CODE AGRICULTURE (HOLDINGS) LIMITED
科地農業控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 8153)

FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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

FINAL RESULTS

The board of directors (the "Board") of the Company hereby announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2016 together with comparative figures for the year ended 31 March 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2016

	Notes	**2016** ***HK$'000***	2015 *HK$'000*
Continuing operations			
Revenue	*5*	**19,451**	131,078
Cost of sales and services		**(16,061)**	(90,672)
Gross profit		**3,390**	40,406
Other income	*6*	**274**	8,928
Distribution costs		**(9,437)**	(29,150)
Administrative expenses		**(41,266)**	(34,203)
Other losses	*7*	**(105,571)**	(80,439)
Finance costs	*8*	**(28,019)**	(25,868)
Impairment losses on other intangible assets		**–**	(27,084)
Provision for legal claim	*16*	**(55,002)**	–
Loss before income tax	*9*	**(235,631)**	(147,410)
Income tax credit	*10*	**1,664**	5,126
Loss for the year from continuing operations		**(233,967)**	(142,284)
Discontinued operations			
Profit for the year from discontinued operations		**–**	7,703
Loss for the year		**(233,967)**	(134,581)
Loss attributable to:			
Owners of the Company		**(233,399)**	(133,491)
Non-controlling interests		**(568)**	(1,090)
		(233,967)	(134,581)
		HK$	*HK$* (Restated)
Loss per share attributable to owners of the Company	*11*		
Basic and Diluted			
– From continuing and discontinued operations		**(2.20)**	(1.97)
– From continuing operations		**(2.20)**	(2.06)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2016

	2016 *HK$'000*	2015 *HK$'000*
Loss for the year	**(233,967)**	(134,581)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**8,825**	549
Exchange differences reclassified on disposal of subsidiaries	**–**	(3,548)
Other comprehensive income/(expense) for the year	**8,825**	(2,999)
Total comprehensive expense for the year	**(225,142)**	(137,580)
Total comprehensive expense attributable to:		
Owners of the Company	**(224,677)**	(136,469)
Non-controlling interests	**(465)**	(1,111)
	(225,142)	(137,580)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**26,702**	42,979
Prepaid land lease payments		**9,671**	10,440
Goodwill		**873**	–
Other intangible assets		**803**	138
Investment in an associate		**–**	–
Deferred tax assets		**4,477**	4,037
		42,526	57,594
Current assets			
Inventories		**28,653**	47,787
Loan receivables		**4,549**	–
Trade receivables	*12*	**90,293**	186,685
Prepayments, deposits and other receivables		**38,621**	41,560
Amount due from a related company		**2,532**	–
Held-to-maturity investment		**5,031**	–
Tax recoverable		**41**	43
Cash and cash equivalents		**64,079**	7,983
		233,799	284,058
Current liabilities			
Trade payables	*13*	**53,926**	69,558
Other payables and accruals		**55,586**	45,968
Amount due to a non-controlling shareholder of a subsidiary		**726**	763
Amount due to a director		**17**	286
Borrowings		**286,694**	344,887
Provision	*16*	**55,002**	–
Tax payable		**–**	27
		451,951	461,489
Net current liabilities		**(218,152)**	(177,431)
Total assets less current liabilities		**(175,626)**	(119,837)

	Notes	**2016** *HK$'000*	2015 *HK$'000*
Non-current liabilities			
Deferred tax liabilities		**584**	48
Convertible bonds	*15*	**102,070**	–
		102,654	48
Net liabilities		**(278,280)**	(119,885)
EQUITY			
Capital and reserves			
Share capital		**43**	37,829
Reserves		**(271,865)**	(151,721)
Equity attributable to owners of the Company		**(271,822)**	(113,892)
Non-controlling interests		**(6,458)**	(5,993)
Capital deficiency		**(278,280)**	(119,885)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 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))*	Share Option reserve *HK'000*	Exchange reserve *HK'000*	Accumulated losses *HK'000*	Total *HK'000*	Non-controlling interests *HK'000*	Total equity *HK'000*
At 1 April 2014	27,138	1,056,184	–	(197)	24,347	–	7,915	87,643	(1,638,679)	(435,649)	(3,472)	(439,121)
Loss for the year	–	–	–	–	–	–	–	–	(133,491)	(133,491)	(1,090)	(134,581)
Other comprehensive income												
– Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	570	–	570	(21)	549
– Exchange differences reclassified on disposal of subsidiaries	–	–	–	–	–	–	–	(3,548)	–	(3,548)	–	(3,548)
Total comprehensive expense for the year	–	–	–	–	–	–	–	(2,978)	(133,491)	(136,469)	(1,111)	(137,580)
Conversion of convertible bond	10,691	447,535	–	–	–	–	–	–	–	458,226	–	458,226
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	(1,410)	(1,410)
Share option scheme												
– Lapsed during the year	–	–	–	–	–	–	(7,915)	–	7,915	–	–	–
At 31 March and 1 April 2015	37,829	1,503,719*	–	(197)*	24,347*	–	–	84,665*	(1,764,255)*	(113,892)	(5,993)	(119,885)
Loss for the year	–	–	–	–	–	–	–	–	(233,399)	(233,399)	(568)	(233,967)
Other comprehensive income												
– Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	8,722	–	8,722	103	8,825
Total comprehensive expense for the year	–	–	–	–	–	–	–	8,722	(233,399)	(224,677)	(465)	(225,142)
Issue of shares	5,420	33,181	–	–	–	–	–	–	–	38,601	–	38,601
Capital reduction	(43,206)	–	–	–	–	43,206	–	–	–	–	–	–
Share premium reduction	–	(1,495,000)	–	–	–	1,495,000	–	–	–	–	–	–
Set-off contributed surplus against accumulated losses	–	–	–	–	–	(1,538,206)	–	–	1,538,206	–	–	–
Issue of convertible bonds *(note 15)*	–	–	28,146	–	–	–	–	–	–	28,146	–	28,146
At 31 March 2016	43	41,900*	28,146*	(197)*	24,347*	–	–	93,387*	(459,448)*	(271,822)	(6,458)	(278,280)

* These reserve accounts comprise the consolidated reserves of –HK$271,865,000 (2015: –HK$151,721,000) in the consolidated statement of financial position.

Notes:

(a) The merger reserve of the Group represents the difference between the nominal value of the share capital of a subsidiary acquired and the nominal value of the shares issued by the Company in exchange thereof pursuant to the Group reorganisation on 20 March 2001 as set out in the prospectus of the Company dated 26 March 2001.

(b) In accordance with relevant regulations prevailing in the People's Republic of China (the "PRC"), the Company's subsidiaries established and operating in the PRC are required to appropriate 10% of their profit after income tax calculated under the accounting principles generally applicable to the PRC enterprises to the statutory reserve until the fund aggregates 50% of their respective registered capital. The statutory reserve can be utilised to offset prior years' losses or to increase capital. However, the balance of the statutory reserve must be maintained at a minimum of 25% of capital after these usages.

(c) Pursuant to a special resolution passed by the shareholders of the Company (the "Shareholders") at the special general meeting of the Company (the "SGM") 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.

NOTES TO THE 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 of the Stock Exchange. 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.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally accepted in Hong Kong. In addition, these financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by Hong Kong Companies Ordinance.

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

Going concern

In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity and performance of the Group in light of the fact that:

(i) The Group incurred a loss for the year attributable to owners of the Company of approximately HK$233,399,000 (2015: HK$133,491,000) for the year ended 31 March 2016 and, as of that date, the Group had net current liabilities of approximately HK$218,152,000 (2015: HK$177,431,000) and a capital deficiency of approximately HK$278,280,000 (2015: HK$119,885,000);

(ii) Included in current liabilities in the consolidated financial statements are secured bank loans of approximately HK$74,699,000 (2015: HK$48,101,000) which have expired but are in the process of renewal; and

(iii) Included in current liabilities in the consolidated financial statements are unsecured loans from third parties of approximately HK$83,100,000 (2015: HK$111,997,000) which are scheduled for repayment within one year.

The Directors reviewed the Group's financial and liquidity position, and have taken the following actions to mitigate the liquidity issues faced by the Group:

(a) A 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 these financial statements for the year ended 31 March 2016 by the Directors;

(b) After the reporting period, the Company entered into a placing agreement with a placing agent, pursuant to which the placing agent agreed amongst other things to procure not less than six placees, or failing which itself as principal on a fully underwritten basis, to subscribe for HK$120 million of the convertible bonds by one or more tranches of not less than HK$1 million each. The net proceeds from issue of convertible bonds is mainly to be used for settlement of the borrowings;

(c) Possible fund raising activities including, but not limited to, further placing, rights issues or open offer are to be attempted;

(d) 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

(e) 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. ADOPTION OF NEW AND REVISED STANDARDS

3.1 Application of new and revised standards

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

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements 2011-2013 Cycle

The application of the above new or revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3.2 Issued but not yet effective Hong Kong Financial Reporting Standard

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

HKFRS 9	Financial Instruments[2]
HKFRS 14	Regulatory Deferral Accounts[1]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
Amendments to HKFRSs	Annual Improvements 2012-2014 Cycle[1]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKFRS 11	Accounting for Acquisition of Interest in Joint Operations[1]
Amendments to HKFRS 10, HKFRS12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but is available for adoption

The Directors anticipate that the application of the above new or revised HKFRSs have been issued but are not yet effective will have no material impact on the results and the financial position of the Group.

4. OPERATING SEGMENT INFORMATION

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

(a) Tobacco agricultural machinery: sale of tobacco agricultural machinery in the PRC;

(b) Digital television: broadcast and advertising income of digital television in the PRC;

(c) Car beauty: provision of car beauty and maintenance services in Hong Kong (commenced on 30 December 2015); and

(d) Money lending: provision of mortgage loans and short-term loans in Hong Kong (commenced on 8 March 2016).

During the year ended 31 March 2015, the Group disposed of (i) the entire equity interests in Hong Kong New Success International Group Investment Company Limited ("New Success") and its subsidiaries (collectively referred to as the "New Success Group") which were engaged in healthcare product business; and (ii) the Group's 50.5% equity interests in Henan Baorong Biological Technology Company Limited ("Henan Baorong") which was engaged in fertilizer and pesticide business. Accordingly, the Group's healthcare products operation and fertilizer and pesticide operation were treated as discontinued operations. The segment information reported below does not include any amounts for the discontinued operations.

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/loss, which is a measure of adjusted profit/loss before tax from continuing operations. The adjusted profit/loss before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that bank interest income, finance costs as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude investment in an associate, deferred tax assets, unallocated corporate assets and assets relating to discontinued operations.

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

Segment Results
For the year ended 31 March 2016

	Tobacco agricultural machinery *HK$'000*	**Digital television** *HK$'000*	**Car beauty** *HK$'000*	**Money lending** *HK$'000*	**Total** *HK$'000*
Segment revenue					
Sales to external customers	**13,169**	**5,545**	**718**	**19**	**19,451**
Segment results	**(191,818)**	**667**	**54**	**4**	**(191,093)**
Reconciliation:					
Bank interest income					**30**
Unallocated gains					**244**
Finance costs					**(28,019)**
Corporate and other unallocated expenses					**(16,793)**
Loss before income tax					**(235,631)**

For the year ended 31 March 2015

	Tobacco agricultural machinery *HK$'000*	Digital television *HK$'000*	Car beauty *HK$'000*	Money lending *HK$'000*	Total *HK$'000*
Segment revenue					
Sales to external customers	122,943	8,135	–	–	131,078
Segment results	(72,676)	(885)	–	–	(73,561)
Reconciliation:					
Bank interest income					1,791
Unallocated gains					7,137
Finance costs					(25,868)
Corporate and other unallocated expenses					(56,909)
Loss before income tax					(147,410)

Segment Assets and Liabilities
At 31 March 2016

	Tobacco agricultural machinery *HK$'000*	**Digital television** *HK$'000*	**Car beauty** *HK$'000*	**Money lending** *HK$'000*	**Total** *HK$'000*
Segment assets	**190,730**	**4,331**	**2,700**	**4,551**	**202,312**
Reconciliation:					
Deferred tax assets					**4,477**
Corporate and other unallocated assets					**69,536**
Total assets					**276,325**
Segment liabilities	**378,937**	**4,710**	**400**	**–**	**384,047**
Reconciliation:					
Deferred tax liabilities					**584**
Convertible bonds					**102,070**
Corporate and other unallocated liabilities					**67,904**
Total liabilities					**554,605**

At 31 March 2015

	Tobacco agricultural machinery *HK$'000*	Digital television *HK$'000*	Car beauty *HK$'000*	Money lending *HK$'000*	Total *HK$'000*
Segment assets	332,141	3,604	–	–	335,745
Reconciliation:					
Deferred tax assets					4,037
Corporate and other unallocated assets					1,870
Total assets					341,652
Segment liabilities	388,106	3,654	–	–	391,760
Reconciliation:					
Deferred tax liabilities					48
Corporate and other unallocated liabilities					69,729
Total liabilities					461,537

Other Segment Information
For the year ended 31 March 2016

	Tobacco agricultural machinery *HK$'000*	Digital television *HK$'000*	Car beauty *HK$'000*	Money lending *HK$'000*	Total *HK$'000*
Depreciation	**4,182**	**262**	**123**	**–**	**4,567**
Unallocated depreciation					**389**
					4,956
Amortisation of other intangible assets	**–**	**7**	**23**	**–**	**30**
Amortisation of prepaid land lease payments	**273**	**–**	**–**	**–**	**273**
Write-off of items of property, plant and equipment	**2,368**	**–**	**–**	**–**	**2,368**
Write-down of inventories	**7,359**	**–**	**–**	**–**	**7,359**
Impairment of items of property, plant and equipment	**12,346**	**–**	**–**	**–**	**12,346**
Impairment of trade receivables	**93,137**	**–**	**–**	**–**	**93,137**
Impairment of other receivables	**88**	**–**	**–**	**–**	**88**
Provision for legal claim	**55,002**	**–**	**–**	**–**	**55,002**
Capital expenditure	**–**	**124**	**10**	**–**	**134**
Unallocated expenditure					**4,380**
					4,514

For the year ended 31 March 2015

	Tobacco agricultural machinery *HK$'000*	Digital television *HK$'000*	Car beauty *HK$'000*	Money lending *HK$'000*	Total *HK$'000*
Depreciation	4,691	311	–	–	5,002
Unallocated depreciation					222
					5,224
Amortisation of other intangible assets	4,832	8	–	–	4,840
Amortisation of prepaid land lease payments	280	–	–	–	280
Write-off of items of property, plant and equipemnt	1	–	–	–	1
Impairment of items of property, plant and equipment	1,369	–	–	–	1,369
Impairment of other intangible assets	27,084	–	–	–	27,084
Impairment of trade receivables	29,554	–	–	–	29,554
Impairment of other receivables	1,915	–	–	–	1,915
Capital expenditure	315	175	–	–	490
Unallocated expenditure					51
					541

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 and assets relating to discontinued operations.

	2016	2015
	HK$'000	*HK$'000*
Revenue from external customers		
The PRC	**18,714**	131,078
Hong Kong	**737**	–
	19,451	131,078

	2016	2015
	HK$'000	*HK$'000*
Non-current assets		
The PRC	**31,910**	53,324
Hong Kong	**6,139**	233
	38,049	53,557

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the non-current assets is based on the physical and operating location of the assets. The Company is an investment holding company incorporated in Bermuda and operated in Hong Kong, while the Group has the majority of its operations and its workforce in the PRC, and therefore, the PRC is considered as the Group's country of domicile for the purpose of the disclosures as required by HKFRS 8 "Operating Segments".

Information about major customers

Revenue of HK$2,814,000 (2015: HK$15,861,000) was derived from a single customer of the tobacco agricultural operation segment accounted for 10% or more of the Group's revenue for the year ended 31 March 2016.

5. REVENUE

	2016	2015
	HK$'000	*HK$'000*
Continuing operations		
Sale of tobacco agricultural machinery	**13,169**	122,943
Digital television service income	**5,545**	8,135
Car beauty service income	**718**	–
Money lending interest income	**19**	–
	19,451	131,078

6. OTHER INCOME

	2016	2015
	HK$'000	*HK$'000*
Continuing operations		
Bank interest income	**30**	1,791
Interest income from held-to-maturity investment	**134**	–
Interest income from amount due from a related company	**32**	–
Gain on disposal of items of property, plant and equipment	**–**	194
Government grants *(note (a))*	**–**	633
Waiver of interest expenses on convertible bond	**–**	6,224
Sundry income	**78**	86
	274	8,928

Note:

(a) Government grants mainly include government grants received for investments in Jiangsu province and Hunan province in the PRC. There are no unfulfilled conditions or contingencies relating to these grants.

7. OTHER LOSSES

	2016	2015
	HK$'000	*HK$'000*
Continuing operations		
Change in fair value of financial assets at fair value through profit or loss	**–**	25
Change in fair value of convertible bond	**–**	46,594
Impairment of items of property, plant and equipment	**12,346**	1,369
Impairment of trade receivables *(note 12)*	**93,137**	29,554
Impairment of other receivables	**88**	1,915
Loss on redemption of convertible bond	**–**	630
Loss on repurchase of debentures	**–**	352
	105,571	80,439

8. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Continuing operations		
Interest on bank loans wholly repayable within five years	**15,027**	15,009
Interest on other loans wholly repayable within five years	**5,878**	10,859
Interest on convertible bonds	**7,114**	–
	28,019	25,868

9. LOSS BEFORE INCOME TAX

Loss before income tax from continuing operations is arrived at after charging/(crediting):

	2016	2015
	HK$'000	*HK$'000*
Employee benefit expenses (including directors' remuneration)		
– Salaries, wages and other benefits	**14,291**	17,425
– Retirement benefit scheme contributions	**1,545**	1,449
	15,836	18,874
Amortisation of prepaid land lease payments	**273**	280
Amortisation of other intangible assets	**30**	4,840
Depreciation of items of property, plant and equipment	**4,956**	5,224
Gain on disposals of items of property, plant and equipment	**–**	(194)
Write-off of items of property, plant and equipment	**2,368**	1
Write-down of inventories	**7,359**	–
Impairment of items of property, plant and equipment	**12,346**	1,369
Impairment of other intangible assets	**–**	27,084
Impairment of trade receivables	**93,137**	29,554
Impairment of other receivables	**88**	1,915
Provision for legal claim	**55,002**	–
Minimum lease payments under operating leases in respect of land and buildings	**3,555**	3,634
Minimum lease payments under operating leases in respect of office equipment	**57**	60
Auditors' remuneration	**691**	767
Cost of inventories sold	**14,868**	87,860
Research and development costs	**248**	3,109

10. INCOME TAX CREDIT

	2016	2015
	HK$'000	*HK$'000*
Continuing operations		
Current tax – Hong Kong Profits Tax		
– Provision for the year	**–**	–
Current tax – PRC Enterprise Income Tax (the "EIT")		
– Provision for the year	**88**	130
– (Over)/Under provision in prior years	**(1,537)**	2,512
	(1,449)	2,642
Deferred tax		
– Origination and reversal of temporary differences	**(215)**	(7,768)
Income tax credit	**(1,664)**	(5,126)

No provision for Hong Kong profits tax has been made in the financial statements as the Group has no assessable profit in Hong Kong for the years ended 31 March 2016 and 2015.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. Pursuant to relevant requirements, enterprises recognised as "High-Tech Enterprises" are entitled to a favorable statutory tax rate of 15% according to the EIT Law. Jiangsu Kedi Modern Agriculture Co., Ltd ("Jiangsu Kedi"), an indirectly wholly owned subsidiary of the Company, has been approved and certified by relevant authorities as a "High-Tech Enterprise" and is entitled to the favorable statutory tax rate of 15% from 2013 to 2015. Other subsidiaries of the Company in the PRC are subject to EIT rate at 25% (2015: 25%) on their taxable income.

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

	2016	2015
	HK$'000	*HK$'000*
Loss before income tax from continuing operations	**(235,631)**	(147,410)
Tax calculated at Hong Kong income tax rate of 16.5% (2015: 16.5%)	**(38,879)**	(24,321)
Tax effect of non-taxable income	**(9,555)**	(33,442)
Tax effect of non-deductible expenses	**45,200**	47,008
Tax effect of unused tax losses not recognised	**3,077**	3,073
(Over)/under provision in respect of prior years	**(1,537)**	2,512
Effect of different tax rates of subsidiaries operating in other jurisdictions	**30**	44
Income tax credit	**(1,664)**	(5,126)

11. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	2016	2015
	HK$'000	*HK$'000*
(Loss)/Earnings		
Loss attributable to owners of the Company		
From continuing operations	**(233,399)**	(142,133)
From discontinued operations	**–**	8,642
	(233,399)	(133,491)
Number of shares	***'000***	*'000*
		(Restated)
Weighted average number of ordinary shares in issue *(note)*	**106,062**	68,943

Note:

The weighted average number of shares for the purpose of calculating the basic loss per share has been retrospectively adjusted for the year ended 31 March 2015 to reflect the impact of the two share consolidations of the Company which completed on 24 August 2015 and 15 October 2015, respectively.

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

12. TRADE RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**209,315**	216,239
Less: Accumulated impairment	**(119,022)**	(29,554)
	90,293	186,685

(a) Aged analysis

The Group's credit terms with its customers generally range from 30 days to 180 days (2015: 180 days). The Group seeks to apply strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. As at the end of the reporting period, an aged analysis of the trade receivables, net of allowance for bad and doubtful debts presented based on the respective dates on which revenue was recognised, are as follows:

	2016	2015
	HK$'000	*HK$'000*
Current	**737**	5,984
30-90 days	**–**	1,634
91-180 days	**–**	23,967
Over 180 days	**89,556**	155,100
	90,293	186,685

(b) Accumulated impairment of trade receivables

	2016	2015
	HK$'000	*HK$'000*
Beginning of the year	**29,554**	–
Impairment losses recognised *(note 7)*	**93,137**	29,554
Exchange difference	**(3,669)**	–
End of the year	**119,022**	29,554

At 31 March 2016, the Group's trade receivables of HK$93,137,000 (2015: HK$29,554,000) were individually determined to be impaired. The individually impaired receivables relate to customers who were in financial difficulties and management assessed that only a portion of these receivables are expected to be recovered. Accordingly, the Group has recognised impairment losses during the year in relation to the amounts which are considered to be irrecoverable.

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

	2016	2015
	HK$'000	*HK$'000*
0 to 3 months past due	**23**	15,474
4 to 6 months past due	**5,879**	23,195
Over 6 months past due	**83,654**	116,431
	89,556	155,100

Trade receivables that were past due but not impaired related to a large number of diversified customers that have a good track record of credit with the Group. Based on past credit history, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

13. TRADE PAYABLES

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

	2016	2015
	HK$'000	*HK$'000*
Current	**–**	644
30-90 days	**1,063**	5,691
91-180 days	**2**	16,774
Over 180 days	**52,861**	46,449
	53,926	69,558

Trade payables are due within 30 to 60 days (2015: 30 to 60 days) from the invoice date.

14. ACQUISITION OF A BUSINESS

On 30 December 2015, the Group acquired a business from Super Car Service Company for a consideration of HK$1.7 million. The business is engaged in the provision of car beauty and maintenance services. This acquisition was made as part of the Group's strategy to commence a new operation in Hong Kong.

The fair values of the identifiable assets and liabilities at the date of acquisition were as follows:

	2016
	HK$'000
Property, plant and equipment	**476**
Tradename	**337**
Customer relationship	**365**
Customers' receipt in advance	**(235)**
Deferred tax liabilities	**(116)**
Total identifiable net assets at fair value	**827**
Goodwill on acquisition	**873**
Total consideration satisfied by cash	**1,700**

The Group incurred transaction costs of HK$161,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

An analysis of the cash flows in respect of this acquisition is as follows:

	HK$'000
Cash consideration included in cash flows from investing activities	**1,700**
Transaction costs included in cash flows from operating activities	**161**
	1,861

Since the acquisition, the car beauty operation contributed HK$718,000 to the Group's revenue and HK$500,000 to the consolidated loss for the year ended 31 March 2016.

15. CONVERTIBLE BONDS

6% convertible bonds in the principal amount of HK$130,000,000 due on 4 November 2018 (the "CB 2018")

On 5 November 2015, the Company issued the CB 2018 in the aggregate principal amount of HK$123,000,000 due in 2018 with a conversion price of HK$0.05 per share. The terms of CB 2018 are satisfied the "fixed for fixed" rule in HKAS 32. The proceeds of the CB 2018 were allocated into two components, debt and equity elements on initial recognition. The equity element is presented in equity component of convertible bonds. The CB 2018 have been valued as at 5 November 2015 on the basis carried out at that date by an independent qualified professional valuer not connected with the Group.

The CB 2018 issued during the year have been split into the liability and equity components as follows:

	2016
	HK$'000
Nominal value of convertible bonds issued during the year	**130,000**
Equity component	**(28,146)**
Direct transaction costs	**(6,898)**
Liability component at the issuance date	**94,956**
Effective interest expense for the year	**7,114**
Liability component at end of the year	**102,070**

The principal terms of the CB 2018 are as follows:

(i) *Conversion*

The bondholder of the CB 2018 has the right (the "Conversion Right") to convert the outstanding principal amount of the CB 2018 in whole or in part into shares of the Company (the "Conversion Shares") at any time following the date of issue until the maturity date of the CB 2018.

The number of Conversion Shares to be issued on exercise of a Conversion Right shall be determined by dividing the principal amount of the CB 2018 being converted by HK$0.05 (the "Conversion Price"), subject to customary adjustments in the events of share consolidation, share subdivision, capitalisation issues, capital distribution, rights issue and issues of other securities below 80 per cent of market price. In the opinion of the Directors, the adjustments to Conversion Price in those circumstances are all for anti-dilutive purpose to protect the right of the bondholder of the CB 2018.

(ii) *Early redemption*

The Company is entitled to redeem the CB 2018 at 100% of the outstanding principal amount of the CB 2018 (in whole or in part) at any time and from time to time at the option of the Company prior to the maturity date.

(iii) *Interest*

The CB 2018 bears interest from and including the date of its issue at the rate of 6% per annum on the outstanding principal amount thereof. The bondholders of the CB 2018 have the option to request the Company to pay the interest by the additional shares of the Company instead of cash.

16. LITIGATION

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

As disclosed in the Company's announcement dated 18 June 2015, there was a legal proceedings in the PRC (the "PRC Proceedings"), namely (2015) Xi Min Chu Zi No. 0005# ((2015)錫民初字第0005號) whereby 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 Proceedings 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 of 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 of 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.

Based on the legal opinion of the PRC legal advisors, the Directors are of the view that except as disclosed above, no further provision for the legal claim was made for the years ended 31 March 2016 and 2015.

17. CONTINGENT LIABILITIES

At 31 March 2016, the Group had contingent liabilities in terms of potential litigations in the PRC of total amount of approximately RMB9.4 million (equivalent to HK$11.3 million) (2015: Nil).

18. EVENTS AFTER REPORTING PERIOD

(a) 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, or failing which itself as principal on a fully underwritten basis, to subscribe for HK$120 million of the convertible bonds by one or more tranches of not less than HK$1 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.

(b) On 5 May 2016, the bondholders of the CB 2018 have converted the CB 2018 with the principal amount of HK$2,000,000 and the outstanding interest of HK$60,164 at conversion price of HK$0.05 per share into 41,203,286 ordinary shares of the Company.

(c) On 1 June 2016, the bondholders of the CB 2018 have converted the CB 2018 with the principal amount of HK$3,000,000 and the outstanding interest of HK$97,643 at conversion price of HK$0.05 per share into 61,952,874 ordinary shares of the Company.

(d) On 15 June 2016, the bondholders of the CB 2018 have converted the CB 2018 with the principal amount of HK$4,000,000 and the outstanding interest of HK$142,027 at conversion price of HK$0.05 per share into 82,840,544 ordinary shares of the Company.

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

Basis for disclaimer of opinion

1. *Fair value of corporate guarantee*

   As mentioned in note 44 to the consolidated financial statements, the Company alleged that Jiangsu Kedi Modern Agriculture Company Limited ("Jiangsu Kedi"), a wholly-owned subsidiary of the Company, had been named as defendant in three legal cases relating to the provision of corporate guarantee to banks for liabilities of third parties ("Borrowers") to a total extent of RMB58,000,000 ("Corporate Guarantee").

   In accordance with HKAS 39 "Financial Instruments: Recognition and Measurement" issued by the HKICPA, the amounts of Corporate Guarantee should be accounted for its fair value at initial recognition and subsequently measured at the higher of (i) the amount determined in accordance with HKAS 37; and (ii) the amount initially recognised less cumulative amortisation recognised in accordance with HKAS 18. The directors have not provided any fair value of the Corporate Guarantee at its initial recognition and as at 31 March 2015, which was non-compliance with HKAS 39. Consequently, the comparative figures including the opening balance for the current year and prior year were also qualified in respect of the effect for fair value of the Corporate Guarantee.

2. *Limitation of scope in respect of corporate guarantee*

   In the opinion of the directors, the Corporate Guarantee mentioned above were entered into without the knowledge and consent of the Company. Due to the consequence of the Corporate Guarantee and the absence of adequate information in respect of whether Jiangsu Kedi had entered into any other corporate guarantee provided to third parties, we were unable to carry out any alternative audit procedures to verify the completeness and whether any fair value of the corporate guarantees should be provided in the consolidated financial statements for the years ended 31 March 2016 and 2015. Accordingly, we were unable to determine whether any adjustments are necessary to provide and any contingent liabilities should be disclosed in the consolidated financial statement for the years ended 31 March 2016 and 2015.

3. *Material uncertainties relating to the going concern basis*

   As disclosed in note 2.1 to the consolidated financial statements, the Group incurred a loss attributable to owners of the Company of approximately HK$233,399,000 for the year ended 31 March 2016 and had net current liabilities of approximately HK$218,152,000 and capital deficiency of approximately HK$278,280,000 as at 31 March 2016 respectively. The existence of these material fundamental uncertainties casts significant doubt on the Group's ability to continue as a going concern.

The consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern, the validity of which is dependent on the favourable outcomes of the steps being taken by the directors as described in note 2.1 to the consolidated financial statements. However, we were unable to obtain sufficient audit evidence to assess the validity of the going concern assumption. Should the going concern assumption be inappropriate, adjustments would have to be made to reclassify all non-current assets and liabilities as current assets and liabilities, write down the value of assets to their recoverable amounts and to provide for any further liabilities which may arise. The consolidated financial statements do not include any of these adjustments.

Any adjustment that might have been found to be necessary in respect of the above matters would have a significant effect on the Group's financial position as at 1 April 2014, 31 March 2015 and 31 March 2016 and of its financial performance and cash flows for the years ended 31 March 2015 and 2016, and the related disclosures in the respective consolidated financial statements.

DISCLAIMER OF OPINION

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the financial position of the Group as at 31 March 2016 and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Year, the Group was principally engaged in manufacture and sale of tobacco agricultural machinery in the PRC, provision of digital television services in the PRC, provision of car beauty services in Hong Kong, and money lending business in Hong Kong. The Group continued to suffer from shrinking demand, market uncertainties, sluggish economy and other unfavour factors in respect of tobacco agricultural machinery business in the PRC. The management has been making its best effort to overcome such hurdles by adoption of stringent cost control and other possible measures. Meanwhile, the Company has started up the car beauty business and the money lending business in the late 2015 and early 2016 respectively.

SEGMENTAL ANALYSIS

Tobacco agricultural machinery operation

Revenue from this operation for the Year significantly decreased by 89.3% to approximately HK$13.2 million (2015: HK$122.9 million). Such decrease was primarily due to the shrinkage of sales and uncertain market conditions of tobacco flue-curing barns in the PRC. The segment recorded a loss of approximately HK$191.8 million (2015: HK$72.7 million) which included the impairment losses on assets of approximately HK$105.6 million (2015: HK$59.9 million) and the provision for legal claim of approximately HK$55.0 million. Similar to last financial year, the rising production costs and direct overheads have continued to engulf the profit from this segment. Despite management's efforts on the cost control, the performance of this operation is still far from satisfactory. The Company will not obviate the possibility to dispose of this segment if opportunity arises.

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 Year decreased by 31.8% to approximately HK$5.5 million (2015: HK$8.1 million), accounted for 28.5% (2015: 6.2%) of the Group's revenue from continuing operations. The decrease in revenue was mainly due to the reduction in advertising income generated from the broadcasting resulting from the strong substitution from the internet media. 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 uplift in the future. To grasp such advantages, the Company has enlarged its capital injection in Hunan Digital TV for its further development. The Company is optimistic that there would be a sustainable growth in the next financial year.

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. The main service rendered at present is coating, which provides effective protection and resistance against water, weather and temperature on the car body. In order to expand its market share, the Company has set up a new workshop at Kowloon Bay and it is going to commence business in July 2016.

In May 2016, the subsidiary of the Group has been engaged as the sole agent of a Japan car beauty product manufacturer in Hong Kong. All materials used in the car beauty workshop are directly imported from this Japanese manufacturer with an aim to bring a high quality of the services to the customers.

Revenue from this operation for the Year was approximately HK$718,000, accounted for 3.7% of the Group revenue from continuing operations. The Company has formulated strategic planning for this operation and believe this operation could provide steady revenue for the Group in the forthcoming financial years.

Money lending operation

The Group has successfully applied for Money Lenders Licence on 8 March 2016 and the business of money lending has officially launched during the Year. Though the revenue from this operation for the Year was tiny, the Company believe this business will continue to grow significantly in the coming years.

FINANCIAL REVIEW

Revenue

For the Year, the Group's revenue from continuing operations was approximately HK$19.5 million (2015: HK$131.1 million), representing a decrease of 85.2% as compared to last year.

Revenue from sale of tobacco agricultural machinery, accounted for 67.7% of the Group's total revenue, showed a decrease of 89.3% to approximately HK$13.2 million (2015: HK$122.9 million). The significant decline in revenue was mainly due to the sales shrinkage of tobacco flue-curing barns and uncertain operation factors and other market uncertainties in the major tobacco-growing areas in the PRC.

Revenue from digital television service accounted for approximately 28.5% of the Group's total revenue, showed a decrease of approximately 31.8% to approximately HK$5.5 million (2015: HK$8.1 million). The significant decline in revenue was mainly due to the reduction in advertising income generated from the broadcasting channels. Nevertheless, the subscription fee of pay-television programs slightly increased.

Cost of sales and services and Gross Profit

The Group recorded a total cost of sales and services from continuing operations for the Year of approximately HK$16.1 million (2015: HK$90.7 million). Overall gross profit for the Year generated from continuing operation has significantly decreased by 91.6% to approximately HK$3.4 million (2015: HK$40.4 million). The gross profit margin decreased to 17.4% (2015: 30.8%), resulting from and soaring direct costs and production overheads of tobacco flue-curing barns.

Distribution costs

The Group recorded distribution costs from continuing operations of approximately HK$9.4 million for the Year (2015: HK$29.2 million), amounted to approximately 48.5% (2015: 22.2%) of the total revenue. The decrease in distribution costs was mainly attributable to a mix of the proportional decrease in revenue from tobacco agriculture business, certain unavoidable direct labour cost, lay-off expenses. Direct labour costs involved in distribution costs were approximately HK$4.9 million (2015: HK$7.6 million) which accounted for approximately 51.9% (2015: 26.3%) of the total distribution costs of the Year from continuing operations.

Administrative expenses

During the Year, the administrative expenses from continuing operations for the Year have increased by 20.7% to approximately HK$41.3 million (2015: HK$34.2 million) which mainly due to write-down of inventories of approximately HK$7.4 million. However, certain fixed costs could not be reduced in line with the reduction of revenue such as depreciation on property, plant and equipment of approximately HK$4.5 million (2015: HK$4.4 million) and staff costs of approximately HK$10.7 million (2015: HK$10.6 million). The Group will continue to adopt the stringent cost controls in the forthcoming years.

Finance costs

Interest expenses from continuing operations for the Year were approximately HK$28.0 million (2015: HK$25.9 million). The amount included the interests on bank and other loans of approximately HK$20.9 million (2015: HK$25.9 million) and the interests on convertible bonds of approximately HK$7.1 million which were issued in November 2015 with the effective interest rate of 18.5% per annum. The interests on bank and other loans were reduced by 19.2% mainly due to the repayment of part of the loans. In the view of the heavy finance costs and the default risk arising from the bank borrowings in the PRC, the Company has been actively negotiating with the existing major bankers for the settlement or other refinancing scheme.

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

As a result of the above factors, loss for the Year increased by 68.1% to approximately HK$234.0 million (2015: HK$134.6 million) and the loss attributable to owners of the Company for the Year was approximately HK$233.4 million (2015: HK$133.5 million) after share of loss with the non-controlling interests loss for the Year was mainly attributable to impairment losses on trade and other receivables of approximately HK$93.2 million and provision for legal claim of approximately HK$55.0 million. The loss per share was approximately HK$2.20 (2015: HK$1.97) and the loss per share from continuing operations was HK$2.20 (2015: HK$2.06).

CAPITAL STRUCTURE AND FUND RAISING ACTIVITIES

As at 31 March 2016, the number of issued ordinary shares of the Company was 108,123,473 shares (2015: 3,782,938,941 shares). Additional shares may be issued by way of conversion of the convertible bonds which if fully converted would result in the issuance of 2,600,000,000 shares of the Company.

Placing of new shares under general mandate

During the Year, the Company has completed three tranches of the placing of new shares under general mandate and a total of 542 million new ordinary shares of the Company were allotted and issued to independent third parties. The aggregate net proceeds raised from the placing were approximately HK$38.6 million and subsequently used as general working capital including the repayment of borrowings and interests.

Capital reorganisation

During the Year, the Board has implemented the Capital Reorganisation which involved, among other things, (i) the share consolidation, (ii) change in board lot size, (iii) capital reduction, (iv) share sub-division, (v) share premium reduction and (vi) credit to contributed surplus account. The Capital Reorganisation was duly passed as the special resolution of the Company at the special general meeting held on 21 August 2015 and took effective on 24 August 2015. Details and effect of the Capital Reorganisation were disclosed in the Company's announcements dated 17 July 2015 and 21 August 2015 and the Company's circular dated 29 July 2015.

Placing of convertible bonds under specific mandate

On 28 August 2015, 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$250 million of the convertible bonds on a best effort basis by one or more tranches of not less than HK$10 million each. Details and effect of the placing of convertible bonds under specific mandate were disclosed in the Company's announcements dated 28 August 2015, 22 September 2015 and 14 October 2015 and the Company's circular dated 24 September 2015. The Company has finally completed the placing of convertible bonds in the aggregate principal amount of HK$130 million took place on 5 November 2015. The net proceeds from the placing of convertible bonds were approximately HK$123.5 million, out of which HK$40.4 million was used for settlement of borrowings and interests, HK$6.5 million for the launch of the car beauty and maintenance workshop, HK$4.5 million for the fund of money lending business, HK$12.4 million was used for operating expenses of the Group and HK$59.7 million is maintained at bank and will be used for repayment of borrowings.

Further share consolidation

During the year, the Board proposed to implement the consolidation of every four issued and unissued shares of par value of HK$0.0001 each into one consolidated share of par value of HK$0.0004 each. Such resolution has been duly passed by the Shareholders at the SGM held on 14 October 2015 and the share consolidation has taken effect on 15 October 2015. Details and effect of the share consolidation were disclosed in the Company's announcements dated 11 September 2015, 21 September 2015 and 14 October 2015 and the Company's circular dated 24 September 2015.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2016, the Group's cash and cash equivalents were approximately HK$64.1 million (2015: HK$8.0 million). The Group's current ratio, being the current assets of approximately HK$233.8 million (2015: HK$284.1 million) divided by the current liabilities of approximately HK$452.0 million (2015: HK$461.5 million), was computed as 0.52 (2015: 0.62). The management viewed that the ratio was not healthy and will try to improve the overall financial soundness and sustainability of the Group.

The Group's total indebtedness at 31 March 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 approximately HK$389.5 million (2015: HK$345.9 million). As mentioned in the paragraph headed "Legal Proceedings" below, the SME Private Bonds with the aggregate principal amount of approximately HK$20.3 million (2015: HK$49.7 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 approximately 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 143.1% (2015: 102.5%) at the Year. The incremental of the ratio was mainly due to the issuance of the convertible bonds during the year. To cope with the imminent need for settlement of the loans and trimming down the Group's debt level to a healthy level, the Company has entered into the placing agreement and net proceeds of HK$123.0 million was received in November 2015. Other than that, the management is considering other fund raising opportunities.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATE AND TREASURY POLICIES

The majority of the Group's cash balances and transactions were either denominated in Renminbi or Hong Kong dollars. The Group does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. As at 31 March 2016 and 2015, the Group did not have any hedging instruments.

HUMAN RESOURCES

As at 31 March 2016, the Group had 73 (2015: 164) full-time employees including the Directors. Total staff costs from continuing operations for the Year, including director's emoluments were approximately HK$15.8 million (2015: HK$18.9 million). Employee remuneration, excluding Director's emoluments, is reviewed annually. In addition to the basic salaries, employees are also entitled to benefits including bonus and mandatory provident fund.

ACQUISITION AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as disclosed above, the Group had no other acquisitions and disposals of subsidiaries and affiliated companies for the year ended 31 March 2016.

PLEDGE OF ASSETS

As at 31 March 2016, the Group's certain leasehold land and buildings with aggregate carrying amount of approximately HK$21.2 million (2015: HK$36.6 million) were pledged to secure the bank borrowings of a PRC subsidiary.

CONTINGENT LIABILITY

Except as disclosed above, the Group did not have any significant contingent liabilities as at 31 March 2016.

CAPITAL COMMITMENT

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

LEGAL PROCEEDINGS

For the detailed information of litigation cases, please refer to note 16 in this announcement.

PROSPECTS

Economic growth in the PRC was slowed down and coupled with the shrinking demand have severely hindered the sales of tobacco related agricultural machines. The Company is very cautious and prudent in running the business of manufacture and sale of tobacco agricultural machinery. The Company will not rule out any possibility to have overhaul on the whole tobacco agricultural machinery segment or to dispose of this segment if opportunity arises.

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, has strengthened 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 advertisements.

The Company 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 in the next financial year. Meanwhile, the Group will put more resources on the money lending business. In future, it is believed that these two operations could provide steady cash inflow for the Group.

DIVIDENDS

The Directors do not recommend the payment of a dividend for the year ended 31 March 2016.

PURCHASE, REDEMPTION OR SALE OF SHARES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the year.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles and the code provisions as set out in the CG Code as set out in Appendix 15 of the GEM Listing Rules. The principles adopted by the Company emphasize a quality board, sound internal controls and transparency and accountability to shareholders. In the opinion of the Board, the Company has complied with the CG Code for the year ended 31 March 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 AGM of the Company held on 14 September 2015 (the "AGM 2015"), Ms. Jingquan was unable to attend the AGM 2015 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 of requires of at least 14 days' notice should be given to all directors for regular board meetings. For all other board meetings, reasonable notice should be given. Due to the practical reasons, 14 days' advanced notifications have not been given to all meetings of the Board. Reasons have been given in the notifications in respect of those meetings of the Board where it is not practical to give 14 days' advanced notification. The Board will use its best endeavour to give 14 days' advanced notifications of Board meeting to the extent practicable.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the Year, the Company continued to adopt a code of conduct regarding Director's securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct regarding securities transactions by the Directors for the Year.

COMPETING INTEREST

As at 31 March 2016, as far as the Directors are aware of, none of the Directors has an interest in a business that competed or may compete with the business of the Group.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises three members, namely, Mr. Sousa Richard Alvaro, Mr. Lee Chi Hwa Joshua and Mr. Zhao Zhizheng. All of them are independent non-executive Directors. The chairman of the Audit Committee is Mr. Lee Chi Hwa Joshua, who has extensive accounting and related financial reporting expertise. The Group's unaudited quarterly and interim results and audited annual results and consolidated financial statements during the year ended 31 March 2016 have been reviewed by the Audit Committee, which is of opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made. The Audit Committee held five meetings during the Year.

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

Hong Kong, 27 June 2016

As of the date of this announcement, the executive Directors are Ms. Jingquan Yingzi (Chairman), Mr. Chin Wai Keung Richard, Mr. Wang Anyuan and Mr. Wang Rongqian; the non-executive Director is Prof. Liu Guoshun; and the independent non-executive Directors are Mr. Sousa Richard Alvaro, Mr. Lee Chi Hwa Joshua and Mr. Zhao Zhizheng.

This announcement will remain on the "Latest Company Announcements" page of the GEM website for 7 days from the date of its publication and on the Company's website at http://www.code-hk.com.