



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

(Incorporated in Bermuda with limited liability)

Stock Code: 8153

Cooperation
Oppportunity
Development
Efficiency

Interim Report
2015

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.

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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.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. JINGQUAN Yingzi (*Chairman*)
Mr. CHIN Wai Keung Richard
Mr. WANG Anyuan
Mr. WU Zhongxin

Non-Executive Director

Professor LIU Guoshun

Independent Non-Executive Directors

Mr. LEE Chi Hwa Joshua
Mr. SOUSA Richard Alvaro
Mr. ZHAO Zhizheng

COMPLIANCE OFFICER

Mr. WANG Anyuan

AUTHORISED REPRESENTATIVES

Mr. LI Kwok Fat
Mr. WANG Anyuan

AUDIT COMMITTEE

Mr. LEE Chi Hwa Joshua (*Chairman*)
Mr. SOUSA Richard Alvaro
Mr. ZHAO Zhizheng

REMUNERATION COMMITTEE

Mr. SOUSA Richard Alvaro (*Chairman*)
Mr. LEE Chi Hwa Joshua
Mr. ZHAO Zhizheng

NOMINATION COMMITTEE

Ms. JINGQUAN Yingzi (*Chairman*)
Mr. LEE Chi Hwa Joshua
Mr. SOUSA Richard Alvaro
Mr. ZHAO Zhizheng

COMPANY SECRETARY

Mr. LI Kwok Fat

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Rooms 1120–26, 11th Floor
Sun Hung Kai Centre
30 Harbour Road, Wan Chai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Abacus Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

LEGAL ADVISORS

As to Hong Kong law:

Anthony Siu & Co., Solicitors & Notaries

As to PRC law:

Beijing Jincheng Tongda & Neal Law Firm

AUDITORS

Baker Tilly Hong Kong Limited

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China Construction Bank Limited
Agricultural Bank of China Limited
China Everbright Bank

STOCK CODE

8153

COMPANY WEBSITE

www.code-hk.com

INTERIM RESULTS

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months and six months ended 30 September 2015

	Notes	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
		2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000 (Restated)
Continuing operations					
Revenue	6	3,466	26,009	15,024	80,210
Cost of sales and services		(1,904)	(18,626)	(10,320)	(52,645)
Gross profit		1,562	7,383	4,704	27,565
Other revenue and net income	7	24	2,405	89	4,384
Distribution costs		(1,586)	(7,036)	(6,519)	(16,007)
Administrative expenses		(9,942)	(7,514)	(16,095)	(19,757)
Loss from operations		(9,942)	(4,762)	(17,821)	(3,815)
Other losses	8	(15,253)	(26,310)	(40,276)	(40,171)
Finance costs	9	(6,903)	(9,015)	(14,184)	(15,480)
Loss before income tax	10	(32,098)	(40,087)	(72,281)	(59,466)
Income tax credit/(expense)	11	13	(20)	(55)	634
Loss for the period from continuing operations		(32,085)	(40,107)	(72,336)	(58,832)
Discontinued operations					
Profit for the period from discontinued operations	12	-	-	-	7,703
Loss for the period		(32,085)	(40,107)	(72,336)	(51,129)

	<i>Notes</i>	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
		2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000 (Restated)
Loss attributable to:					
Owners of the Company		(32,217)	(40,106)	(72,350)	(50,180)
Non-controlling interests		132	(1)	14	(949)
		<u>(32,085)</u>	<u>(40,107)</u>	<u>(72,336)</u>	<u>(51,129)</u>
		HK\$	HK\$ (Restated)	HK\$	HK\$ (Restated)
Loss per share attributable to owners of the Company	<i>13</i>				
Basic and Diluted					
– From continuing and discontinued operations		<u>(0.30)</u>	<u>(0.59)</u>	<u>(0.70)</u>	<u>(0.74)</u>
– From continuing operations		<u>(0.30)</u>	<u>(0.59)</u>	<u>(0.70)</u>	<u>(0.87)</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 September 2015

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000 (Restated)
Loss for the period	(32,085)	(40,107)	(72,336)	(51,129)
Other comprehensive income				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translation of foreign operations	4,261	-	4,730	-
Exchange differences reclassified on disposal of subsidiaries	-	-	-	(3,548)
Other comprehensive income/(expense) for the period	4,261	-	4,730	(3,548)
Total comprehensive expense for the period	(27,824)	(40,107)	(67,606)	(54,677)
Total comprehensive expense attributable to:				
Owners of the Company	(28,023)	(40,106)	(67,687)	(53,728)
Non-controlling interests	199	(1)	81	(949)
	(27,824)	(40,107)	(67,606)	(54,677)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2015

	<i>Notes</i>	Unaudited As at 30 September 2015 HK\$'000	Audited As at 31 March 2015 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	39,093	42,979
Prepaid land lease payments		9,923	10,440
Goodwill		–	–
Other intangible assets		129	138
Deferred tax assets		3,866	4,037
		<u>53,011</u>	<u>57,594</u>
Current assets			
Inventories	15	40,343	47,787
Trade receivables	16	145,258	186,685
Prepayments, deposits and other receivables	16	35,279	41,560
Tax recoverable		41	43
Cash and cash equivalents		9,064	7,983
		<u>229,985</u>	<u>284,058</u>
Current liabilities			
Trade payables	17	54,524	69,558
Other payables and accruals	17	53,880	45,968
Amount due to a non-controlling shareholder of a subsidiary	17	735	763
Amount due to a director	17	13,906	286
Borrowings	18	308,795	344,887
Tax payable		–	27
		<u>431,840</u>	<u>461,489</u>

	<i>Notes</i>	Unaudited As at 30 September 2015 HK\$'000	Audited As at 31 March 2015 HK\$'000
Net current liabilities		<u>(201,855)</u>	<u>(177,431)</u>
Total assets less current liabilities		<u>(148,844)</u>	<u>(119,837)</u>
Non-current liability			
Deferred tax liabilities		<u>46</u>	<u>48</u>
Net liabilities		<u>(148,890)</u>	<u>(119,885)</u>
EQUITY			
Capital and reserves			
Share capital	<i>19</i>	43	37,829
Reserves		<u>(143,021)</u>	<u>(151,721)</u>
Equity attributable to owners of the Company		<u>(142,978)</u>	<u>(113,892)</u>
Non-controlling interests		<u>(5,912)</u>	<u>(5,993)</u>
Capital deficiency		<u>(148,890)</u>	<u>(119,885)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2015

	Attributable to owners of the Company										Non-controlling interests	Total
	Share capital	Share premium	Accumulated losses	Merger reserve	Statutory reserve	Contributed surplus	Share option reserve	Exchange reserve	Sub-total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (note (a))	HK\$'000 (note (b))	HK\$'000 (note (c))	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As 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	-	-	(50,180)	-	-	-	-	-	(50,180)	(949)	(51,129)	
Other comprehensive income												
- Exchange differences reclassified on disposal of subsidiaries	-	-	-	-	-	-	-	(3,548)	(3,548)	-	(3,548)	
Total comprehensive expense for the period	-	-	(50,180)	-	-	-	-	(3,548)	(53,728)	(949)	(54,677)	
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	(1,410)	(1,410)	
As at 30 September 2014 (unaudited)	27,138	1,056,184	(1,688,859)	(197)	24,347	-	7,915	84,095	(489,377)	(5,831)	(495,208)	
As 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	-	-	(72,350)	-	-	-	-	-	(72,350)	14	(72,336)	
Other comprehensive income												
- Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	4,663	4,663	67	4,730	
Total comprehensive expense for the period	-	-	(72,350)	-	-	-	-	4,663	(67,687)	81	(67,606)	
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)	-	-	-	-	-	
As at 30 September 2015 (unaudited)	43	41,900	(298,399)	(197)	24,347	-	-	89,328	(142,978)	(5,912)	(148,890)	

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 at a special general meeting held on 21 August 2015, the following steps on capital reorganisation had been taken place and completed on 24 August 2015:
 - (i) 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 into one thousand adjusted shares of HK\$0.0001 each;
 - (iv) the credit arising from the capital reduction and share premium reduction of approximately HK\$43,206,000 and HK\$1,495,000,000 respectively was 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 by-laws of the Company.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2015

Unaudited
Six months ended
30 September

	2015 HK\$'000	2014 HK\$'000
Net cash (used in)/generated from operating activities	(11,154)	19,647
Net cash used in investing activities	(38)	(18,431)
Net cash generated from financing activities	<u>18,619</u>	<u>–</u>
Net increase in cash and cash equivalents	7,427	1,216
Cash and cash equivalents at beginning of the period	7,983	2,816
Effect of foreign exchange rate changes	<u>(6,346)</u>	<u>–</u>
Cash and cash equivalents at end of the period	<u>9,064</u>	<u>4,032</u>
Analysis of balances of cash and cash equivalents		
Bank balances and cash	<u>9,064</u>	<u>4,032</u>

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 manufacture and sale of tobacco agricultural machinery and provision of digital television 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 and six months ended 30 September 2015 (the "Interim Financial Statements") are unaudited but were reviewed by the audit committee of the Company (the "Audit Committee") and approved for issue by the Board on 13 November 2015.

2. BASIS OF PREPARATION

The Interim Financial Statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules"). The Interim Financial Statements do not include all the information required in annual financial statements in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, HKAS and Interpretations issued by the HKICPA, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 March 2015 (the "Annual Report 2015").

Going concern

The Group incurred unaudited loss for the six months ended 30 September 2015 of approximately HK\$72 million and as at that date, the Group recorded unaudited net current liabilities of HK\$202 million and capital deficiency of HK\$149 million. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

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, 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 has improved the Group's financial performance by taking steps to reduce discretionary expenses and administrative costs and exploring new business which is expected to 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 Interim 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 Interim Financial Statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The Interim Financial Statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values. The accounting policies used in the preparation of the Interim Financial Statements are consistent with those set out in the Annual Report 2015, except that the Group has applied for the first time, the following new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 April 2015.

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 adoption of the new HKFRSs had no material effect on the results and financial position for the current or prior accounting periods which have been prepared and presented. Accordingly, no prior period adjustment has been recognised.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The significant judgments, estimates and assumptions applied in the preparation of the Interim Financial Statements are consistent with those used in the Annual Report 2015.

5. SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive Directors for their decisions about resource allocation in the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive Directors are determined by the Group's major product and service lines.

The Group has identified the following reportable segments:

Continuing operations:

- Tobacco agricultural operation; and
- Digital television operation.

Discontinued operations:

- Fertilizer and pesticide operation (discontinued during the six months ended 30 September 2014); and
- Healthcare products operation (discontinued during the six months ended 30 September 2014).

Segment results represent the Group's profit or loss before income tax incurred by each segment, but exclude interest income, unallocated gains, corporate and other unallocated expenses, finance costs, other gains and losses and gain on disposal of subsidiaries.

Segment assets include all assets, but exclude deferred tax assets and corporate and unallocated assets.

Segment liabilities include all liabilities, but exclude deferred tax liabilities and corporate and unallocated liabilities.

(a) **Segment Results (unaudited)**

For the six months ended 30 September 2015

	Continuing operations		
	Tobacco agricultural operation HK\$'000	Digital television operation HK\$'000	Total HK\$'000
Segment revenue			
Sales to external customers	<u>11,010</u>	<u>4,014</u>	<u>15,024</u>
Segment results	<u>(50,805)</u>	<u>46</u>	<u>(50,760)</u>
Reconciliation:			
Interest income			10
Unallocated gains			79
Corporate and other unallocated expenses			(7,426)
Finance costs			(14,184)
Other losses			<u>-</u>
Loss before income tax			<u>(72,281)</u>

For the six months ended 30 September 2014 (restated)

	Continuing operations			Discontinued operations			Total HK\$'000
	Tobacco agricultural operation HK\$'000	Digital television operation HK\$'000	Sub-Total HK\$'000	Fertilizer and pesticide operation HK\$'000	Healthcare products operation HK\$'000	Sub-Total HK\$'000	
Segment revenue							
Sales to external customers	75,312	4,898	80,210	-	13	13	80,223
Other revenue	<u>416</u>	<u>-</u>	<u>416</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>416</u>
	<u>75,728</u>	<u>4,898</u>	<u>80,626</u>	<u>-</u>	<u>13</u>	<u>13</u>	<u>80,639</u>
Segment results	<u>(25,780)</u>	<u>(36)</u>	<u>(25,816)</u>	<u>(491)</u>	<u>(713)</u>	<u>(1,204)</u>	<u>(27,020)</u>
Reconciliation:							
Interest income			684			26	710
Unallocated gains			3,271			14	3,285
Corporate and other unallocated expenses			(4,793)			-	(4,793)
Finance costs			(15,480)			(2,188)	(17,668)
Other losses			(17,332)			-	(17,332)
Gain on disposal of subsidiaries			-			11,055	11,055
(Loss)/profit before income tax			<u>(59,466)</u>			<u>7,703</u>	<u>(51,763)</u>

(b) Segment Assets and Liabilities

	Unaudited As at 30 September 2015			Audited As at 31 March 2015		
	Tobacco agricultural operation HK\$'000	Digital television operation HK\$'000	Total HK\$'000	Tobacco agricultural operation HK\$'000	Digital television operation HK\$'000	Total HK\$'000
Segment assets	272,490	3,411	275,901	332,141	3,604	335,745
Reconciliation:						
Deferred tax assets			3,866			4,037
Corporate and other unallocated assets			3,229			1,870
Total assets			282,996			341,652
Segment liabilities	346,792	3,413	350,205	388,106	3,654	391,760
Reconciliation:						
Deferred tax liabilities			46			48
Corporate and other unallocated liabilities			81,635			69,729
Total liabilities			431,886			461,537

(c) Geographical information

The following table provides an analysis of the Group's revenue from external customers from continuing operations and non-current assets other than deferred tax assets.

	Revenue from external customers		Non-current assets	
	Unaudited Six months ended 30 September	2014 HK\$'000 (Restated)	Unaudited As at 30 September	Audited As at 31 March
	2015 HK\$'000		2015 HK\$'000	2015 HK\$'000
The PRC	15,204	80,210	49,277	53,324
Hong Kong	—	—	137	233
	15,204	80,210	49,414	53,557

(d) Information about major customers (unaudited)

Revenue of HK\$2,849,000 (2014: HK\$14,210,000) was derived from a single customer of the tobacco agricultural operation segment accounted for 10% or more of the Group's revenue for the six months ended 30 September 2015.

6. REVENUE (UNAUDITED)

	Three months ended 30 September		Six months ended 30 September	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000 (Restated)
Continuing operations				
Sale of agricultural machinery	1,178	23,542	11,011	75,312
Provision of digital television services	2,288	2,467	4,013	4,898
	<u>3,466</u>	<u>26,009</u>	<u>15,024</u>	<u>80,210</u>

7. OTHER REVENUE AND NET INCOME (UNAUDITED)

	Three months ended 30 September		Six months ended 30 September	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000 (Restated)
Continuing operations				
Gain on disposal of property, plant and equipment	–	165	–	165
Government grants	–	–	–	250
Interest income	3	583	10	684
Waiver of interest expenses on convertible bond	–	1,644	–	3,271
Sundry income	21	13	79	14
	<u>24</u>	<u>2,405</u>	<u>89</u>	<u>4,384</u>

8. OTHER LOSSES/(GAIN) (UNAUDITED)

	Three months ended 30 September		Six months ended 30 September	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000 (Restated)
Continuing operations				
Change in fair value of financial assets at fair value through profit or loss	-	-	-	25
Change in fair value of convertible bond	-	17,307	-	17,307
Impairment loss/(reversal of impairment loss) on trade receivables (<i>note 16</i>)	15,203	(3,590)	40,207	10,246
Impairment loss on other receivables (<i>note 16</i>)	50	12,593	69	12,593
	<u>15,253</u>	<u>26,310</u>	<u>40,276</u>	<u>40,171</u>

9. FINANCE COSTS (UNAUDITED)

	Three months ended 30 September		Six months ended 30 September	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000 (Restated)
Continuing operations				
Interest on bank loans wholly repayable within five years	5,312	6,338	11,114	10,179
Interest on other loans	1,591	2,677	3,070	5,301
	<u>6,903</u>	<u>9,015</u>	<u>14,184</u>	<u>15,480</u>

10. LOSS BEFORE INCOME TAX (UNAUDITED)

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

	Three months ended 30 September		Six months ended 30 September	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000 (Restated)
(a) Staff costs				
Salaries, wages and other benefits	227	335	518	710
Retirement benefit scheme contributions	4,480	5,554	7,694	9,682
	<u>4,707</u>	<u>5,889</u>	<u>8,212</u>	<u>10,392</u>
(b) Other items				
Amortisation				
– prepaid land lease payments	68	69	138	138
– other intangible assets	2	1	4	4,776
Depreciation on property, plant and equipment	1,158	782	2,367	1,716
Gain on disposal of property, plant and equipment	–	(165)	–	(165)
Write-off of property, plant and equipment	–	15	–	15
Impairment loss/(reversal of impairment loss) on trade receivables	15,203	(3,590)	40,207	10,246
Impairment loss on other receivables	50	12,593	69	12,593
Operating lease charges:				
Minimum lease payments				
– hire of building	823	865	1,686	1,910
– hire of office equipment	14	15	28	30
Cost of inventories recognised as expense	1,767	17,222	9,937	50,979
Research and development costs	75	732	151	1,700

11. INCOME TAX (CREDIT)/EXPENSE (UNAUDITED)

	Three months ended 30 September		Six months ended 30 September	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 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	–	3	–	32
– (Over)/under provision in respect of prior period	(1)	–	31	15
	(1)	3	31	47
Deferred tax				
– Origination and reversal of temporary differences	(12)	17	24	(681)
Income tax (credit)/expense	(13)	20	55	(634)

No provision for Hong Kong profits tax has been made in the financial statements as there were no estimated assessable profits for the six months ended 30 September 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.

12. 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 engaged 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 engaged 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 segments were as below:

	Six months ended 30 September 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 expense	—
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

13. 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 September		Six months ended 30 September	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000 (Restated)
(Loss)/earnings				
(Loss)/profit attributable to owners of the Company				
From continuing operations	(32,217)	(40,160)	(72,350)	(58,822)
From discontinued operations	-	-	-	8,642
	(32,217)	(40,160)	(72,350)	(50,180)
Number of shares	'000	'000 (Restated)	'000	'000 (Restated)
Weighted average number of ordinary shares in issue <i>(note)</i>	108,123	67,845	103,988	67,845

Note:

The weighted average number of shares for the purpose of calculating the basic loss per share has been retrospectively adjusted for the three months and six months ended 30 September 2014 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 three months and six months ended 30 September 2015 and 2014 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during both periods.

14. PROPERTY, PLANT AND EQUIPMENT

The Group acquired property, plant and equipment with a cost of HK\$38,000 (unaudited) during the six months ended 30 September 2015 (30 September 2014: HK\$216,000).

15. INVENTORIES

	Unaudited As at 30 September 2015 HK\$'000	Audited As at 31 March 2015 HK\$'000
Raw materials	5,216	5,221
Work in progress	21,450	24,407
Finished goods	13,677	18,159
	<u>40,343</u>	<u>47,787</u>

16. TRADE AND OTHER RECEIVABLES

	Unaudited As at 30 September 2015 HK\$'000	Audited As at 31 March 2015 HK\$'000
Trade receivables	212,956	216,239
Less: Accumulated impairment (<i>note (b)</i>)	<u>(67,698)</u>	<u>(29,554)</u>
	<u>145,258</u>	<u>186,685</u>
Deposits and other receivables	21,786	23,385
Less: Accumulated impairment (<i>note (c)</i>)	<u>(1,912)</u>	<u>(1,915)</u>
	<u>19,874</u>	<u>21,470</u>
Prepayments	15,405	20,090
	<u>35,279</u>	<u>41,560</u>

Notes:

(a) Aged analysis

Based on the invoice dates and net of impairment losses, the aged analysis of the trade receivables is as follows:

	Unaudited As at 30 September 2015 HK\$'000	Audited As at 31 March 2015 HK\$'000
Current	–	5,984
30-90 days	1,092	1,634
91-180 days	9,347	23,967
Over 180 days	134,819	155,100
	145,258	186,685

(b) Accumulated impairment of trade receivables

	HK\$'000
As at 1 April 2015 (audited)	29,554
Impairment loss recognised during the period (<i>note 8</i>)	40,207
Exchange difference	(2,063)
As at 30 September 2015 (unaudited)	67,698

(c) Accumulated impairment of other receivables

	HK\$'000
As at 1 April 2015 (audited)	1,915
Impairment loss recognised during the period (<i>note 8</i>)	69
Exchange difference	(72)
As at 30 September 2015 (unaudited)	1,912

17. TRADE AND OTHER PAYABLES

	Unaudited As at 30 September 2015 HK\$'000	Audited As at 31 March 2015 HK\$'000
Trade payables (<i>note (a)</i>)	54,524	69,558
Other payables and accruals	53,880	45,968
Amount due to a non-controlling shareholder of a subsidiary (<i>note (b)</i>)	735	763
Amount due to a director (<i>note (c)</i>)	13,906	286
	<u>123,045</u>	<u>116,575</u>

Notes:

- (a) Aged analysis

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

	Unaudited As at 30 September 2015 HK\$'000	Audited As at 31 March 2015 HK\$'000
Current	20	644
30-90 days	-	5,691
91-180 days	1,754	16,774
Over 180 days	52,750	46,449
	<u>54,524</u>	<u>69,558</u>

- (b) Amount due to a non-controlling shareholder of a subsidiary is unsecured, interest free and repayable on demand.
- (c) As at 30 September 2015, amount due to a director bears interest of 7.0% per annum and is unsecured and repayable on 31 March 2016. As at 31 March 2015, amount due to a director is unsecured, interest free and repayable on demand.

18. BORROWINGS

	Unaudited As at 30 September 2015 HK\$'000	Audited As at 31 March 2015 HK\$'000
Bank loans, secured and fixed interest rate	206,077	156,962
Bills of exchange, secured and fixed interest rate	-	75,928
Small and medium-sized enterprise private placement bonds (the "SME Private Bonds"), unsecured and fixed interest rate	41,799	49,653
Other loans, unsecured		
Interest free	6,037	6,264
Fixed interest rate	54,882	54,114
Shareholder's loan, unsecured and fixed interest rate	-	1,966
	308,795	344,887

- (a) As at 30 September 2015, part of the Group's bank loans are secured by mortgages over the Group's prepaid land lease payments situated in the PRC, which had an aggregate carrying value at the end of the reporting period of approximately HK\$10,193,000 (31 March 2015: HK\$10,720,000); and mortgages over the Group's buildings, which had an aggregate carrying value at the end of the reporting period of approximately HK\$24,264,000 (31 March 2015: HK\$25,924,000).
- (b) As at 30 September 2015, a director of the Company has provided guarantees in favour of a bank for the Group's bank loans of HK\$130,467,000 (31 March 2015: HK\$75,949,000) granted to the Group.
- (c) As at 30 September 2015, bank loans of approximately HK\$26.8 million were overdue. The renewal of loan agreement is being negotiated.
- (d) In May 2013, pursuant to the regulations and rule in the PRC, Jiangsu Kedi issued the SME Private Bonds with aggregate principal amount of RMB60 million, carrying terms of 24 months tenure, unlisted, unsecured and bearing interest at the rate of 9% per annum and redeemable after 18 months. As at 30 September 2015, the SME Private Bonds with aggregate principal amount of RMB33.3 million were outstanding and overdue. The Group is negotiating with the subscribers on the repayment schedule.

19. SHARE CAPITAL

	Par value of each share HK\$	Number of shares	Nominal value HK\$'000
Authorised			
As at 31 March 2015 and 1 April 2015	0.01	10,000,000,000	100,000
Share consolidation (<i>note</i>)		(9,000,000,000)	–
Share sub-division (<i>note</i>)		999,000,000,000	–
As at 30 September 2015	0.0001	1,000,000,000,000	100,000
Issued and fully paid			
As at 31 March 2015 and 1 April 2015	0.01	3,782,938,941	37,829
Issue of shares		542,000,000	5,420
Share consolidation (<i>note</i>)		(3,892,445,047)	–
Capital reduction (<i>note</i>)		–	(43,206)
As at 30 September 2015	0.0001	432,493,894	43

Note:

Pursuant to a special resolution passed by the shareholders of the Company at a special general meeting held on 21 August 2015, (i) every ten issued shares of HK\$0.01 each were consolidated into one consolidated share 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 paid-up capital to the extent of HK\$0.0999 on each consolidated share so as to form the adjusted share of HK\$0.0001 each; and (iii) the share sub-division was made of each of the authorised but unissued consolidated shares of HK\$0.10 each into one thousand adjusted shares of HK\$0.0001 each. The share consolidation, capital reduction and share sub-division took effect on 24 August 2015.

20. SHARE OPTION SCHEME

A share option scheme (the “Scheme”) has been adopted pursuant to a resolution passed on 9 February 2009 for the primary purpose to enable the Company to grant options to eligible participants to subscribe for shares of the Company and will expire on 8 February 2019. Under the Scheme, the Board may grant options to the eligible participants, including an employee, a director, a supplier of goods or services, a customer of the Company or any of its subsidiaries, an agent, adviser, consultant, strategist, contractor, sub-contractor, expert or entity that provides research, development or other technological support or any valuable services to the Company or any of its subsidiaries or any securities issued by the Company or any of its subsidiaries.

The Scheme mandate limit of 10% of shares in issue was further refreshed by an ordinary resolution passed at the annual general meeting held on 14 September 2015 (the "AGM 2015") of the Company. As at 30 September 2015, the Company was entitled to grant options under the Scheme for subscription of up to a total of 43,249,389 shares, representing 10% of the issued share capital of the Company as at the date of AGM 2015. As at the date of this report, after taking into account the share consolidation of every four issued and unissued shares of par value of HK\$0.0001 each into one consolidated share of par value HK\$0.0004 each completed on 14 October 2015, the Company is entitled to grant options to subscribe up to 10,812,347 shares.

There was no movement of the share option under the Scheme during the six months ended 30 September 2015 and 2014.

21. CAPITAL COMMITMENT

The Group had no significant capital commitment as at 30 September 2015 and 31 March 2015.

22. CONTINGENT LIABILITY

No material contingent liability of the Group was noted as at 30 September 2015 and 31 March 2015.

23. RELATED PARTY TRANSACTIONS (UNAUDITED)

(a) Key management personnel remuneration

Remuneration of directors and key management personnel of the Group during the six months ended 30 September 2015 was HK\$2,128,000 (2014: HK\$1,045,000), which is included in staff costs as disclosed in note 10 to the Interim Financial Statements.

The remuneration of directors and key management personnel of the Group is determined by the remuneration committee of the Company having regard to the performance of individuals and market trends.

Except as disclosed above and elsewhere in the Interim Financial Statements, there was no other material related party transaction during the period.

(b) Balances with related parties

Balances with related parties are disclosed in note 17.

24. FAIR VALUE MEASUREMENTS

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of the Group's financial assets at fair value are calculated by using quoted price; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their respective fair values at the end of the reporting period.

25. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2015 (2014: Nil).

26. LITIGATION

For the detailed information of litigation cases, please refer to page 33 in the paragraph headed "Legal Proceedings" in this report. Based on the legal opinion of the PRC legal advisors, the Directors are of the view that no provision for litigation was made for the six months end 30 September 2015.

27. EVENTS AFTER REPORTING PERIOD

- (a) On 15 October 2015, the Company implemented 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; and
- (b) On 5 November 2015, the Company completed the placing of the first tranche of convertible bonds of the Company in the aggregate principal amount of HK\$130 million, which bears interest of 6% per annum, are due on 5 November 2018 and are convertible into 2,600,000,000 conversion shares. Further details of the completion of placing were set out in the announcement of the Company dated 5 November 2015.

28. COMPARATIVE FIGURES

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the six months ended 30 September 2015, the Group was principally engaged in manufacture and sale of tobacco agricultural machinery and provision of digital television 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

Segment revenue from this operation for the period under review was significantly decreased by 85.5% to HK\$11.0 million (2014: HK\$75.7 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 profit from this operation. Despite management's efforts was taken in the cost control, this operation is still far from satisfaction for the period under review.

Digital television operation

Segment revenue from this operation for the period under review was decreased by 18.0% to HK\$4.0 million (2014: HK\$4.9 million), accounted for 26.7% (2014: 6.1%) of the Group's segment revenue from continuing operations. The decrease in revenue was mainly due to the reduction in the subscription fees received from the pay-television programs. 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 collaboration. At present, the Company is cautiously optimistic about the performance in the remaining financial periods.

Financial Review

Revenue

For the six months ended 30 September 2015, the Group's revenue from continuing operations was HK\$15.0 million (2014: HK\$80.2 million), representing a decrease of 81.3% as compared to the same period last year. Revenue from sale of agricultural machinery, accounted for 73.3% of the Group's total revenue, demonstrating a decrease of 85.3% to HK\$11.0 million (2014: HK\$75.3 million). The significant decline in revenue was mainly due to the sales shrinkage of tobacco flue-curing barns, unfavourable operation factors and other market uncertainty 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 for the period under review of HK\$10.3 million (2014: HK\$52.6 million). Overall gross profit from continuing operations for the period under review was significantly decreased by 82.9% to HK\$4.7 million (2014: HK\$27.6 million). The gross profit margin decreased to 31.3% (2014: 34.4%) due to declining price advantage and soaring direct costs and production overheads.

Distribution costs

The Group recorded distribution costs from continuing operations for the period under review of HK\$6.5 million (2014: HK\$16.0 million). The decrease in distribution costs was mainly attributable to the decrease in number of delivery as a result of fewer sales orders were recorded during the period under review. Direct labour costs involved in distribution costs were HK\$2.5 million (2014: HK\$4.3 million) which accounted for approximately 38.5% (2014: 26.8%) of the total distribution costs from continuing operations of the period under review.

Administrative expenses

Since last financial year, the Group has adopted austerity measures including cease of avoidable expenditures. As a result, the administrative expenses from continuing operations for the period under review were decreased by 18.5% to HK\$16.1 million (2014: HK\$19.7 million). The administrative expenses from continuing operations included staff costs totally of HK\$5.7 million (2014: HK\$5.4 million). The Group will review its austerity measures and continue to fine-tune its cost structure in the forthcoming periods.

Finance costs

Interest expenses on bank and other loans from continuing operations for the period under review was HK\$14.2 million, representing a decrease of 8.4% compared with same period last year of HK\$15.5 million. Such decrease was mainly due to the repayment of part of the 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 new shares, the Company is also proceeding equity-base 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 six months ended 30 September 2015 was HK\$72.4 million (2014: HK\$50.2 million). The loss per share was HK\$0.70 (2014: HK\$0.74). The loss per share from continuing operations was HK\$0.70 (2014: HK\$0.87).

CAPITAL STRUCTURE AND FUND RAISING ACTIVITIES

As at 30 September 2015, the Group's issued shares were 432,493,894 (31 March 2015: 3,782,938,941).

Placing of new shares under general mandate

During the six months ended 30 September 2015, 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 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

During the six months ended 30 September 2015, the Board has implemented the reorganisation of the share capital of the Company (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. 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

During the six months ended 30 September 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. The net proceeds from the placing of up to approximately HK\$236.9 million is to be used for settlement of borrowings of the Group of approximately HK\$196.0 million and the remaining balance of approximately HK\$40.9 million as general working capital for day-to-day business operations of the Group for the next twelve months. 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. As at the date of this report, HK\$130 million of the convertible bonds are placed.

Share consolidation

During the six months ended 30 September 2015, 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 Company's shareholders at the special general meeting 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 30 September 2015, the Group's cash and cash equivalent were HK\$9.1 million (31 March 2015: HK\$8.0 million). The Group's current ratio, being the current assets of HK\$230.0 million (31 March 2015: HK\$284.1 million) divided by current liabilities of HK\$431.8 million (31 March 2015: HK\$461.5 million), was computed as 0.53 (31 March 2015: 0.62). The management viewed that the ratio was not healthy and acceptable and will try to improve the overall financial soundness and sustainability of the Group.

The Group's borrowings were HK\$308.8 million as at 30 September 2015 (31 March 2015: HK\$344.9 million) and most of which were denominated in Renminbi. As at 30 September 2015, the Group has the SME Private Bonds with aggregate principal amount of HK\$41.8 million (31 March 2015: HK\$49.7 million) which were already overdue. As mentioned in the paragraph headed "Legal Proceedings" below, the Company received a civil judgement regarding the dispute over the SME Private Bond. As at 30 September 2015, the Group has bank loans (excluding a revolving bank loan which is intended to be maintained by the Group) with aggregate principal amount of approximately HK\$157.3 million which are either overdue or repayable within one year. The Group has an imminent need of funding to cope with its borrowings. In order to facilitate the long-run business development of the Group and with the view to trim down the Group's debt level to a healthy level, the Company is considering other fund raising opportunities.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATE

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

EMPLOYEE

As at 30 September 2015, the Group had 146 full-time employees including Directors (31 March 2015: 164). Total staff costs from continuing operations, including directors' emoluments for the six months ended 30 September 2015 was HK\$8.2 million (2014: HK\$10.4 million).

LEGAL PROCEEDINGS

(2015) Xi Min Chu Zi No. 0005#

As disclosed in the Company's announcement dated 18 June 2015, there is 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 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 and no judgement has been handed down from the court as at the date of this announcement. 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.

(2015) Xi Zhong Bao Zi No. 0062[#]

The Company received a civil judgement of (2015) Xi Zhong Bao Zi No. 0062[#] (錫仲保字第0062號) (the “Judgement”) on 2 September 2015, which was related to a dispute (the “Dispute”) arising from the SME Private Bonds of outstanding aggregate principal amount of RMB33.3 million. According to the Judgement, the applicants of the Dispute (the “Applicants”) had applied for arbitration. 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. The Company, through its legal consultant in the PRC, is continuously negotiating with the Applicants on the amount, timing and method of settlement for the Dispute, and has reached a preliminary agreement with the Applicants. The Company will make further announcement on any substantial progress towards the Dispute. For details, please refer to the Company’s announcement dated 4 September 2015.

[#] *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 even exit from 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.

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

As at 30 September 2015, the interests and short positions of the Directors and chief executives of the Company in the ordinary share of HK\$0.0001 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	111,436,069 <i>(note)</i>	25.77%

Note:

There are totally 106,914,069 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 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 September 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 September 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	106,914,069 <i>(notes (a) and (c))</i>	24.72%
Stepwise International Holdings Limited	Interest of a controlled corporation	106,914,069 <i>(notes (a), (b) and (c))</i>	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 has 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 six months ended 30 September 2015 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

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 September 2015, the number of Shares available for issue under the scheme was 43,249,389 Shares representing approximately 10% of the issued Shares as at the date of AGM 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 six months ended 30 September 2015, 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 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 requires that notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. For all other board meetings, reasonable notice should be given. Due to the practical reasons, 14 days' advanced notifications have not been given to all meetings of the Board. Reasons have been given in the notifications in respect of those meetings of the Board where it is not practical to give 14 days' advanced notification. The Board will use its best endeavour to give 14 days' advanced notifications of Board meeting to the extent practicable.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the period under review, the Company continued to adopt a code of conduct regarding Director's securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct regarding securities transactions by the Directors for the six months ended 30 September 2015.

COMPETING INTEREST

During the six months ended 30 September 2015, none of the Directors or management shareholders of the Company (as defined in the GEM Listing Rules) had any interests in any business that competed or may compete with the business of the Group.

PURCHASES, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its listed securities during the six months ended 30 September 2015. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the six months ended 30 September 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 interim results for the six months ended 30 September 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, 13 November 2015

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