



CODE AGRICULTURE (HOLDINGS) LIMITED

科地農業控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 8153)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2016

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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.

THIRD QUARTERLY 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 nine months ended 31 December 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 the nine months ended 31 December 2016

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2016 HK\$'000	2015 HK\$'000 (Restated)	2016 HK\$'000	2015 HK\$'000 (Restated)
Continuing operations					
Revenue	3	10,655	440	41,588	4,453
Cost of sales and services		(3,206)	(771)	(13,108)	(2,237)
Gross profit (loss)		7,449	(331)	28,480	2,216
Other income	4	284	21	491	101
Distribution costs		(391)	(687)	(1,090)	(2,000)
Administrative expenses		(5,136)	(3,649)	(12,176)	(12,256)
Net fair value (loss) gain on financial assets at fair value through profit or loss		(576)	–	2,121	–
Finance costs	5	(8,971)	(3,350)	(22,517)	(4,153)
Loss before income tax	6	(7,341)	(7,996)	(4,691)	(16,092)
Income tax credit (expense)	7	115	–	(104)	–
Loss for the period from continuing operations		(7,226)	(7,996)	(4,795)	(16,092)
Discontinued operation					
Loss for the period from discontinued operation	8	(4,652)	(14,688)	(27,777)	(78,928)
Loss for the period		(11,878)	(22,684)	(32,572)	(95,020)

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2016 HK\$'000	2015 HK\$'000 (Restated)	2016 HK\$'000	2015 HK\$'000 (Restated)
Loss attributable to:					
Owners of the Company		(11,847)	(22,154)	(31,550)	(94,504)
Non-controlling interests		(31)	(530)	(1,022)	(516)
		(11,878)	(22,684)	(32,572)	(95,020)
Loss per share attributable to owners of the Company		HK cents	HK cents (Restated)	HK cents	HK cents (Restated)
Basic and Diluted	9				
– From continuing and discontinued operations		(1.06)	(20.49)	(6.05)	(89.68)
– From continuing operations		(0.64)	(6.91)	(0.72)	(14.78)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the nine months ended 31 December 2016

	Three months ended 31 December		Nine months ended 31 December	
	2016 HK\$'000	2015 HK\$'000 (Restated)	2016 HK\$'000	2015 HK\$'000 (Restated)
Loss for the period	(11,878)	(22,684)	(32,572)	(95,020)
Other comprehensive income <i>Items that may be reclassified subsequently to profit or loss:</i> Exchange differences on translation of foreign operations	7,686	2,466	15,326	7,196
Total comprehensive expense for the period	(4,192)	(20,218)	(17,246)	(87,824)
Total comprehensive (expense) income attributable to:				
Owners of the Company	(4,295)	(19,688)	(16,450)	(87,436)
Non-controlling interests	103	(530)	(796)	(388)
	(4,192)	(20,218)	(17,246)	(87,824)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 31 December 2016

	Attributable to owners of the Company										
	Share capital	Share premium	Equity component of convertible bonds	Merger reserve	Statutory reserve	Contributed surplus	Exchange reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000
				(note (a))	(note (b))	(note (c))					
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	-	-	-	-	-	-	-	(94,504)	(94,504)	(516)	(95,020)
Other comprehensive income											
- Exchange differences on translation of foreign operations	-	-	-	-	-	-	7,068	-	7,068	128	7,196
Total comprehensive expense for the period	-	-	-	-	-	-	7,068	(94,504)	(87,436)	(388)	(87,824)
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)
Issue of convertible bonds	-	-	28,146	-	-	-	-	-	28,146	-	28,146
At 31 December 2015 (unaudited)	43	41,900	28,146	(197)	24,347	-	91,733	(320,553)	(134,581)	(6,381)	(140,962)
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	-	-	-	-	-	-	-	(31,550)	(31,550)	(1,022)	(32,572)
Other comprehensive income											
- Exchange differences on translation of foreign operations	-	-	-	-	-	-	15,100	-	15,100	226	15,326
Total comprehensive expense for the period	-	-	-	-	-	-	15,100	(31,550)	(16,450)	(796)	(17,246)
Issue of convertible bonds (note (d))	-	-	30,221	-	-	-	-	-	30,221	-	30,221
Conversion of convertible bonds (note (e))	393	51,946	(11,315)	-	-	-	-	-	41,024	-	41,024
Shares issued in respect of bond interest payments (note (f))	13	1,674	-	-	-	-	-	-	1,687	-	1,687
At 31 December 2016 (unaudited)	449	95,520	47,052	(197)	24,347	-	108,487	(490,998)	(215,340)	(7,254)	(222,594)

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\$1,495,000,000 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\$29,000,000 and HK\$20,000,000 respectively at conversion price of HK\$0.05 per share into a total of 980,000,000 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\$1,689,000 by way of the Company's shares. 33,778,000 ordinary shares of the Company were issued at conversion price of HK\$0.05 per share.

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 the 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 nine months ended 31 December 2016 (the "Third Quarterly 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 9 February 2017.

2. BASIS OF PREPARATION

The Third Quarterly Financial Statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules. The Third Quarterly 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, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("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").

The accounting policies and methods of computation applied in the preparation of the Third Quarterly Financial Statements are consistent with those applied in preparing the Annual Report 2016 except for the adoption of new or revised standards, amendments and interpretations issued by the HKICPA mandatory for annual periods beginning 1 April 2016. The adoption of these new or revised standards, amendments and interpretations did not result in any substantial changes to the accounting policies of the Group. In addition, the Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Third Quarterly Financial Statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values.

The preparation of the Third Quarterly Financial Statements in conformity with HKFRSs requires the use of certain critical accounting estimates. The significant judgments, estimates and assumptions applied in the preparation of the Third Quarterly Financial Statements are consistent with those used in the Annual Report 2016.

Going concern

The Group incurred unaudited loss for the Period of HK\$32.6 million and, as at 31 December 2016, the Group recorded both unaudited net current liabilities and net liabilities. 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. REVENUE (UNAUDITED)

	Three months ended 31 December		Nine months ended 31 December	
	2016 HK\$'000	2015 HK\$'000 (Restated)	2016 HK\$'000	2015 HK\$'000 (Restated)
Continuing operations				
Digital television service income	9,890	420	37,158	4,433
Money lending income	77	–	2,497	–
Car beauty service income	688	20	1,933	20
	10,655	440	41,588	4,453

4. OTHER INCOME (UNAUDITED)

	Three months ended 31 December		Nine months ended 31 December	
	2016 HK\$'000	2015 HK\$'000 (Restated)	2016 HK\$'000	2015 HK\$'000 (Restated)
Continuing operations				
Bank interest income	–	–	2	1
Interest income from held-to-maturity investment	67	18	204	18
Interest income from amount due from a related company	34	3	102	3
Sundry income	183	–	183	79
	284	21	491	101

5. FINANCE COSTS (UNAUDITED)

	Three months ended 31 December		Nine months ended 31 December	
	2016 HK\$'000	2015 HK\$'000 (Restated)	2016 HK\$'000	2015 HK\$'000 (Restated)
Continuing operations				
Interest on other loans wholly repayable within five years	383	992	1,147	1,795
Interest on convertible bonds	8,588	2,358	21,370	2,358
	8,971	3,350	22,517	4,153

6. LOSS BEFORE INCOME TAX (UNAUDITED)

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

	Three months ended 31 December		Nine months ended 31 December	
	2016 HK\$'000	2015 HK\$'000 (Restated)	2016 HK\$'000	2015 HK\$'000 (Restated)
(a) Employee benefit expenses (including directors' remuneration)				
Salaries, wages and other benefits	3,585	2,143	9,362	7,085
Retirement benefit scheme contributions	173	91	473	310
	3,758	2,234	9,835	7,395
(b) Other items				
Amortisation of other intangible assets	25	2	74	6
Depreciation of items of property, plant and equipment	525	110	1,480	346
Write-off of items of property, plant and equipment	-	-	28	-
Write-down of inventories	-	-	21	-
Minimum lease payments under operating leases in respect of land and buildings	991	691	2,844	2,084
Minimum lease payments under operating leases in respect of office equipment	15	14	45	42

7. INCOME TAX (CREDIT) EXPENSE (UNAUDITED)

	Three months ended 31 December		Nine months ended 31 December	
	2016 HK\$'000	2015 HK\$'000 (Restated)	2016 HK\$'000	2015 HK\$'000 (Restated)
Continuing operations				
Current tax – Hong Kong Profits Tax				
– Provision for the period	12	–	410	–
Current tax – PRC Enterprises Income Tax (“EIT”)				
– Provision for the period	–	–	–	–
Deferred tax				
– Origination and reversal of temporary differences	(127)	–	(306)	–
Income tax (credit) expense	(115)	–	104	–

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.

8. DISCONTINUED OPERATION (UNAUDITED)

The Board passed a resolution to dispose of the entire issued share capital of Big Success Enterprises Limited ("Big Success") and its subsidiaries (the "Big Success Group") to an independent third party.

As at 31 December 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 reclassified to a discontinued operation during the Period and the corresponding period in 2015.

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 was despatched to the shareholders on 16 January 2017. The special general meeting of the Company has been convened and held for the shareholders on 1 February 2017 and the relevant resolution approving the disposal of Big Success Group has been passed at the meeting. The disposal of Big Success Group was completed on 6 February 2017.

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

	Three months ended		Nine months ended	
	31 December		31 December	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	–	2,158	116	13,169
Cost of sales and services	–	(4,064)	(60)	(12,918)
Gross (loss) profit	–	(1,906)	56	251
Other income	2	3	7	12
Distribution costs	(86)	(1,215)	(413)	(6,421)
Administrative expenses	(1,813)	(4,740)	(18,639)	(12,228)
Other losses	–	(4,675)	–	(44,951)
Finance costs	(2,766)	(4,239)	(8,777)	(17,620)
Loss before income tax from discontinued operation	(4,663)	(16,772)	(27,766)	(80,957)
Income tax credit (expense)	11	2,084	(11)	2,029
Loss for the period from discontinued operation	(4,652)	(14,688)	(27,777)	(78,928)

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (UNAUDITED)

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

	Three months ended 31 December		Nine months ended 31 December	
	2016 HK\$'000	2015 HK\$'000 (Restated)	2016 HK\$'000	2015 HK\$'000 (Restated)
Loss				
Loss attributable to owners of the Company				
From continuing operations	(7,195)	(7,466)	(3,773)	(15,576)
From discontinued operation	(4,652)	(14,688)	(27,777)	(78,928)
	(11,847)	(22,154)	(31,550)	(94,504)
Number of shares	'000	'000	'000	'000
Weighted average number of ordinary shares in issue	1,121,901	108,123	521,744	105,377

- (b) No adjustment has been made to the basic loss per share amounts presented for the three months and nine months ended 31 December 2016 and 2015 in respect of a dilution as the impact of the convertible bonds outstanding had an anti-dilutive effect.

10. DIVIDEND

The Board does not recommend the payment of a dividend for the nine months ended 31 December 2016 (2015: Nil).

11. LITIGATION

For the detailed information of litigation cases, please refer to page 18 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 nine months ended 31 December 2016 (2015: Nil).

12. 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 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 has been convened and held on 1 February 2017 to pass the relevant resolution approving the disposal of Big Success Group. The disposal of Big Success Group was completed on 6 February 2017. For further details, please refer to note 8 to the financial statements, the announcements of the Company dated 6 October 2016, 28 October 2016, 22 November 2016, 20 December 2016, 12 January 2017, 1 February 2017 and 6 February 2017 and the circular of the Company dated 16 January 2017.

- (b) On 7 February 2017, the bondholders of the CB 2018 have converted the CB 2018 with the principle amount of HK\$1,000,000 and the outstanding interest of HK\$73,000 at conversion price of HK\$0.05 per share into 21,469,589 ordinary shares of the Company.

13. 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 738.2% to HK\$37.2 million (2015: HK\$4.0 million), accounted for 89.3% of the Group's revenue. The revenue growth was mainly due to the management of the Group has placed more resources and effort on this operation during the Period. The Company has further injected capital in Hunan Digital TV 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 was 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.

Money lending related operation

The Group has successfully applied for the 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\$2.5 million, accounted for 6.0% of the Group's revenue. The Group is positive towards incubating money lending business.

Car beauty operation

The Group has launched the first workshop in Tsuen Wan on 30 December 2015 and the Company has started the second workshop in Kowloon Bay in August 2016 in order to expand the market share in the industry. Revenue from this operation for the Period was HK\$1.9 million, accounted for 4.6% 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\$41.6 million (2015: HK\$4.5 million), representing an increase of 833.9% 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\$13.1 million (2015: HK\$2.2 million). Overall gross profit from continuing operations for the Period has significantly increased by 1,185.2% to HK\$28.5 million (2015: HK\$2.2 million). The gross profit margin increased to 68.4% (2015: 49.8%) 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\$1.1 million (2015: HK\$2.0 million) and administrative expenses from continuing operations for the Period of HK\$12.2 million (2015: HK\$12.3 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\$22.5 million (2015: HK\$4.2 million). The amount included the interests on other loan of HK\$1.1 million (2015: HK\$1.8 million) and the interests of HK\$21.4 million (2015: HK\$2.0 million) 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 loss attributable to owners of the Company

As a result of the above factors, loss for the Period decreased by 70.2% to HK\$4.8 million (2015: HK\$16.1 million). Loss attributable to owners of the Company for the Period was HK\$3.8 million (2015: HK\$15.6 million) after share of loss with the non-controlling interests. Loss per share from continuing operations attributable to owners of the Company was HK cents 0.72 (2015: HK cents 14.78).

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 a potential growth in car beauty business and money lending business in Hong Kong. The Company plans to expand its market share by opening more branches 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 31 December 2016, the number of issued ordinary shares of the Company was 1,121,900,979 shares (31 March 2016: 108,123,473 shares). As at 31 December 2016, a total of 4,020,000,000 ordinary shares of the Company may be issued upon full conversion of the HK\$201 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.

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 Co., Ltd. ("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 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 31 December 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

Name of Director	Capacity and nature of interests	Number of Shares and underlying Shares held	Percentage of shareholding
Ms. Jingquan Yingzi	Beneficial owner	1,130,500	0.10%

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 nine months ended 31 December 2016 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 31 December 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	80,458,628	420,000,000 (note (c))	44.61%
Proud Glory Investments Limited	Beneficial owner	58,128,628	320,000,000 (note (c))	33.70%
Lee Yuk Lun (note (a))	Interest of a controlled corporation	58,128,628	320,000,000 (note (c))	33.70%
Chow Kam Wah	Beneficial owner	168,541,369	– (note (c))	15.02%
Ip Po Ki	Beneficial owner	124,478,629	– (note (c))	11.10%
Lam Kai Tai	Beneficial owner	13,400,958	180,000,000 (note (c))	17.24%
Lau Kevin	Beneficial owner	14,150,958	180,000,000 (note (c))	17.31%
Winner Cosmos Limited	Beneficial owner	34,457,670	240,000,000 (note (c))	24.46%
Ng Kwok Wing (note (b))	Interest of a controlled corporation	34,457,670	240,000,000 (note (c))	24.46%
Kitchell Osman Bin	Beneficial owner	–	180,000,000 (note (c))	16.04%
Wong Ying Seung Asiong	Beneficial owner	–	180,000,000 (note (c))	16.04%
Chan Chak Kai Kenneth	Beneficial owner	–	160,000,000 (note (c))	14.26%
Kwong Kai Sing Benny	Beneficial owner	–	160,000,000 (note (c))	14.26%
Au Shuk Yee, Sue	Beneficial owner	–	400,000,000 (note (c))	35.65%
Ip Cheuk Ho	Beneficial owner	25,151,232	360,000,000 (note (c))	34.33%
Shimazaki Koji	Beneficial owner	143,475,068	260,000,000 (note (c))	35.96%
To Yuet Sing	Beneficial owner	40,151,233	360,000,000 (note (c))	35.67%
Tsang Kai Ming	Beneficial owner	40,151,233	360,000,000 (note (c))	35.67%
Alexia Jouliau Jouliau	Beneficial owner	136,541,900	60,000,000 (note (c))	17.52%
Au Yeung Kai Wah	Beneficial owner	–	200,000,000 (note (c))	17.83%

Notes:

- (a) Mr. Lee Yuk Lun is deemed to be interested in 58,128,628 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 34,457,670 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 31 December 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.

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 nine months ended 31 December 2016, 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 under review, 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 nine months ended 31 December 2016.

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.
6. Mr. Sousa Richard Alvaro resigned as an independent non-executive Director with effect from 30 November 2016.
7. Mr. Hau Chi Kit has been appointed as an independent non-executive Director with effect from 30 November 2016.

COMPETING INTEREST

During the nine months ended 31 December 2016, none of the Directors or controlling 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 nine months ended 31 December 2016. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the nine months ended 31 December 2016.

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. Hau Chi Kit and Mr. Zhao Zhizheng. Mr. Lee is the chairman of the Audit Committee. The Audit Committee has reviewed the unaudited third quarterly results for the nine months ended 31 December 2016, and discussed the financial control, internal control and risk management systems.

By order of the Board
Code Agriculture (Holdings) Limited
Wang Anyuan
Executive Director

Hong Kong, 9 February 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.