



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

(Incorporated in Bermuda with limited liability)

**(Stock code: 8153)**

**THIRD QUARTERLY REPORT**  
**2010**

Three months and nine months ended  
31 December 2010

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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*This report, for which the directors of Code Agriculture (Holdings) Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Code Agriculture (Holdings) Limited. The directors, having made all reasonable enquiries, 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.*

### THIRD QUARTERLY RESULTS

The board of directors (the “Board”) of Code Agriculture (Holdings) Limited (the “Company”) present the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the three months and nine months ended 31 December 2010 (the “Relevant Periods”) together with the comparative unaudited figures for the corresponding periods in 2009 as follows:

#### UNAUDITED CONDENSED CONSOLIDATED COMPREHENSIVE INCOME

For the three months and nine months ended 31 December 2010

	Note	Three months ended 31 December		Nine months ended 31 December	
		2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Revenue	2	203,959	1,125	466,740	5,137
Cost of sales		(143,977)	(752)	(353,676)	(2,220)
Gross profit	2	59,982	373	113,064	2,917
Other revenue		14,501	103	15,369	334
General, administrative and other expenses		(58,243)	(902)	(117,868)	(27,041)
Profit/(Loss) from operations		16,240	(426)	10,565	(23,790)
Finance costs		(6,982)	(178)	(20,985)	(805)
Other gain/(loss)		(480)	(3,914)	(3,611)	4,978
Profit/(Loss) before income tax		8,778	(4,518)	(14,031)	(19,617)
Income tax expense	3	(2,205)	—	(6,421)	—
Profit/(Loss) for the period from continuing operations		6,573	(4,518)	(20,452)	(19,617)
<b>Discontinuing operations</b>					
Profit/(Loss) for the period from discontinuing operations	4	7	(2,904)	(2)	(14,330)
Profit/(Loss) for the period		6,580	(7,422)	(20,454)	(33,947)
<b>Other comprehensive income</b>					
Exchange differences on translating foreign operations		55	(2)	(234)	99
Total comprehensive income for the period		6,635	(7,424)	(20,688)	(33,848)
Profit/(Loss) attributable to:					
Owners of the Company		3,684	(7,387)	(22,489)	(32,875)
Minority interests		2,896	(35)	2,035	(1,072)
		6,580	(7,422)	(20,454)	(33,947)
Total comprehensive income attributable to:					
Owners of the Company		3,729	(7,389)	(22,723)	(32,776)
Minority interests		2,906	(35)	2,035	(1,072)
		6,635	(7,424)	(20,688)	(33,848)
Basic earnings/(loss) per share					
From continuing and discontinuing operations	5	0.14 HK cents	(0.40) HK cents	(0.83) HK cents	(1.80) HK cents
From continuing operations	5	0.14 HK cents	(0.24) HK cents	(0.83) HK cents	(1.02) HK cents

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For the nine months ended 31 December 2010

	Attributable to owners of the Company										
	Share capital HK\$ '000	Share premium HK\$ '000	Accumulated losses HK\$ '000	Merger reserve HK\$ '000	Capital reserve HK\$ '000	Share-based payment reserve HK\$ '000	Exchange reserve HK\$ '000	Convertible bonds-equity component HK\$ '000	Subtotal HK\$ '000	Minority interests HK\$ '000	Total HK\$ '000
At 1 April 2009	17,593	612,184	(367,489)	(197)	—	7,382	(290)	—	269,183	26,352	295,535
Issue of shares, net of expenses	1,116	27,123	—	—	—	—	—	—	28,239	—	28,239
Issue of share option	—	—	—	—	—	14,500	—	—	14,500	—	14,500
Lapse of share option	—	—	—	—	—	(6,000)	—	—	(6,000)	—	(6,000)
Total comprehensive income for the period	—	—	(32,875)	—	—	—	99	—	(32,776)	(1,072)	(33,848)
At 31 December 2009	18,709	639,307	(400,364)	(197)	—	15,882	(191)	—	273,146	25,280	298,426
At 1 April 2010	26,673	1,035,366	(636,820)	(197)	26,062	15,882	92	437,793	904,851	5,328	910,179
Issue of shares from share subscriptions, net of expenses	465	5,347	—	—	—	—	—	—	5,812	—	5,812
Redemption of convertible bonds	—	—	—	—	—	—	—	(9,968)	(9,968)	—	(9,968)
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	5,365	5,365
Total comprehensive income for the period	—	—	(22,489)	—	—	—	(234)	—	(22,723)	2,035	(20,688)
At 31 December 2010	27,138	1,040,713	(659,309)	(197)	26,062	15,882	(142)	427,825	877,972	12,728	890,700

Notes:

**1. Basis of preparation**

The results have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

The accounting policies and methods of computation adopted in the preparation of these unaudited consolidated accounts are consistent with those set out in the annual financial statements for the year ended 31 March 2010. The consolidated results are unaudited but have been reviewed by the Company's audit committee.

**2. Revenue**

The Group is principally engaged in the research and development, manufacture, sales and marketing, and technical servicing of modern agricultural technology and products in China. Its modern tobacco agricultural business covers extensive aspects, including modified tobacco leaf, agricultural equipment and machinery, new energy, nursery greenhouse, fertilizer, pesticide, biotechnology and related professional services. Other businesses include the development of digital television system platform and cordyceps related business in the People's Republic of China ("PRC").

For the nine months ended 31 December 2010, the Group discontinues the operations of the provision of pre-mastering and other media services ("Media Services"), the provision of audiovisual playout services ("Playout Services") in Hong Kong, and direct television sales in the PRC.

An analysis of the Group's Revenue and other revenue for the period, for both continuing and discontinuing operations, are as follows:

	Three months ended 31 December		Nine months ended 31 December	
	2010 HK\$ '000	2009 HK\$ '000	2010 HK\$ '000	2009 HK\$ '000
<b>Revenue</b>				
Continuing operations				
Sales of agricultural machinery	113,911	—	356,773	—
Sales of fertilizer	89,238	—	107,397	—
Provision of TV digitalisation related services	329	203	1,889	568
Sales of cordyceps-related product	481	922	681	4,569
	203,959	1,125	466,740	5,137
Discontinuing operations				
Provision of pre-mastering and other media services	—	2,874	—	10,220
Provision of audiovisual playout services	—	1,165	—	3,720
Direct television sales	—	—	—	562
	—	4,039	—	14,502
<b>Total Revenue</b>	<b>203,959</b>	<b>5,164</b>	<b>466,740</b>	<b>19,639</b>
<b>Other revenue</b>				
Interest income	2,014	1	2,020	2
Government subsidy	2,162	—	2,321	—
Rental income	9,751	—	9,751	—
Others	574	102	1,277	332
	14,501	103	15,369	334

**3. Income tax expense**

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

**Hong Kong profits tax**

No provision for Hong Kong profits tax has been made in these financial statements as there was no estimated assessable profits for the period (2009: Nil).

**PRC corporate income tax**

In accordance with the relevant tax laws in the PRC, subsidiaries are subject to corporate income tax rate of 25% on its taxable income. However, in accordance with the relevant tax laws in the PRC, it is exempted from corporate income tax for its first two profit-making years (after deducting losses incurred in previous years) and is entitled to a 50% tax reduction for the succeeding three years.

The amounts of income tax expense recorded in the unaudited consolidated income statement represent:

	Nine months ended 31 December	
	2010	2009
	HK\$'000	HK\$'000
Continuing operations		
Current taxation		
PRC corporate income tax	<b>(6,421)</b>	—

**4. Discontinuing operation**

As at 31 December 2010, the Company discontinuing the operations of the pre-mastering and other media services, audiovisual playout service and direct TV sales segments in order to concentrate its financial and human resources on its high growth businesses.

The results of the discontinuing operations included in the consolidated results of the Company for the three months and nine months ended 31 December 2010 together with the comparative figures for the corresponding periods in 2009 are set out below.

	Three months ended 31 December		Nine months ended 31 December	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	—	4,039	—	14,502
Cost of sales	—	(4,550)	—	(14,374)
Gross profit	—	(511)	—	128
Other revenue	7	1	7	2
General, administrative and other expenses	—	(2,393)	(9)	(14,417)
Profit/(Loss) from operation	7	(2,903)	(2)	(14,287)
Finance costs	—	(1)	—	(43)
Profit/(Loss) before income tax	7	(2,904)	(2)	(14,330)
Income tax expenses	—	—	—	—
Profit/(Loss) for the period from discontinuing operations	<b>7</b>	<b>(2,904)</b>	<b>(2)</b>	<b>(14,330)</b>

**5. Earnings/(Loss) per share**

**For continuing and discontinuing operations**

The calculation of the basic earnings/(loss) per share attributable to the owners of the company is based on the following data:

	Three months ended 31 December		Nine months ended 31 December	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Earnings/Loss</b>				
Earnings/(Loss) for the purpose of basic earnings/(loss) per share	<b>3,684</b>	<b>(7,387)</b>	<b>(22,489)</b>	<b>(32,875)</b>
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>'000</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>
<b>Number of shares</b>				
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	<b>2,713,798</b>	<b>1,850,522</b>	<b>2,707,498</b>	<b>1,826,125</b>

**From continuing operations**

The calculation of the basic earnings/(loss) per share from continuing operations attributable to the owners of the company is based on the following data:

	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Earnings/(Loss) for the period attributable to owners of the company	<b>3,684</b>	<b>(7,387)</b>	<b>(22,489)</b>	<b>(32,875)</b>
<i>Less:</i>				
Earnings/(Loss) for the period from discontinuing operations	<b>7</b>	<b>(2,904)</b>	<b>(2)</b>	<b>(14,330)</b>
Earnings/(Loss) for the purpose of basic loss per share from continuing operations	<b>3,677</b>	<b>(4,483)</b>	<b>(22,491)</b>	<b>(18,545)</b>

**From discontinuing operations**

No basic loss per share for discontinued operation for both the three months and nine months ended 31 December 2010 (2009: 0.16 HK cents per share and 0.78 HK cents per share respectively). The calculation was based on the Group's earning/(loss) attributable to owners of approximately HK\$7,000 profit and HK\$2,000 loss respectively (2009: HK\$2,904,000 loss and HK\$14,330,000 loss) and on 2,713,798,000 and 2,707,498,000 (2009: 1,850,522,000 and 1,826,125,000) weighted average number of ordinary shares in issue during the period, respectively.

No diluted loss per share for 2010 and 2009 has been presented, as the exercise of the outstanding share options and convertible bonds of the Company during the three months and nine months ended 31 December 2010 and 2009 would result in reducing loss per share.

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months and nine months ended 31 December 2010 (2009: Nil).

## FINANCIAL AND BUSINESS REVIEW

For the nine months ended 31 December 2010, the Group recorded a revenue from continuing operations of approximately HK\$466,740,000 (2009: approximately HK\$5,137,000). The revenue was mainly contributed by modern tobacco agricultural machinery business.

During the period under review, revenue from agricultural machinery and fertilizer business amounted to HK\$464,170,000 (2009: Nil), representing 99% of the Group's revenue. Revenue from TV digitalization related services amounted to HK\$1,889,000 (2009: HK\$568,000). Revenue from cordyceps related products amounted to HK\$681,000 (2009: HK\$4,569,000).

The Group has discontinued the operation of pre-mastering and other media services, audiovisual services and direct TV sales, and concentrated its financial resources on businesses with potential.

For the nine months ended 31 December 2010, the Group recorded a gross profit from continuing operations of approximately HK\$113,064,000 (2009: approximately HK\$2,917,000). The gross profit margin dropped from 57% of the corresponding period in 2009 to 24% in the current period, mainly due to the incorporation of the results of sale of agricultural and fertilizer business which has a lower profit margin than highly-profitable cordyceps business.

During the period under review, the loss from continuing and discontinued operations attributable to owners of the Company amounted to HK\$22,489,000 (2009: HK\$32,875,000).

## Business Pursuits and Prospects

Since the second half of 2010, the core business of the Group mainly focuses on modern tobacco agricultural machinery business. Pursuant to the arrangement of the State Tobacco Monopoly Administration, 750,000 intensive flue-curing barns shall be constructed in the PRC by 2012. In the next five years, the annual market capacity of intensive flue-curing equipment will be approximately 1 to 1.5 billion. The Group is one of the first professional companies engaging in the tobacco industry in the PRC. A total of some 110,000 new intensive flue-curing barns have been constructed, representing 30% of the total number in the PRC. In the next few years, with abnormal weather, reducing agricultural land and higher requirements on energy saving, emission reduction and labour saving in the PRC, the intensive flue-curing technology standard in the PRC will certainly be aligned with the proper standard of overseas intensive flue-curing barns, creating new market demand for new type intensive flue-curing barns.

The Group successfully acquired Kang Yuan Universal Investment Limited and its subsidiaries in February 2010. Leveraging on its business diversification to modern tobacco agriculture in the PRC and its industrial leading technology advantage in drying machinery, the industrial position of the Group can be further strengthened. The newly acquired business will become one of the major growth engines of the Group in the future.

With the re-positioning of the Group and the strengthening of modern tobacco agricultural business development, the Group will reduce the resources allocated to other businesses, including provision of TV digitalization related services and cordyceps related products, or dispose of these businesses to ensure the adequacy of resources for core businesses.

Looking ahead, the Group will continue to focus on modern tobacco agricultural machinery business and develop environmental friendly modern agricultural business. Apart from tobacco drying, the existing tobacco dryers of the Group may be used for drying other crops in the future, which may help facilitate the Group's business development and improve farmers' income. In addition, the Group will conduct research on special fertilizer for tobacco, and continue to look for suitable acquisition opportunities, expand the Company's scale and market territory, with an aim to become a leading enterprise in the industry, and reward its shareholders with growth.

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

As at 31 December 2010, the interests and short positions of the directors and chief executives of the company in the shares 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 the Securities and Future Ordinance ("SFO")), as recorded in the register maintained by the Company under section 352 of the SFO or as notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the SFO or the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") were as follows:

### (a) Ordinary shares of HK\$0.01 each in the Company

Name of directors	Nature of Interests	Number of shares — long position	Approximate percentage of shareholding (%)
Miss Jingquan Yingzi	Interests of controlled corporations and beneficial owner	2,409,069,767 (Note (a) and (b))	88.77
Mr. Wong Man Hung Patrick	Beneficial owner	25,000,000	0.92
Mr. Shan Xiaochang	Interests of controlled corporations and beneficial owner	2,381,519,767 (Note (a) and (b))	87.76
Mr. Feng Xiao Ping (note (c))	Interests of controlled corporations	31,718,750	1.17

Note:

(a) 2,379,069,767 shares are held by Cyberland (China) Limited, which is legally and beneficially owned as to 45% and 40% by Rise Enterprises Limited ("Rise Enterprises") and Stepwise International Holdings Limited ("Stepwise") respectively.

Rise Enterprises is legally and beneficially owned as to 32.5% and 42.5% by Mr. Shan Xiaochang ("Mr. Shan") and Eagle Bliss Limited ("Eagle Bliss") respectively.

Stepwise is legally and beneficially wholly owned by Mr. Shan.

Miss Jingquan Yingzi also holds derivative interests of the Company through her 100% interests in Wealth Way and Eagle Bliss.

(b) The interests refer to the same parcel of shares.

(c) 31,718,750 shares are held by Sino Unicorn Technology Limited ("Sino Unicorn"), a company in which Mr. Feng Xiao Ping has an indirect interest of 51% therein.

Save as disclosed above, none of the directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of the SFO) which are required (a) to be recorded in the register maintained by the Company under section 352 of the SFO; or (b) to be notified to the Company and the Stock Exchange pursuant to the SFO or the GEM Listing Rules.

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

As at 31 December 2010, so far as was known to the directors of the Company, the following persons (not being directors or chief executives of the Company) had, or were deemed to have, interests and long positions in the Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and were recorded in the register kept by the Company pursuant to section 336 of the SFO:

Name of shareholders	Number of shares — long position	Percentage of share capital (%)	Derivative interests	
			Number of underlying shares — long position	Percentage of share capital to issued capital at 30 September 2010 (%)
Mr. Lee Yuk Lun	219,298,244	8.08	—	—
Mr. Au Yeung Kai Wah	150,625,000	5.55	—	—
Cyberland (China) Limited	—	—	2,379,069,767 (Note (a) and (b))	87.67
Eagle Bliss Limited	—	—	2,379,069,767 (Note (a), (c) and (e))	87.67
Rise Enterprises Limited	—	—	2,379,069,767 (Note (a) and (b))	87.67
Stepwise International Holdings Limited	—	—	2,379,069,767 (Note (a), (b) and (d))	87.67
Miss Wu Shuhua	—	—	2,381,519,767 (Note (f))	87.76

### Notes:

- The interests refer to the same parcel of shares.
- Cyberland (China) Limited is legally and beneficially owned as to 45% and 40% by Rise Enterprises and Stepwise respectively.
- Rise Enterprises is legally and beneficially owned as to 32.5% and 42.5% by Mr. Shan and Eagle Bliss respectively.
- Stepwise is legally and beneficially wholly owned by Mr. Shan.
- Miss Jingquan Yingzi also holds derivative interests of the Company through her 100% interests in Eagle Bliss.
- Miss Wu Shuhua is the spouse of Mr. Shan Xiaochang. By virtue of the SFO, Miss Wu Shuhua is also deemed to be interested in all the shares in which Mr. Shan Xiaochang is interested and/or deemed to be interested.

Save as disclosed above and in the above section headed "Directors' and Chief Executives' interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation", the Company had not been notified of any other interests and short positions in the issued share capital of the Company to be recorded under Section 336 of the SFO as at 31 December 2010.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its listed securities during the three months and nine months ended 31 December 2010. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the three months and nine months ended 31 December 2010.

## CORPORATE GOVERNANCE PRACTICES

The Company applied the principles and complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the period under review, with the exception of the deviation in respect of the appointment term of non-executive directors.

Under code provision A4.1, non-executive directors should be appointed for specific term. There is no specific term of appointment of the non-executive directors of the Company, however, they are subject to retirement by rotation in accordance with Bye-laws of the Company. Accordingly the Company considers that sufficient measures have been taken to deal with the requirement in respect of the appointment terms of non-executive directors as required under the code provision.

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the period under review, the Company continued to adopt a code of conduct regarding securities transactions by directors 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. The Company had also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors.

## COMPETING BUSINESS

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

## AUDIT COMMITTEE

The Company has established an audit committee comprising three independent non-executive directors and has adopted the terms of reference governing the authority and duties of the audit committee. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control of the Group. This announcement has been reviewed by the audit committee.

On Behalf of the Board  
**Wong Man Hung Patrick**  
*Director*

Hong Kong, 11 February 2011

As of the date of this report, the executive directors of the Company are Ms. Jingquan Yingzi, Mr. Wong Man Hung Patrick, Mr. Shan Xiaochang, Mr. Wu Zhongxin, Mr. Feng Xiao Ping 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 Ms. Chan Mei Bo Mabel.