科地農業控股有限公司

CODE AGRICULTURE (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)
Stock Code: 8153

Cooperation
Opportunity
Development
Efficiency

First Quarterly Report 2015

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This report, 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 report 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 report misleading.

UNAUDITED FIRST QUARTERLY RESULTS

The board of directors (the "Board") of the Company hereby presents the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months ended 30 June 2015, together with the unaudited comparative figures for the corresponding period in 2014 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 30 June 2015

		Three months ended 30 June	
	Notes	**2015** **HK$'000**	2014 HK$'000 (Restated)
Continuing operations			
Revenue	*3*	**11,558**	54,201
Cost of sales and services		**(8,416)**	(34,019)
Gross profit		**3,142**	20,182
Other revenue and net income	*4*	**65**	1,979
Distribution costs		**(4,933)**	(8,971)
Administrative expenses		**(6,153)**	(12,243)
(Loss)/profit from operations		**(7,879)**	947
Other losses	*5*	**(25,023)**	(13,861)
Finance costs	*6*	**(7,281)**	(6,465)
Loss before income tax	*7*	**(40,183)**	(19,379)
Income tax (expense)/credit	*8*	**(68)**	654
Loss for the period from continuing operations		**(40,251)**	(18,725)
Discontinued operations			
Profit for the period from discontinued operations	*9*	**–**	7,703
Loss for the period		**(40,251)**	(11,022)

		Three months ended 30 June	
	Notes	**2015** **HK$'000**	2014 HK$'000 (Restated)
Loss attributable to:			
Owners of the Company		**(40,133)**	(10,074)
Non-controlling interests		**(118)**	(948)
		(40,251)	(11,022)
		HK cents	HK cents
Loss per share attributable to owners of the Company	*10*		
Basic and Diluted			
– From continuing and discontinued operations		**(1.01)**	(0.37)
– From continuing operations		**(1.01)**	(0.69)

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2015

	Three months ended 30 June	
	2015	2014
	HK$'000	HK$'000
		(Restated)
Loss for the period	**(40,251)**	(11,022)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**469**	–
Exchange differences reclassified on disposal of subsidiaries	**–**	(3,548)
Other comprehensive income/(expense) for the period	**469**	(3,548)
Total comprehensive expense for the period	**(39,782)**	(14,570)
Total comprehensive expense attributable to:		
Owners of the Company	**(39,664)**	(13,622)
Non-controlling interests	**(118)**	(948)
	(39,782)	(14,570)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2015

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Accumulated losses HK$'000	Merger reserve HK$'000 *(note (a))*	Statutory reserve HK$'000 *(note (b))*	Share option reserve HK$'000	Exchange reserve HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2014	27,138	1,056,184	(1,638,679)	(197)	24,347	7,915	87,643	(435,649)	(3,472)	(439,121)
Loss for the period	–	–	(10,074)	–	–	–	–	(10,074)	(948)	(11,022)
Other comprehensive income										
– Exchange differences reclassified on disposal of subsidiaries	–	–	–	–	–	–	(3,548)	(3,548)	–	(3,548)
Total comprehensive expense for the period	–	–	(10,074)	–	–	–	(3,548)	(13,622)	(948)	(14,570)
Disposal of subsidiaries	–	–	–	–	–	–	–	–	(1,410)	(1,410)
At 30 June 2014	27,138	1,056,184	(1,648,753)	(197)	24,347	7,915	84,095	(449,271)	(5,830)	(455,101)
At 1 April 2015	37,829	1,503,719	(1,764,255)	(197)	24,347	–	84,665	(113,892)	(5,993)	(119,885)
Loss for the period	–	–	(40,133)	–	–	–	–	(40,133)	(118)	(40,251)
Other comprehensive income										
– Exchange differences on translation of foreign operations	–	–	–	–	–	–	469	469	–	469
Total comprehensive expense for the period	–	–	(40,133)	–	–	–	469	(39,664)	(118)	(39,782)
Issue of shares	5,420	33,181	–	–	–	–	–	38,601	–	38,601
At 30 June 2015	43,249	1,536,900	(1,804,388)	(197)	24,347	–	85,134	(114,955)	(6,111)	(121,066)

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.

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 1120-26, 11th 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 manufacturing and sale of tobacco flue-curing agricultural machinery and trading of related machinery, and provision of digital television broadcasting services in the PRC.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated. The condensed consolidated financial statements for the three months ended 30 June 2015 (the "First 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 14 August 2015.

2. Basis of preparation

The First Quarterly Financial Statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules"). The First 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 2015 (the "Annual Report 2015").

The accounting policies and methods of computation applied in the preparation of the First Quarterly Financial Statements are consistent with those applied in preparing the Annual Report 2015 except for the adoption of new or revised standards, amendments and interpretations issued by the HKICPA mandatory for annual periods beginning 1 April 2015. 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 First 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 First 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 First Quarterly Financial Statements are consistent with those used in the Annual Report 2015.

Going concern

The Group incurred unaudited loss for the period ended 30 June 2015 of approximately HK$40.3 million and as at that date, 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.

The Directors as stated in the Annual Report 2015 have taken the following actions to mitigate the liquidity issues facing by the Group:

(a) Two substantial shareholders and a director of the Company have confirmed that they 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 2015 by the Directors;

(b) Possible fund raising activities including, but not limited to, further placing, rights issues or open offer and issuance of convertible bonds are to be attempted;

(c) The Group is in negotiation with financial institutions for new borrowings and extensions of existing borrowings upon due dates and applying for future credit facilities; and

(d) The management plans to improve the Group's financial performance by taking steps to reduce discretionary expenses and administrative costs and exploring new business which will provide a growing and recurring source of income.

In light of the measures and arrangements as described above, the Directors consider the Group and the Company will have sufficient working capital to meet their financial obligations as they fall due for the foreseeable future. Accordingly, the First Quarterly 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 First Quarterly Financial Statements.

3. Revenue (unaudited)

	Three months ended 30 June	
	2015	2014
	HK$'000	HK$'000
		(Restated)
Continuing operations		
Sale of agricultural machinery	**9,833**	51,769
Provision of digital television services	**1,725**	2,432
	11,558	54,201

4. Other revenue and net income (unaudited)

	Three months ended 30 June	
	2015	2014
	HK$'000	HK$'000
		(Restated)
Continuing operations		
Government grants	**–**	250
Interest income	**7**	101
Waiver of interest expenses on convertible bond	**–**	1,627
Sundry income	**58**	1
	65	1,979

5. Other losses (unaudited)

	Three months ended 30 June	
	2015	2014
	HK$'000	HK$'000
		(Restated)
Continuing operations		
Change in fair value of financial assets at fair value through profit or loss	**–**	25
Impairment loss on trade receivables	**25,004**	13,836
Impairment loss on other receivables	**19**	–
	25,023	13,861

6. Finance costs (unaudited)

	Three months ended 30 June	
	2015	2014
	HK$'000	HK$'000
		(Restated)
Continuing operations		
Interest on bank loans wholly repayable within five years	**5,801**	3,841
Interest on other loans	**1,480**	2,624
	7,281	6,465

7. Loss before income tax (unaudited)

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

		Three months ended 30 June	
		2015	2014
		HK$'000	HK$'000
			(Restated)
(a)	**Staff costs**		
	Salaries, wages and other benefits	**291**	375
	Retirement benefit scheme contributions	**3,213**	4,126
		3,504	4,501
(b)	**Other items**		
	Amortisation		
	– prepaid land lease payments	**70**	69
	– other intangible assets	**2**	4,774
	Depreciation on property, plant and equipment	**1,209**	928
	Impairment loss on trade receivables	**25,004**	13,836
	Impairment loss on other receivables	**19**	–
	Operating lease charges:		
	Minimum lease payments		
	– hire of building	**1,147**	1,045
	– hire of office equipment	**14**	15
	Cost of inventories recognised as expense	**8,170**	33,757
	Research and development costs	**76**	968

8. Income tax expense/(credit) (unaudited)

	Three months ended 30 June	
	2015	2014
	HK$'000	HK$'000
		(Restated)
Continuing operations		
Current tax – Hong Kong Profits Tax		
– Provision for the period	**–**	–
Current tax – PRC Enterprises Income Tax ("EIT")		
– Provision for the period	**–**	29
– Under provision in respect of prior period	**32**	15
	32	44
Deferred tax		
– Origination and reversal of temporary differences	**36**	(698)
Income tax expense/(credit)	**68**	(654)

No provision for Hong Kong profits tax has been made in the financial statements as there were no estimated assessable profits for the three months ended 30 June 2015 and 2014.

Under the Law of the People's Republic of China on Enterprise Income Tax ("EIT Law"), in general, the applicable EIT rate of enterprises in the PRC 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% (2014: 25%) on their taxable income.

9. Discontinued operations (unaudited)

Disposal of healthcare products operation

On 30 May 2014, the Group entered into a sales and purchase agreement with an independent third party for disposal of the Group's entire equity interests in Hong Kong New Success International Group Investment Company Limited and its subsidiaries, which were engaging in manufacturing and trading of healthcare products. The transaction was completed on 31 May 2014. Further details are included in note 37 to the Annual Report 2015.

Disposal of fertilizer of pesticide operation

On 30 May 2014, the Group entered into a sales and purchase agreement with a non-controlling shareholder for disposal of the Group's 50.5% equity interests in Henan Baorong Biological Technology Company Limited, which was engaging in manufacturing and trading of fertilizer and pesticide. The transaction was completed on 30 May 2014. Further details are included in note 37 to the Annual Report 2015.

The results of the above-mentioned business operations were as below:

	Three months ended 30 June 2014 HK$'000
Revenue	13
Cost of sales and services	(57)
Gross loss	(44)
Other revenue and net income	27
Distribution costs	(213)
Administrative expenses	(934)
Loss from operations	(1,164)
Finance costs	(2,188)
Gain on disposal of subsidiaries	11,055
Profit before income tax from discontinued operations	7,703
Income tax credit	–
Profit for the period from discontinued operations	7,703
Profit/(loss) attributable to:	
Owners of the Company	8,642
Non-controlling interests	(939)
	7,703

10. 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 30 June	
	2015	2014
	HK$'000	HK$'000
		(Restated)
(Loss)/earnings		
(Loss)/profit attributable to owners of the Company		
From continuing operations	**(40,133)**	(18,716)
From discontinued operations	**–**	8,642
	(40,133)	(10,074)
Number of shares	**'000**	'000
Weighted average number of ordinary shares in issue	**3,990,450**	2,713,798

(b) No adjustment has been made to the basic earnings per share amounts presented for the three months ended 30 June 2015 and 2014 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during both periods.

11. Dividend

The Board does not recommend the payment of a dividend for the three months ended 30 June 2015 (2014: Nil).

12. Comparative figures

Certain comparative figures have been reclassified to conform to the current period's presentation or restated to disclose the results of the discontinued operations. These reclassifications have no impact on the Group's loss for the three months ended 30 June 2014 and the Group's total equity as at 30 June 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the three months ended 30 June 2015, the Group was principally engaged in the manufacturing and sale of agricultural intensive flue-curing barns and trading of related machinery, and the provision of digital television broadcasting services in the PRC. The overall business performance was not satisfactory because of the shrinking demand, market uncertainties and sluggish economy in the PRC. The management has been making its best effort to overcome such hurdles by adoption of stringent cost control, closure of persistent non-performance business, and on the other hand, actively engaged in liaison for potential business opportunity and possible of capital injection with external investors.

Tobacco agricultural operation

Revenue from this operation for the period under review was significantly decreased by 81.0% to HK$9.8 million (2014: HK$51.8 million). Such decrease was primarily due to the shrinkage of sales and uncertain market factors of tobacco flue-curing barns. Similar to the last financial period, the rising production costs and direct overheads have continued to engulf the profits from this operation. Despite management's efforts taken in cost control, this operation is still far from satisfaction for the period under review.

Digital television operation

Revenue from this operation for the period under review was decreased by 29.0% to HK$1.7 million (2014: HK$2.4 million), accounted for 14.9% of the Group's revenue from continuing operations. The unexpected decrease in revenue was mainly due to the reduction in the advertising income generated from the broadcasting channels in Hunan Province. On the other hand, the subscription fees of pay-television programs were significantly improved and became the major source of revenue of this operation. The performance of digital television broadcasting to certain extent is subject to the government policy in Hunan Province. Besides, other internet media also intensified the competition in this industry. To substantiate the segmental growth, the Company considers enhancing its marketing strategies, program diversity and customer base by means of deploying more resources or inviting other strategic investors for cooperation. At present, the Company is cautiously optimistic about the performance in remaining financial periods.

Financial Review

Revenue

For the three months ended 30 June 2015, the Group's revenue from continuing operations was HK$11.6 million (2014: HK$54.2 million), representing a decrease of 78.7% as compared to the same period last year. Revenue from tobacco agricultural operation, accounted for 85.1% of the Group's total revenue, showed a decrease of 81.0% to HK$9.8 million (2014: HK$51.8 million). The significant decline in revenue was mainly due to the sales shrinkage of tobacco flue-curing barns and uncertain market factors in the major tobacco-growing areas in the PRC.

Cost of sales and services and gross profit

The Group recorded a total cost of sales and services from continuing operations of HK$8.4 million (2014: HK$34.0 million). Overall gross profit from continuing operations for the period under review was significantly decreased by 84.4% to HK$3.1 million (2014: HK$20.2 million). The gross profit margin deceased to 27.2% (2014: HK$37.2%) due to declining price advantage and soaring direct costs and production overheads. The management is closely monitoring the sheet steel prices, logistic costs, production overheads and product mix in order to maintain the profit margin.

Distribution costs

The Group recorded distribution costs from continuing operations for the period under review of HK$4.9 million (2014: HK$9.0 million). The decrease in distribution costs was mainly attributable to the decrease in number of delivery as a result of less sales orders were recorded during the period under review. Direct labour costs involved in distribution costs was HK$1.3 million (2014: HK$1.7 million) which accounted for approximately 26.0% (2014: 19.1%) of the total distribution costs from continuing operations of the period under review. The management will continue to streamline the logistic flow in order to achieve an optimal distribution costs.

Administrative expenses

Since last financial year, the Group has adopted austerity measures including lay-off of non-operating staff and cease of avoidable expenditures. As a result, the administrative expenses from continuing operations for the period under review were decreased by 49.7% to HK$6.2 million (2014: HK$12.2 million). The administrative expenses from continuing operations included staff costs totally of HK$2.2 million (2014: HK$2.8 million). The Group will review its austerity measures and continue to fine tune the cost structure in the forthcoming period.

Finance costs

Interest expenses on bank and other loans from continuing operations for the period under review were HK$7.3 million, representing an increase of 12.6% compared with same period last year of HK$6.5 million. Such increase was mainly due to the less favourable interest rates on interest bearing loans. In view of the heavy finance costs arising from the borrowings and to tackle the tight liquidity, the Company has been in negotiation with banks in the PRC for possible refinancing arrangement. Apart from placing of shares, the Company is also analysing equity-based fund raising activities in order to avoid the interest burden. The Company may also consider cooperation with strategic business partners if opportunity arises.

Loss attributable to owners of the Company

The loss attributable to owners of the Company for the three months ended 30 June 2015 was HK$40.1 million (2014: HK$10.1 million). The loss per share was HK Cents 1.01 (2014: HK Cents 0.37). The loss per share from continuing operations was HK Cents 1.01 (2014: HK Cents 0.69).

LEGAL PROCEEDINGS & OTHERS

Legal Proceedings

As disclosed in the Company's announcement dated 18 June 2015, there is a legal proceedings in the People's Republic of China ("**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 other four parties, namely, Jiangsu Yonglu Fertilizer Company Limited# (江蘇永祿肥料有限公司), 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. The hearing of PRC Proceedings was held on 4 August 2015. However, as at the date of this report, the judgement of the said hearing has not yet been handed down from the court. The Company will closely monitor the PRC Proceedings and keep the Company's shareholders updated on the development of the PRC Proceedings. The Company will make further announcement(s) on any significant development of the PRC Proceedings when it consider necessary.

Others

As stated in Annual Report 2015, the Company has an unsecured other loan, with a carrying amount approximately HK$54.1 million as at 31 March 2015 borrowed from an independent third party. The Company was unable to reach a formal loan agreement with the lender during last financial year. During the current reporting period, the Company has been in active dialogue and negotiation with the lender's representative with an aim to reach a formal loan agreement. As at the date of this report, the Company and the lender have discussed the terms of the loan and shared with respective views on the major terms of the loan agreement. The progress is positive and constructive.

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

PROSPECTS

Economic growth in the PRC was slowed down amidst credit tightening and the anti-corruption measures taken by the PRC government, these factors coupled with the shrinking demand and soaring production cost have severely hindered the operation of tobacco related agricultural machines. The Company is very cautious and prudent in running the business of manufacturing and sale of agricultural flue-curing barns. Nevertheless the Company will try to capture any opportunities arising from the "12th National Five-Year Plan" and the policy support from the PRC government. On the other hand, the Company will not rule out any possibility to have overhaul on the whole tobacco related segment or exit from the industry.

The Company considers reallocating more resources to the digital television operation in order to grasp the opportunities arising from flourishing film exhibition and the entertainment industry in the PRC. Besides, the Group will continue to streamline its business model and structure and explore other business opportunities in addition to the conventional tobacco related business if opportunity arises.

CAPITAL STRUCTURE

Placing of new shares under general mandate

During the three months ended 30 June 2015, the Company has completed three tranches of the placing of new shares under general mandate (the "Placing") 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 was approximately HK$38.6 million and used as general working capital to support the operation and to facilitate the business development of the Group.

Capital reorganisation

Subsequent to the period ended, the Board proposes to implement the reorganisation of the share capital of the Company (the "Capital Reorganisation") which involves, 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. Details and effect of the Capital Reorganisation were disclosed in the Company's announcement dated 17 July 2015 and the Company's circular dated 29 July 2015.

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

As at 30 June 2015, the interests and short positions of the Directors and chief executives of the Company in the ordinary share of HK$0.01 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 ("Ms. Jingquan")	Interests held by controlled corporation and beneficial owner	1,114,360,697 *(note (a))*	25.77%

Note:

(a) There are totally 1,069,140,697 Shares held by Cyberland which is legally and beneficially owned as to 30.37% by Rise Enterprises Limited ("Rise Enterprises") and 15% by Wealth Way Investment Limited ("Wealth Way"), respectively. Rise Enterprises is beneficially owned as to 62.96% by Eagle Bliss Limited which in turn is wholly owned by Ms. Jingquan, while Wealth Way is directly and wholly owned by Ms. Jingquan. Cyberland is in aggregate indirectly 34.12% owned by Ms. Jingquan. For the purpose of Part XV of SFO (Chapter 571 of the Laws of Hong Kong), Ms. Jingquan is deemed to be interested in the Shares to be held by Cyberland.

Save as disclosed above, as at 30 June 2015, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of GEM Listing Rules relating to securities transactions by Directors.

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

As at 30 June 2015, 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	Derivative interests Number of Shares and underlying Shares held	Percentage of shareholding
Cyberland (China) Limited	Beneficial owner	1,069,140,697 *(notes (a) and (c))*	24.72%
Stepwise International Holdings Limited	Interest of a controlled corporation	1,069,140,697 *(notes (a), (b) and (c))*	24.72%

Notes:

(a) Cyberland is legally and beneficially owned as to 54.63% by Stepwise International Holding Limited ("Stepwise").

(b) Stepwise is legally and beneficially wholly owned by Mr. Shan Xiaochang ("Mr. Shan"). Mr. Shan resigned as an executive Director on 2 November 2013.

(c) The interests refer to the same parcel of underlying Shares.

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.

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 three months ended 30 June 2015 was 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 holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

A share option scheme was adopted by the shareholders of the Company and became effective on 2 February 2009 and shall remain in force for a period of 10 years from that date. As at 30 June 2015, 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 three months ended 30 June 2015.

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 three months ended 30 June 2015.

COMPETING INTEREST

None of the Directors or management shareholders of the Company (as defined in the GEM Listing Rules) has an interest in a business that competed or may compete with the business of the Group.

PURCHASES, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its listed securities during the three months ended 30 June 2015. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the three months ended 30 June 2015.

AUDIT COMMITTEE

The Audit Committee has its terms of reference revised on 26 March 2014. 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 supervision over the financial reporting process and internal control system of the Group. The Audit Committee consists of three independent non-executive Directors, namely Mr. Lee Chi Hwa Joshua ("Mr. Lee"), Mr. Sousa Richard Alvaro and Mr. Zhao Zhizheng. Mr. Lee is the chairman of the Audit Committee. The Audit Committee has reviewed the unaudited quarterly results for the three months ended 30 June 2015, and discussed the financial control, internal control and risk management systems.

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

Hong Kong, 14 August 2015

As at the date of this report, the executive Directors are Ms. Jingquan Yingzi (Chairman), Mr. Chin Wai Keung Richard, Mr. Wu Zhongxin and Mr. Stephen William Frostick; 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.