技有限公司), Shan Xiaochang# (單曉昌) and Shan Zhuojun# (單茁君), were named as co-defendants in their capacity of guarantors to the Alleged Loan (as defined in aforesaid announcement) owing by Jiangsu Yonglu Fertilizer Company Limited# ("Jiangsu Yonglu") (江蘇永祿肥料有限公司) to the plaintiff, Mei Jingsong# (梅勁松). The hearing of the PRC Proceeding was held on 4 August 2015. A judgment was subsequently handed down against Jiangsu Yonglu and the co-defendants. Jiangsu Yonglu was required to pay RMB44.6 million together with the interests incurred thereon to the plaintiff, and the other co-defendants were required to undertake the responsibilities of joint guarantee but were granted the right of recourse against Jiangsu Yonglu. The Company is in the course of seeking legal advice from its PRC legal advisor and will make further announcement(s) on any significant development.

Shan Xiaochang ("Mr. Shan") was the legal representative of Jiangsu Kedi at the date of signing the guarantee in question over the Alleged Loan during the material time. According to a declaration made by Mr. Shan dated 9 June 2015, he confirmed that the Board has never authorised him to enter into such guarantee on behalf of Jiangsu Kedi. In the opinion of the PRC legal advisor of the Company, the validity of the guarantee in question over the Alleged Loan is doubtful. However, based on the civil judgment dated 24 May 2016, the Directors made the full provision of HK\$55,002,000 for the year ended 31 March 2016.

**(b) (2015) Xi Bin Shang Chu Zi No. 00179#**

Jiangsu Kedi received a civil judgment, namely (2015) Xi Bin Shang Chu Zi No. 00179# ((2015) 錫濱商初字第00179號) whereby Jiangsu Kedi, together with Yi Xing Shen Li Chemical Company Limited# (宜興申利化工有限公司), Ma Jungan# (馬君乾), Jiang Yiqun# (蔣益群) and Pan Xiaoqin# (潘曉琴), were named as co-defendants in their capacity of guarantors of the a loan amounted to RMB4.4 million owned by Shi Lixin (史利信) to the plaintiff, Wuxi City Binhu District Taihu Rural Village Small Loan Company Limited# (無錫市濱湖區太湖農村小額貸款有限公司).

After a preliminary investigation, the Directors are of opinion that the allegation made by the plaintiff against Jiangsu Kedi is not justifiable. To the best knowledge and information available, the Group and Jiangsu Kedi have never authorised the provision of the alleged guarantee to the plaintiff over the loan. Nevertheless, the Group has established a committee and engaged a PRC legal advisor to follow up this litigation. The Company will make further announcement(s) on any significant development of this litigation when it considers necessary.

**(c) (2015) Xi Bin Shang Chu Zi No. 00180#**

Jiangsu Kedi received a civil judgment, namely (2015) Xi Bin Shang Chu Zi No. 00180# ((2015) 錫濱商初字第00180號) whereby Jiangsu Kedi, together with Yi Xing Shen Li Chemical Company Limited# (宜興申利化工有限公司), Jiang Yiqun# (蔣益群) and Pan Xiaoqin# (潘曉琴), were named co-defendants in their capacity of guarantors of the a loan amounted to RMB5 million owned by Ma Jungan# (馬君乾) to the plaintiff, Wuxi City Binhu District Taihu Rural Village Small Loan Company Limited# (無錫市濱湖區太湖農村小額貸款有限公司).

After a preliminary investigation, the Directors are of opinion that the allegation made by the plaintiff against Jiangsu Kedi is not justifiable. To the best knowledge and information available, the Group and Jiangsu Kedi have never authorised the provision of the alleged guarantee to the plaintiff over the loan. Nevertheless, the Group has established a committee and engaged a PRC legal advisor to follow up this litigation. The Company will make further announcement(s) on any significant development of this litigation when it considers necessary.

**(d) (2015) Xi Zhong Bao Zi No. 0062#**

The Company received a civil judgment of (2015) Xi Zhong Bao Zi No. 0062# ((2015)錫仲保字第0062號) (the “Judgment”) on 2 September 2015, which was related to a dispute (the “Dispute”) arising from the small and medium-sized enterprise placement bonds (the “SME Private Bonds”) of outstanding aggregate principal amount of RMB33.3 million. According to the Judgment, the applicants of the Dispute (the “Applicants”) had applied for arbitration in May 2015. The Applicants had demanded to freeze the sum of RMB41 million in the bank account of Jiangsu Kedi or other assets of equivalent amount of Jiangsu Kedi. Up to the date of this announcement, the Company has repaid the Applicants RMB15.6 million together with relevant accrued interest of the SME Private Bonds. For the remaining outstanding principal, the Company, through its legal advisor is actively in negotiating with the Applicants in the PRC. The Company will make further announcement(s) on any substantial progress towards the Dispute when it considers necessary. For details, please refer to the Company’s announcement dated 4 September 2015.

# The English name in this announcement is for reference only. The official name is in Chinese.

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

As at 30 September 2016, the interests and short positions of the Directors and chief executives of the Company in the ordinary share of HK\$0.0004 each in the share capital of the Company (“Shares”), underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the “SFO”), as recorded in the register which is required to be kept 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 Shares and underlying Shares**

<b>Name of Director</b>	<b>Capacity and nature of interests</b>	<b>Number of Shares and underlying Shares held</b>	<b>Percentage of shareholding</b>
Ms. Jingquan Yingzi (“Ms. Jingquan”)	Interests held by controlled corporation and beneficial owner	27,859,017 (note)	4.08%

*Note:*

There are totally 26,728,517 Shares held by Cyberland (China) Limited (“Cyberland”) which is legally and beneficially owned as to 30.37% by Rise Enterprises Limited (“Rise Enterprises”) and 15% by Wealth Way Investment Limited respectively. Rise Enterprises is beneficially owned as to 62.96% by Eagle Bliss Limited which in turn is wholly owned by Ms. Jingquan, while Wealth Way is directly and wholly owned by Ms. Jingquan. Cyberland is in aggregate indirectly 34.12% owned by Ms. Jingquan. For the purpose of Part XV of SFO (Chapter 571 of the Laws of Hong Kong), Ms. Jingquan is deemed to be interested in the Shares to be held by Cyberland.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed “Directors’ and Chief Executives’ interests and short positions in Shares, underlying Shares and debentures of the Company or any associated corporation” and “Share Option Scheme”, at no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

## SUBSTANTIAL SHAREHOLDERS’ INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2016, so far as was known to the Directors, the following persons (not being Directors or chief executives of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

### Long positions in the Shares and underlying Shares

Name of Shareholders	Capacity	Number of Shares held	Number of underlying Shares held	Percentage of issued share capital of the Company
Yiu Kwok Ming Tommy	Beneficial owner	82,458,628	420,000,000 (note (c))	73.66%
Proud Glory Investments Limited	Beneficial owner	59,808,628	320,000,000 (note (c))	55.68%
Lee Yuk Lun (note (a))	Interest of a controlled corporation	59,808,628	320,000,000 (note (c))	55.68%
Chow Kam Wah	Beneficial owner	20,601,640	140,000,000 (note (c))	23.54%
Ip Po Ki	Beneficial owner	20,601,640	140,000,000 (note (c))	23.54%
Lam Kai Tai	Beneficial owner	13,400,958	180,000,000 (note (c))	28.35%
Lau Kevin	Beneficial owner	14,150,958	180,000,000 (note (c))	28.46%
Winner Cosmos Limited	Beneficial owner	46,867,670	240,000,000 (note (c))	42.06%
Ng Kwok Wing (note (b))	Interest of a controlled corporation	46,867,670	240,000,000 (note (c))	42.06%
Kitchell Osman Bin	Beneficial owner	–	180,000,000 (note (c))	26.39%
Wong Ying Seung Asiong	Beneficial owner	–	180,000,000 (note (c))	26.39%

Name of Shareholders	Capacity	Number of Shares held	Number of underlying Shares held	Percentage of issued share capital of the Company
Chan Chak Kai Kenneth	Beneficial owner	–	160,000,000 <i>(note (c))</i>	23.46%
Kwong Kai Sing Benny	Beneficial owner	–	160,000,000 <i>(note (c))</i>	23.46%
Au Shuk Yee, Sue	Beneficial owner	–	400,000,000 <i>(note (c))</i>	58.64%
Ip Cheuk Ho	Beneficial owner	40,151,232	360,000,000 <i>(note (c))</i>	58.66%
Shimazaki Koji	Beneficial owner	–	400,000,000 <i>(note (c))</i>	58.64%
To Yuet Sing	Beneficial owner	40,151,233	360,000,000 <i>(note (c))</i>	58.66%
Tsang Kai Ming	Beneficial owner	40,151,233	360,000,000 <i>(note (c))</i>	58.66%
Alexia Jouliau Jouliau	Beneficial owner	141,541,900	60,000,000 <i>(note (c))</i>	29.55%
Au Yeung Kai Wah	Beneficial owner	–	200,000,000 <i>(note (c))</i>	29.32%

*Notes:*

- (a) Mr. Lee Yuk Lun is deemed to be interested in 59,808,628 Shares and 320,000,000 underlying Shares through his interests in Proud Glory Investments Limited.
- (b) Mr. Ng Kwok Wing is deemed to be interested in 46,867,670 Shares and 240,000,000 underlying Shares through his interests in Winner Cosmos Limited.
- (c) These shares may be allotted and issued upon exercise of the conversion rights attaching to the convertible bonds issued by the Company.

Save as disclosed above, no other person had any interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

## **SHARE OPTION SCHEME**

A share option scheme was adopted by the Shareholders and became effective on 2 February 2009 and shall remain in force for a period of 10 years from that date. The share option scheme mandate limit was refreshed to 10% of the issued Shares at the date of annual general meeting of the Company held on 14 September 2015.

As at 30 September 2016, the number of Shares available for issue under the scheme was 10,812,347 Shares, after the adjustment in respect of the share consolidation taken effect on 15 October 2015. As at the date of this announcement, no share option has been granted under the share option scheme of the Company.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed in the sections headed “Directors’ and Chief Executives’ interests and short positions in Shares, underlying Shares and debentures of the Company or any associated corporation” and “Share Option Scheme”, at no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

## **CORPORATE GOVERNANCE PRACTICES**

In the opinion of the Board, the Company has complied with all the code provisions as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 to the GEM Listing Rules for the Period, save and except for the following:

1. Code provision E.1.2 specifies that the chairman of the board should attend the annual general meeting. Ms. Jingquan Yingzi, the chairman of the Board has been heavily involved in the business operations of the Group. Despite her utmost intention to be present at the annual general meeting 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 that notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. 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 endeavor to give 14 days’ advanced notifications of Board meeting to the extent practicable.

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

During the Period, 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 Period.

## **DISCLOSURE OF CHANGES IN INFORMATION OF DIRECTOR**

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, changes in Directors' information since the date of the Annual Report 2016 are set out below:

### **Positions held with the Company**

1. Mr. Wu Zhongzin resigned as an executive Director with effect from 8 June 2016.
2. Mr. Wang Rongqian has been appointed as an executive Director with effect from 8 June 2016.
3. Mr. Hu Chao has been appointed as an executive Director with effect from 22 July 2016.
4. Professor Liu Guoshun resigned as a non-executive Director with effect from 14 October 2016.
5. Mr. Lin Yan Jenny has been appointed as an executive Director with effect from 14 October 2016.

## **COMPETING INTEREST**

During the Period, none of the Directors or management shareholders of the Company (as defined in the GEM Listing Rules) had any interests in any business that competed or may compete with the business of the Group.

## **PURCHASES, SALE OR REDEMPTION OF LISTED SECURITIES**

The Company has not redeemed any of its listed securities during the Period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the Period.



## AUDIT COMMITTEE

The Audit Committee has its terms of reference revised on 8 January 2016. The primary duties of the Audit Committee are to review the Group's annual report and accounts, half-year report and quarterly reports and to provide advice and comments thereon to the Board and to review and to provide the oversight of the financial reporting system, risk management and internal control system of the Group. The Audit Committee consists of three independent non-executive Directors, namely Mr. Lee Chi Hwa Joshua ("Mr. Lee"), Mr. Sousa Richard Alvaro and Mr. Zhao Zhizheng. Mr. Lee is the chairman of the Audit Committee. The Audit Committee has reviewed the unaudited interim results for the six months ended 30 September 2016, and discussed the financial control, internal control and risk management systems.

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

Hong Kong, 10 November 2016

*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. Sousa Richard Alvaro, Mr. Lee Chi Hwa Joshua and Mr. Zhao Zhizheng.*