



**CODE AGRICULTURE (HOLDINGS) LIMITED**

**科地農業控股有限公司**

(Incorporated in Bermuda with limited liability)

(Stock Code: 8153)

**INTERIM REPORT  
2011**

For the three-month and six-month periods ended  
30 September 2011

**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.*

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Ms. Jingquan Yingzi (*Chairman*)  
Mr. Wong Man Hung Patrick  
Mr. Shan Xiaochang  
Mr. Wu Zhongxin  
Mr. Feng Xiaoping  
Mr. Stephen William Frostick

### Non Executive Director

Prof. Liu Guoshun

### Independent Non-Executive Directors

Mr. Sousa Richard Alvaro  
Mr. Lee Chi Hwa Joshua  
Ms. Chan Mei Bo Mabel

### COMPLIANCE OFFICER

Mr. Wong Man Hung Patrick

### AUTHORISED REPRESENTATIVES

Mr. Wong Man Hung, Patrick  
Mr. Feng Xiaoping

### AUDIT COMMITTEE

Mr. Sousa Richard Alvaro (*Chairman*)  
Mr. Lee Chi Hwa Joshua  
Ms. Chan Mei Bo Mabel

### REMUNERATION COMMITTEE

Mr. Sousa Richard Alvaro (*Chairman*)  
Mr. Lee Chi Hwa Joshua  
Ms. Chan Mei Bo Mabel

### COMPANY SECRETARY

Mr. Chow Kim Hang

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 3808-10  
38/F China Resources Building  
26 Harbour Road,  
Wan Chai, Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke HM08  
Bermuda

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Abacus Limited  
26th Floor, Tesbury Centre  
28 Queen's Road East  
Wanchai, Hong Kong

### LEGAL ADVISORS

Tsun & Partners  
廣東中安律師事務所

### AUDITORS

KL CPA Limited  
Certified Public Accountants, Hong Kong

### PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
Shanghai Pudong Development bank  
China Construction Bank  
Agricultural Bank of China

### STOCK CODE

8153

### COMPANY WEBSITE

[www.code-hk.com](http://www.code-hk.com)

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three-month and six-month periods ended 30 September

	Note	Three-month period ended 30 September		Six-month period ended 30 September	
		2011 HK\$'000	2010 HK\$'000 (Restated)	2011 HK\$'000	2010 HK\$'000 (Restated)
Revenue	5	210,333	72,432	448,459	263,462
Cost of sales and services		(161,171)	(69,689)	(330,015)	(208,667)
Gross profit		49,162	2,743	118,444	54,795
Other revenue	5	482	453	1,321	865
Distribution costs		(4,825)	(7,387)	(9,632)	(11,416)
Administrative expenses		(25,611)	(24,500)	(47,226)	(49,346)
Profit/(loss) from operations		19,208	(28,691)	62,907	(5,102)
Finance costs	6	(2,248)	(6,055)	(16,043)	(14,585)
Other gain/(losses)	7	(341)	486	(22)	(3,131)
Impairment losses on other intangible assets	8	—	—	(20,000)	—
Gain on disposal of subsidiaries	26	3,392	—	3,392	—
<b>Profit/(loss) before income tax</b>	9	<b>20,011</b>	<b>(34,260)</b>	<b>30,234</b>	<b>(22,818)</b>
Income tax expense	10	(2,849)	—	(4,286)	(4,216)
Profit/(loss) for the period		17,162	(34,260)	25,948	(27,034)
<b>Other comprehensive income</b>					
Exchange differences on translating foreign operations		6,696	(266)	11,182	(289)
<b>Total comprehensive income for the period</b>		<b>23,858</b>	<b>(34,526)</b>	<b>37,130</b>	<b>(27,323)</b>
<b>Profit/(loss) attributable to:</b>					
— Owners of the Company		14,895	(33,804)	23,450	(26,173)
— Non-controlling interests		2,267	(456)	2,498	(861)
		17,162	(34,260)	25,948	(27,034)
<b>Total comprehensive income attributable to:</b>					
— Owners of the Company		21,416	(34,069)	34,165	(26,452)
— Non-controlling interests		2,442	(457)	2,965	(871)
		23,858	(34,526)	37,130	(27,323)
<b>Earnings/(loss) per share attributable to the equity holders of the Company</b>					
— Basic (HK cents per share)	11	0.55	(1.25)	0.86	(0.97)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2011 and 31 March 2011

		Unaudited As at 30 September 2011 HK\$'000	Audited As at 31 March 2011 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	13	82,017	83,514
Prepaid land lease payments		6,762	6,730
Goodwill	14	777,371	777,347
Other intangible assets	15	109,769	142,928
Interest in an associate	16	—	—
		<b>975,919</b>	<b>1,010,519</b>
<b>Current assets</b>			
Inventories	17	83,205	64,745
Trade and bills receivables	18	665,629	462,152
Prepayments, other receivables and deposits		317,587	152,075
Amounts due from customers for contract works	19	18,700	5,992
Financial assets at fair value through profit or loss		—	822
Tax recoverable		264	—
Pledged deposits		196,602	231,372
Cash and bank balances		138,796	47,491
		<b>1,420,783</b>	<b>964,649</b>
Assets held for sale	20	102,194	101,902
		<b>1,522,977</b>	<b>1,066,551</b>
<b>Current liabilities</b>			
Trade and bills payables	21	690,403	329,189
Other payables and accruals		107,701	56,438
Amounts due to related companies		1,686	1,807
Amounts due to directors		11,531	6,013
Borrowings	22	252,182	288,063
Deferred income		636	583
Tax payable		6,125	3,357
		<b>1,070,264</b>	<b>685,450</b>
<b>Net current assets</b>		<b>452,713</b>	<b>381,101</b>
<b>Total assets less current liabilities</b>		<b>1,428,632</b>	<b>1,391,620</b>
<b>Capital and reserves</b>			
Share capital	24	27,138	27,138
Reserves		712,777	678,612
Equity attributable to owners of the Company		<b>739,915</b>	<b>705,750</b>
Non-controlling interests		30,722	27,757
Total equity		<b>770,637</b>	<b>733,507</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		7,353	12,825
Convertible bonds	23	650,642	645,288
		<b>657,995</b>	<b>658,113</b>
		<b>1,428,632</b>	<b>1,391,620</b>

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 September

	Attributable to owners of the Company										
	Share Capital	Share Premium	Accumulated Losses	Merger Reserve	Capital Reserve	Share-based Payment Reserve	Exchange Reserve	Convertible Bonds Reserve	Subtotal	Non-Controlling Interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As 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
Redemption of convertible bonds	—	—	—	—	—	—	—	(9,968)	(9,968)	—	(9,968)
Share option scheme:											
— exercise of share options	465	5,347	—	—	—	—	—	—	5,812	—	5,812
Total comprehensive income for the period	—	—	(26,173)	—	—	—	(279)	—	(26,452)	(871)	(27,323)
As at 30 September 2010	<u>27,138</u>	<u>1,040,713</u>	<u>(662,993)</u>	<u>(197)</u>	<u>26,062</u>	<u>15,882</u>	<u>(187)</u>	<u>427,825</u>	<u>874,243</u>	<u>4,457</u>	<u>878,700</u>
As at 1 April 2011	27,138	1,056,184	(861,808)	(197)	26,062	9,774	20,772	427,825	705,750	27,757	733,507
Total comprehensive income for the period	—	—	23,450	—	—	—	10,715	—	34,165	2,965	37,130
As at 30 September 2011	<u>27,138</u>	<u>1,056,184</u>	<u>(838,358)</u>	<u>(197)</u>	<u>26,062</u>	<u>9,774</u>	<u>31,487</u>	<u>427,825</u>	<u>739,915</u>	<u>30,722</u>	<u>770,637</u>

Notes:

- Exchange differences represent adjustments arising on translation of financial statements of overseas subsidiaries and an associate.
- 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 reorganization on 20 March 2001 as set out in the prospectus of the Company dated 26 March 2001.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 September

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Net cash from/(used in) operating activities	84,739	(99,105)
Net cash from/(used in) investing activities	35,176	(3,204)
Net cash used in financing activities	<u>(35,881)</u>	<u>(18,051)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>84,034</b>	<b>(120,360)</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>47,491</b>	<b>192,881</b>
<b>Translation differences</b>	<b><u>7,271</u></b>	<b><u>(277)</u></b>
<b>Cash and cash equivalents, end of the period</b>	<b><u><u>138,796</u></u></b>	<b><u><u>72,244</u></u></b>
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	<b><u><u>138,796</u></u></b>	<b><u><u>72,244</u></u></b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1. GENERAL

Code Agriculture (Holdings) Limited (the “Company” and its subsidiaries collectively as the “Group”) is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The Company is an investment holding company and its shares have been listed on Growth Enterprise Market (the “GEM”) of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). During the period under review, the Group is principally engaged in the research and development, manufacture, sales and marketing, and technical servicing of modern tobacco-related agricultural technologies and products in the People’s Republic of China (the “PRC”). Its modern tobacco agricultural business covers extensive aspects, including tobacco leaf, agricultural equipment and machinery, agricultural construction service, new form of energy, nursery greenhouse, fertilizer, pesticide, biotechnology and related professional services. Other businesses include the development of digital television system platform and sales and manufacture of cordyceps-related and other healthcare products in the PRC.

## 2. BASIS OF PREPARATION

The unaudited consolidated accounts have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKAS”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, these accounts include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The unaudited consolidated accounts have been prepared under the historical cost convention, as modified by revaluation of financial assets at fair value through profit or loss which are carried at fair value.

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 2011. These unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2011.

In the current period, the Group has applied, for the first time, the following new or revised HKFRS issued by HKICPA, which are relevant to and effective for the Group’s financial statements for the period beginning 1 January 2011.

HKFRS (Amendments)	Improvements to HKFRSs 2010
Amendments to HK(IFRIC) — Interpretation 14	Prepayments of a minimum funding requirement
HK(IFRIC) — Interpretation 19	Extinguishing financial liabilities with equity instruments
HKAS 24 (Revised)	Related party disclosures
HKAS 32	Classification of right issues
HKAS 34 (Amendments)	Interim financial reporting

The adoption of these new and revised HKFRSs has had no significant financial effect on these condensed consolidated interim financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

The consolidated results are unaudited but have been reviewed by the Company’s audit committee.

## 3. ESTIMATES

The preparation of interim financial statements requires management to judgements, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparation these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2011.

## 4. FINANCIAL RISK MANAGEMENT

### 4.1 Financial risk factors

The Group’s activities expose it to a variety of financial risk (including currency risk, interest rate risk and price risk), credit risk and liquid risk.

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 March 2011.

There have been no changes in any risk management policies.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(continued)

## 4. FINANCIAL RISK MANAGEMENT (continued)

### 4.2 Liquidity risk

Compared to year ended 31 March 2011, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

### 4.3 Fair value estimation

The Group's financial instruments that are measured subsequent to initial recognition at fair value are grouped into Level 1 to 3 based on the degree to which the fair value is observable.

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2: Fair value measurements are those derived from inputs other than quoted price included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There are no Group's financial assets and financial liabilities that are measured at fair value as at 30 September 2011.

The following table presents the Group's financial assets and financial liabilities that are measured at fair value as at 31 March 2011.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets at fair value through profit or loss	822	—	—	822

## 5. REVENUE AND SEGMENT

The Group is principally engaged in the research and development, manufacture, sales and marketing, and technical servicing of modern tobacco-related agricultural technologies and products in the PRC. Its modern tobacco agricultural business covers extensive aspects, including tobacco leaf, agricultural equipment and machinery, agricultural construction service, new form of energy, nursery greenhouse, fertilizer, pesticide, biotechnology and related professional services. Other businesses include the development of digital television system platform and sales and manufacture of cordyceps-related and other healthcare products in the PRC.

There is no discontinuing operation during the six-month period ended 30 September 2011.

For the six-month period ended 30 September 2010, the Group discontinued the operations of the provision of pre-mastering and other media services, the provision of audiovisual playout services in Hong Kong and direct television sales business in the PRC.

An analysis of the Group's revenue and other revenue for the period under review is as follows:

	Unaudited Six-month period ended 30 September	
	2011 HK\$'000	2010 HK\$'000 (Restated)
<b>Revenue</b>		
Sales of agricultural machinery	398,345	242,862
Sales of fertilizer	26,658	18,159
Construction contract revenue	20,310	—
Provision of TV digitalization related services	2,272	2,240
Sales of cordyceps-related and other healthcare products	874	201
	<u>448,459</u>	<u>263,462</u>
<b>Other Revenue</b>		
Interest income	1,264	683
Dividend income	32	—
Government grants	—	159
Sundry income	25	23
	<u>1,321</u>	<u>865</u>

The government grants mainly include government grants received for investments in Jiangsu provinces in the PRC. There are no unfulfilled conditions or contingencies relating to these grants.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(continued)

## 5. REVENUE AND SEGMENT (continued)

### Operating Segment Information

The Group has adopted HKFRS 8 “Operating Segments”. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the “CODM”), which is a group of executive directors of the Company, for the purpose of allocating resources to segments and to assessing their performance.

In a manner consistent with the way in which information is reported internally to CODM for the purpose of resources allocation and performance assessment, the Group is currently organized into the following operating segments:

- Agricultural related machinery and construction operation;
- Fertilizer operation;
- TV digitalization related operation; and
- Cordyceps-related and other healthcare products operation.

#### (a) Operating unit information

	Unaudited									
	Six-month period ended 30 September									
	Agricultural related machinery and construction operation		Fertilizer operation		TV digitalization related operation		Cordyceps-related and other healthcare products operation		Consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)		(Restated)		(Restated)		(Restated)		(Restated)
Revenue from external customers	418,655	242,862	26,658	18,159	2,272	2,240	874	201	448,459	263,462
Gross profit/(loss)	113,786	51,524	3,320	2,794	948	661	390	(184)	118,444	54,795
Profit/(loss) from operations	82,793	21,886	2,794	1,780	(740)	(1,060)	(1,418)	(3,611)	83,429	18,995
Amortisation of technologies	(13,159)	(13,159)	—	—	—	—	—	—	(13,159)	(13,159)
Impairment loss on other intangible assets	(20,000)	—	—	—	—	—	—	—	(20,000)	—
Segment results	49,634	8,727	2,794	1,780	(740)	(1,060)	(1,418)	(3,611)	50,270	5,836
Interest income									1,264	683
Other revenue									53	8
Gain on disposal of subsidiaries									3,392	—
Unallocated expenses									(8,680)	(11,629)
Finance costs									(16,043)	(14,585)
Other losses									(22)	(3,131)
Profit/(loss) before income tax									30,234	(22,818)
Income tax expense									(4,286)	(4,216)
Profit/(loss) for the period									25,948	(27,034)
<b>Other information</b>										
Depreciation	2,427	5,195	—	—	177	286	318	199	2,922	5,680
Unallocated depreciation									280	152
Total									3,202	5,832
Capital expenditure	393	4,378	—	—	12	10	3	—	408	4,388
Unallocated capital expenditure									18	2,888
Total									426	7,276

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(continued)

## 5. REVENUE AND SEGMENT (continued)

### (a) Operating unit information (continued)

	Agricultural related machinery and construction operation		Fertilizer operation		TV digitalization related operation		Cordyceps-related and other healthcare products operation		Consolidated	
	As at	As at	As at	As at	As at	As at	As at	As at	As at	
	30 September	31 March	30 September	31 March	30 September	31 March	30 September	31 March	30 September	31 March
	2011	2011	2011	2011	2011	2011	2011	2011	2011	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited
<b>Total assets</b>										
Segment assets	1,136,993	838,431	174,143	104,437	23,979	24,073	45,175	44,645	1,380,290	1,011,586
Financial assets at fair value through profit or loss									—	822
Goodwill									777,371	777,347
Pledged deposits									196,602	231,372
Cash and bank balances									138,796	47,491
Unallocated assets									5,837	8,452
									<u>2,498,896</u>	<u>2,077,070</u>
<b>Total liabilities</b>										
Segment liabilities	791,150	365,383	4,503	—	7,777	7,054	11,508	11,525	814,938	383,962
Borrowings									252,182	288,063
Deferred tax liabilities									7,353	12,825
Convertible bonds									650,642	645,288
Unallocated liabilities									3,144	13,425
									<u>1,728,259</u>	<u>1,343,563</u>

### (b) Geographical information

	Unaudited As at 30 September 2011 HK\$'000	Audited As at 31 March 2011 HK\$'000
<b>Total assets</b>		
Hong Kong	5,929	21,792
People Republic of China	2,492,967	2,055,278
	<u>2,498,896</u>	<u>2,077,070</u>

No further geographical information is presented as all of the Group's revenue is derived from customers based in the PRC.

## 6. FINANCE COSTS

	Unaudited Six-month period ended 30 September 2011 HK\$'000	2010 HK\$'000 (Restated)
Interests on bank loans wholly repayable within five years	14,121	7,795
Interests on other loans	2,109	1,296
Reversal of interest expenses over-provided	(5,541)	—
Effective interest expenses on convertible bonds	5,354	5,494
	<u>16,043</u>	<u>14,585</u>

## 7. OTHER GAIN/(LOSSES)

	Unaudited Six-month period ended 30 September 2011 HK\$'000	2010 HK\$'000 (Restated)
Loss on disposal of financial assets designated at fair value through profit or loss	(22)	(4,146)
Change in fair value of financial assets designated at fair value through profit or loss	—	1,015
	<u>(22)</u>	<u>(3,131)</u>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(continued)

### 8. IMPAIRMENT LOSSES ON OTHER INTANGIBLE ASSETS

For the six-month period ended 30 September 2011, the impairment losses on other intangible assets are related to the technology rights owned by a subsidiary of the Company.

### 9. PROFIT/(LOSS) BEFORE INCOME TAX

	Unaudited	
	Six-month period ended	
	2011	2010
	HK\$'000	HK\$'000
Costs of inventories sold	294,755	187,514
Amortisation of intangible assets		
— Club membership	4	4
— Technologies	13,159	13,159
Amortisation of prepaid land lease payments	131	113
Auditors' remuneration		
— Audit services	—	—
— Non-audit services	—	—
Depreciation	3,202	5,832
Operating lease charges in respect of		
— Land and buildings	3,469	1,777
— Plant and equipment	29	—
Staff costs		
— Wages and salaries	22,913	13,747
— Pension costs — defined contribution plans	1,183	710
Research and development costs	2,501	—
	<u>294,755</u>	<u>187,514</u>

### 10. 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.

	Unaudited	
	Six-month period ended	
	2011	2010
	HK\$'000	HK\$'000
Hong Kong profits tax	—	—
PRC enterprise income tax	9,757	4,216
	<u>9,757</u>	<u>4,216</u>
Deferred tax		
Current period	(5,471)	—
	<u>4,286</u>	<u>4,216</u>

#### Notes:

No provision for Hong Kong profits tax has been made in these accounts as there was no estimated assessable profit for the period (30 September 2010: Nil).

In accordance with the relevant tax laws in the PRC, the subsidiaries of the Company in the PRC are subject to an enterprise income tax rate of 25% (30 September 2010: 25%) for its taxable income. However, in accordance with the relevant tax laws in the PRC, a subsidiary of the Company is exempted from enterprise 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 year of 2011 is the fourth profit-making years of the subsidiaries of the Company had been designated as a high-tech enterprise and its PRC enterprise income tax rate was reduced from 25% to 15% in accordance to the relevant tax law in the PRC. The remaining subsidiaries of the Company in the PRC are subject to PRC enterprise income tax at 25% for their taxable income.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(continued)

## 11. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

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

	Unaudited Three-month period ended 30 September		Unaudited Six-month period ended 30 September	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Profit/(loss)				
Profit/(loss) for the purpose of basic earnings/(loss) per share	<u>14,895</u>	<u>(33,804)</u>	<u>23,450</u>	<u>(26,173)</u>
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>'000</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>
Numbers of shares				
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	<u>2,713,798</u>	<u>2,712,820</u>	<u>2,713,798</u>	<u>2,704,331</u>

No diluted earnings per share for the three-month and six-month periods ended 30 September 2011 have been presented, as the computation of diluted earnings per share does not assume the exercise of the Company outstanding options and convertible bonds since their exercise price and conversion price were higher than the average market price of the Company's shares for the periods.

No diluted loss per share for the three-month and six-month periods ended 30 September 2010 have been presented, as the share options and convertible bonds outstanding had an anti-dilutive effect on the basic loss per share for these periods.

## 12. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six-month period ended 30 September 2011 (30 September 2010: Nil).

## 13. PROPERTY, PLANT AND EQUIPMENT

During the six-month period ended 30 September 2011, the Group acquired property, plant and equipment with a cost of approximately HK\$426,000 (30 September 2010: HK\$7,276,000).

## 14. GOODWILL

The goodwill was resulted from the acquisition of a new agricultural business in 2010. The change in the carrying amount of the goodwill was solely due to change in the exchange rate used in the translation.

## 15. OTHER INTANGIBLE ASSETS

	Club membership HK\$'000	Technologies HK\$'000	Total HK\$'000
Net carrying amount as at 1 April 2011 (audited)	158	142,770	<b>142,928</b>
Amortisation	(4)	(13,159)	<b>(13,163)</b>
Provision for impairment	—	(20,000)	<b>(20,000)</b>
Exchange realignment	4	—	<b>4</b>
Net carrying amount as at 30 September 2011 (unaudited)	<u>158</u>	<u>109,611</u>	<u><b>109,769</b></u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(continued)

## 16. INTEREST IN AN ASSOCIATE

	Unaudited As at 30 September 2011 HK\$'000	Audited As at 31 March 2011 HK\$'000
Unlisted shares, at costs	5,569	5,569
Share of post-acquisition results	(5,569)	(5,569)
	<u>—</u>	<u>—</u>
Amount due from an associate	4,457	4,457
Less: Provision for impairment loss	(4,457)	(4,457)
	<u>—</u>	<u>—</u>

The Group has discontinued the recognition of its share of losses of its associate because the share of losses of its associate exceeded the group's interests in this associate. Full impairment had been made as the associate is in financial difficulty and dormant since 2010.

## 17. INVENTORIES

	Unaudited As at 30 September 2011 HK\$'000	Audited As at 31 March 2011 HK\$'000
Raw materials	49,932	36,416
Work in progress	21,073	23,616
Finished goods	11,914	4,626
Biological assets	286	87
	<u>83,205</u>	<u>64,745</u>

## 18. TRADE AND BILLS RECEIVABLES

Details of the aging analysis of trade and bills receivables at the end of the reporting period were as follows:—

	Unaudited As at 30 September 2011 HK\$'000	Audited As at 31 March 2011 HK\$'000
Trade receivables		
Current	81,072	338,716
30-90 days	98,546	61,624
91-180 days	199,194	59,370
Over 180 days	285,475	1,135
	<u>664,287</u>	<u>460,845</u>
Bills receivables	1,342	1,307
	<u>665,629</u>	<u>462,152</u>

The group's credit term granted to customers generally ranges from 30 to 270 days. Trade receivables are non-interest bearing.

Based on the past experience of the Group, it is determined that no provision for impairment is necessary in respect of past due balance as there has not been a significant change in credit quality of the customers and the balances are still considered to be fully recoverable. The Group does not hold any collateral over these balances.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(continued)

### 19. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORKS

	Unaudited As at 30 September 2011 HK\$'000	Audited As at 31 March 2011 HK\$'000
Contracts in progress at the end of the reporting period		
Contracts costs included plus recognized profits less recognized losses	26,302	9,756
Less: progress billings	<u>(7,602)</u>	<u>(3,764)</u>
	<b>18,700</b>	<b>5,992</b>
Represented by:		
Amounts due from customers for contract works	<b>18,700</b>	<b>5,992</b>

### 20. ASSETS HELD FOR SALE

As disclosed in note 26, during the six-month period ended 30 September 2011, the Group had disposed a parcel of plant and equipment totalling of HK\$2,141,000 that reclassified as assets held for sale as at 31 March 2011.

### 21. TRADE AND BILLS PAYABLES

Details of the aging analysis of trade and bills payables at the end of the reporting period were as follows:—

	Unaudited As at 30 September 2011 HK\$'000	Audited As at 31 March 2011 HK\$'000
Trade payables		
Current	57,435	59,380
30-90 days	33,897	3,052
91-180 days	90,828	24,563
Over 180 days	<u>36,036</u>	<u>25,108</u>
	<b>218,196</b>	<b>112,103</b>
Bills payables	<u>472,207</u>	<u>217,086</u>
	<b>690,403</b>	<b>329,189</b>

The carrying amounts of the trade and bills payables approximate their fair values.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

*(continued)*

### 22. BORROWINGS

	Unaudited As at 30 September 2011 <i>HK\$'000</i>	Audited As at 31 March 2011 <i>HK\$'000</i>
Secured bank loans		
Floating interest rate	210,976	207,143
Fixed interest rate	3,049	50,595
Unsecured other loans		
Interest free	6,037	5,893
Fixed interest rate	32,120	24,432
	252,182	288,063
Less: Amount due within one year shown under current liabilities	(252,182)	(288,063)
	—	—
Denominated in		
RMB	242,682	288,063
HKD	9,500	—
	252,182	288,063

As at 30 September 2011, certain bank loans are secured by prepaid land lease payments of HK\$6,762,000 (31 March 2011: HK\$6,730,000) and personnel guarantee provided by a director of the Company.

### 23. CONVERTIBLE BONDS

On 25 March 2010, the Company issued 1% convertible bonds with an aggregate amount of HK\$1,098,000,000 (“CB 2015”). The bondholder has the option to convert the CB 2015 into ordinary shares of the Company of HK\$0.01 each at a conversion price of HK\$0.43 at any time during the period commencing from 25 March 2012. Unless previously converted or purchased or redeemed, each CB 2015 shall be redeemed by the Company, at 100 percent of its principal amount on 25 March 2015, being the maturity date of the CB 2015.

The proceeds from the issuance of the CB 2015 have to be split into liability and equity components. On issuance of the CB 2015, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity. In subsequent period, the liability component of the convertible bonds is carried at amortised cost basis until extinguished on conversion or redemption. Any subsequent changes in fair value of the equity component as at the end of reporting period are recognised in the reserve.

The movements of the liability and equity components of the convertible bonds for the six-month period ended 30 September 2011 are as follows:—

	Liability component <i>HK\$'000</i>	Equity Component <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 April 2011 (audited)	645,288	427,825	1,073,113
Interest expenses	5,354	—	5,354
	650,642	427,825	1,078,467

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(continued)

## 24. SHARE CAPITAL

	Number of Ordinary Shares of HK\$0.01 each '000	Ordinary shares HK\$'000
<i>Authorised</i>		
As at 30 September 2011 and 31 March 2011	<u>10,000,000</u>	<u>100,000</u>
<i>Issued and fully paid</i>		
As at 30 September 2011 and 31 March 2011	<u>2,713,798</u>	<u>27,138</u>

## 25. SHARE OPTION SCHEME

The Company operates a share option scheme approved and adopted pursuant to a resolution of the shareholders of the Company (the "Scheme"), for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include any employee, director, supplier of goods or services, customer, 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 and any of its subsidiaries, shareholder of the Company or any of its subsidiaries or holder of any securities issued by the Company or any of its subsidiaries. Unless otherwise cancelled or amended the Scheme will remain in force for 10 years from the adoption date.

There is no movement of the Scheme during the six-month period ended 30 September 2011.

## 26. DISPOSAL OF SUBSIDIARIES

During the six-month period ended 30 September 2011, the Group disposed of its entire interest in two wholly-owned subsidiaries, M21 Mastertech Company Limited and M21 Dicast Company Limited which are dormant since 2010, for an aggregate consideration of HK\$5.

### Net Liabilities disposed of:

	Unaudited HK\$'000
Assets held for sale	2,141
Trade and bills payable	(56)
Other payables and accruals	<u>(5,477)</u>
Net liabilities disposed of	<u>(3,392)</u>
<b>Gain on disposal of subsidiaries</b>	
Consideration received in cash	—
Net liabilities disposed of	<u>3,392</u>
Gain on disposal of subsidiaries	<u>3,392</u>

## 27. CONTINGENT LIABILITY

As at 30 September 2011 and 31 March 2011, the Group had no significant contingent liability.

## 28. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:—

	Unaudited As at 30 September 2011 HK\$'000	Audited As at 31 March 2011 HK\$'000
Contracted but not provided for:		
Construction in progress	<u>—</u>	<u>5,121</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(continued)

## 29. RELATED PARTY TRANSACTIONS

### (a) Compensation of key management personnel

The remuneration of directors and key management personnel of the Group during the six-month period ended 30 September 2011 was HK\$1,100,000 (30 September 2010: HK\$884,000), which is included in staff cost as disclosed in note 9 to the financial statements.

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

### (b) Balances with related parties

As at 30 September 2011, the Group had the following balances with directors and related companies:

	<i>Note</i>	<b>Unaudited As at 30 September 2011 HK\$'000</b>	Audited As at 31 March 2011 HK\$'000
Amounts due to related companies	<i>i</i>	<u>1,686</u>	<u>1,807</u>
Amounts due to directors	<i>ii</i>	<u>11,531</u>	<u>6,013</u>

#### Notes

- i As at 30 September 2011 and 31 March 2011, the balance represented the amounts due to Hunan Television and Sky Dragon Digital Television and Movies Holdings Limited. The amounts are unsecured, interest free and have no fixed terms of repayment.
- ii As at 30 September 2011, the amount due to a director amounting to HK\$5 million is unsecured, interest at 5% per annum and repayable within a year. The amount due to directors amounting to HK\$6,531,000 is unsecured, interest free and repayable on demand.

As at 31 March 2011, the amounts due to directors are unsecured, interest free and repayable on demand.

### (c) Others

As at 30 September 2011 and 31 March 2011, certain bank borrowings of a subsidiary are secured by the personnel guarantee provided by a director of the Company and corporate guarantee provided by a related company.

As at 30 September 2011, the Group intended to dispose of certain of its prepaid land lease payments and property and equipment with an aggregate net carrying amount of HK\$102,194,000 to a related company of which a director of that related company is a director of the Company. The disposal was not completed at the report date.

## 30. COMPARATIVE FIGURES

Certain comparative figures have been reclassified and adjusted to conform with the current period's presentation.

## 31. EVENT AFTER THE REPORTING PERIOD

There are no material subsequent events after the reporting period.

## 32. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 10 November 2011.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Board is pleased to report that the Group's result for the period demonstrated the management's continuous efforts in the development of the Group's business. For the six-month period ended 30 September 2011, the Group's turnover and gross profit were HK\$448,459,000 (30 September 2010: HK\$263,462,000) and HK\$118,444,000 (30 September 2010: HK\$54,795,000), which were increased by 70.2% and 116.2% respectively when compared to the corresponding period of last year. Such improvements were mainly contributed by the encouraging results recorded by the agricultural-related machinery and construction division that was acquired by the Group during the financial year 2009/2010.

### Agricultural-related machinery and construction division

For the six-month period ended 30 September 2011, the Group's agricultural-related machinery and construction division continued to focus on the manufacturing and sales of tobacco flue-curing agricultural machines, other tobacco-related agricultural machines and provision of tobacco-related agricultural facilities construction service, where tobacco flue-curing machines remain the core product of the division. The division achieved remarkable business results by reporting a significant increase in revenue; more-than-double increase in both gross profit and operating profit when compared to the corresponding period of last year. As a result of the higher sales volume achieved when compared to the corresponding period of last year and the introduction of the agricultural-related construction service since the fourth quarter of year 2010, the divisional revenue increased sharply by 72.4% to HK\$418,655,000 (30 September 2010: HK\$242,862,000). Despite the revenue growth, the gross profit and operating profit from this division for the period under review were increased by 120.8% and 278.3% to HK\$113,786,000 (30 September 2010: HK\$51,524,000) and HK\$82,793,000 (30 September 2010: HK\$21,886,000) respectively. Segment results for the period under review was at profit of HK\$49,634,000 (30 September 2010: HK\$8,727,000), after deduction of the amortization and an one-off impairment loss in related to the technology rights amounting to HK\$13,159,000 and HK\$20,000,000 (30 September 2010: HK\$13,159,000 and Nil) respectively for the six-month period ended 30 September 2011. These results are encouraging and the management is optimistic about the performance of the agricultural machinery division for the remainder of the financial year.

As mentioned in the announcement dated 28 February 2011, the Group had entered into a memorandum of understanding with an independent third party in relation to a potential acquisition of 70% equity interest of a company engaged in the research, production and distribution of tobacco related business in the PRC. The proposed transaction is subject to the signing of a formal agreement. As at date of this report, discussion in respect of the possible transactions is still on-going and no formal agreement has been entered. Further announcement in respect of the proposed transaction will be made by the Company as and when appropriate.

### Fertilizer division

In contrast, the operating conditions facing by the Group's fertilizer division are more challenging. During the period under review, the Group's fertilizer division continues to focus on the sales of tobacco-specific amino acid fertilizer and pesticide products in the PRC. The division revenue for the period under review was increased by 46.8% to HK\$26,658,000 (30 September 2010: HK\$18,159,000). As a result of the continuous increase in the costs of raw material, transportation and labor due to uprising inflation rate and minimum monthly wage requirement in the PRC, the gross profit for the period under review was increased by 18.8% only to HK\$3,320,000 (30 September 2010: HK\$2,794,000). The gross profit ratio for the period under review was narrowing from 15.4% to 12.5% of corresponding period in previous year. Overall, the segment profit was up 57.0% to HK\$2,794,000 (30 September 2010: HK\$1,780,000) with the effort made by the management in carrying out various measure to tighten control on production costs and enhance operating efficiency during the period under review.

It is expected that the operating condition of the fertilizer division will remain the same for the rest of the financial year. In view of the unfavorable operating condition of the division, as at 8 April 2011, the Group entered into an asset transfer agreement with a connected person of the Company to dispose certain properties and equipments in related to the Group's fertilizer business with a total consideration of approximately RMB138,000,000 (the "Disposal"). A special resolution relating to the Disposal was duly passed by the independent shareholders of the Company on 18 May 2011. As at the date of this report, the Disposal has not yet completed.

### TV digitalization-related division

The Group's TV digitalization-related division continued to provide a stable revenue source to the Group for the six-month period ended 30 September 2011. In comparing with the corresponding period of last year, the revenue from the division was increased by approximately 1.4% to HK\$2,272,000 (30 September 2010: HK\$2,240,000). The gross profit for the division was increased by 43.4% to HK\$948,000 (30 September 2010: HK\$661,000). Such increase was caused mainly because the Group had focused more on the higher margin TV advertisement business during the period under review. The segment loss for the period under review was narrowing from HK\$1,060,000 of last year corresponding period to HK\$740,000. It is expected the division will continue to sustain a healthy growth rate and steady cash flow to the Group for the rest of the financial year.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### BUSINESS REVIEW (continued)

#### Cordyceps-related and other healthcare products division

For the six-month period ended 30 September 2011, the operating conditions facing by the Group's cordyceps-related and other healthcare products division are more challenging. For the period under review, notwithstanding that the division managed to achieve a 3.34 times growth of its revenue to HK\$874,000 (30 September 2010: HK\$201,000) and a turnaround divisional gross profit of HK\$390,000 (30 September 2010: a gross loss of HK\$184,000), in compared with corresponding period of last year a segment loss was incurred by the division at HK\$1,418,000 for the period under review (30 September 2010: HK\$3,611,000). It is expected the operating conditions for the cordyceps-related and other healthcare products division will continue to be challenging for the rest of the financial year. The management is now considering various measures to improve the divisional performance or dispose the business if opportunity arise.

Overall, for the six-month period ended 30 September 2011, the profit attributable to owners of the Company was HK\$23,450,000 (30 September 2010: loss attributable to owners of the Company HK\$26,173,000) and basic earnings per share was 0.86 HK cents (30 September 2010: basic loss per share of 0.97 HK cents). The turnaround of the Group results for the period under review was mainly attributed to the profit from operations, which is amounting to HK\$62,907,000 (30 September 2010: loss from operations of HK\$5,102,000). The Group's finance costs for the period under review included a notional interests on convertible bonds of HK\$5,354,000 (30 September 2010: HK\$5,494,000) calculated in accordance with the Group's accounting policy on financial instrument and a reversal of interest expenses over-provided in previous period amounting to HK\$5,541,000 (30 September 2010: Nil). The increased gross finance costs for the period under review mainly due to the continuous financial tightening measures imposed by the PRC government that driving the interest rate up. The increase of the Group's other revenue by 52.7% to HK\$1,321,000 (30 September 2010: HK\$865,000) was mainly due to the increased bank interest income.

The Group's total comprehensive income for the six-month period ended amounted to HK\$37,130,000 (30 September 2010: loss of HK\$27,323,000), which included an exchange gain of HK\$11,182,000 (30 September 2010: loss of HK\$289,000) on translation of foreign operations.

### FINANCIAL REVIEW

#### Liquidity, Financial Resources and Capital Structure

As at 30 September 2011, the Group had current assets of HK\$1,420,783,000 (31 March 2011: HK\$964,649,000) and liquid assets of HK\$1,224,181,000 (31 March 2011: HK\$733,277,000), in which excluding pledged bank deposits secured for bank borrowings. The Group's current ratio at the period ended date, calculated based on current assets of HK\$1,420,783,000 (31 March 2011: HK\$964,649,000) divided by current liabilities of HK\$1,070,264,000 (31 March 2011: HK\$685,450,000), was at a healthy ratio of 1.33 (31 March 2011: 1.41).

The Group's borrowings as at 30 September 2011 were mainly denominated in Renminbi and Hong Kong dollars and in the proportion of 96.2% and 3.8% respectively. All borrowings are matured within one year, out of 16.3% bore fixed rate interest and the remaining 83.7% bore floating rate interest.

As at 30 September 2011, equity attributable to equity holders of the Company was HK\$739,915,000 (31 March 2011: HK\$705,750,000), which was increased by 4.8% when comparing with the year ended date which was mainly result of the strong operation performance during the period under review as discussed above.

The Group finances its operations through a combination of bank financing and shareholder's equity. The Group's gearing ratio is determined as its debt divided by total capital plus net debt where net debt includes trade payables, other payables and accruals and interest-bearing borrowings less pledged bank deposits and cash and bank balance, and capital represents the total equity of the Group. The Group was in net cash position as at 30 September 2011 and 31 March 2011, as such the gearing ratios of the Group were not determined.

With the amounts of liquid assets on hand as well as credit facilities available, the management is of the view that the Group will have sufficient financial resources to meet its ongoing operational requirements.

#### Foreign Currency Management

The monetary assets and liabilities and business transactions of the Group was mainly carried and conducted in Hong Kong dollars and Renminbi. The Group continues to maintain a prudent strategy in its foreign currency risk management, to a large extent, foreign exchange risks are minimized by balancing the foreign currency monetary assets versus the corresponding currency liabilities, and foreign currency revenues versus the corresponding currency expenditures. In light of the above, it is considered that the Group's exposure to foreign exchange risk is insignificant and no hedging measure has been undertaken by the Group.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(continued)*

### **FINANCIAL REVIEW** *(continued)*

#### **Pledge of assets**

As at 30 September 2011, the Group's certain leasehold land and buildings (including prepaid land lease payments) with aggregate carrying amount of approximately HK\$43,110,000 (31 March 2011: HK\$6,730,000) were pledged to secure general banking facilities granted to the Group.

As at 30 September 2011, the Group's bank deposits denominated in Renminbi of HK\$196,602,000 (31 March 2011: HK\$231,372,000) were pledged to secure the banking facilities granted to the Group.

#### **Contingent liability**

As at 30 September 2011, the Group had no significant contingent liability (31 March 2011: Nil).

#### **Capital commitment**

As at 30 September 2011, the Group had no capital commitment (31 March 2011: HK\$5,121,000).

### **EMPLOYEES**

As at 30 September 2011, the group had about 670 (30 September 2010: 480) employees including directors. Total staff costs, including directors' emoluments but excluding equity settled share based payment expenses, for the six-month period ended 30 September 2011 was approximately HK\$24,096,000 (30 September 2010: HK\$14,457,000). The increase in head count was mainly due to the expansion of agricultural related business. Salary package for employees are structured by reference to market conditions, staff's experience and individual performance. Other benefits offered by the Group included medical insurance, mandatory provident fund scheme, training subsidies, share option scheme and discretionary bonus.

### **PROSPECTS**

Looking ahead, the management is optimistic about the performance of the Group's tobacco-related agricultural business for the rest of the financial year. It is anticipated that the Group, as a leading player in the PRC tobacco agricultural industry, will be benefited by the subsidies and other favorable policies imposed by the PRC government as a result from the continuous modernization of the agricultural sector in the PRC tobacco industry. In the long run, the Group will continue to focus on its existing tobacco-related agricultural business and further extend and strengthen its promotional activities and strategies in the areas of comprehensive usage of biomass energy, pesticide, tobacco-specific fertilizers and the provision of tobacco-specific professional services. It is believed that the Group's leading position in the PRC's tobacco flue-curing machinery market will be further strengthened; the average income of the farmers in the PRC tobacco industry will be further improved and the stability of the PRC society will be secured.

In addition, upon the disposal of certain properties and equipments in related to the Group's fertilizer business, the management of the Group will continue with its cautious approach in evaluating the new investment opportunities in tobacco-specific industry that in-lined with the Company's long term development strategy, to ensure a bright prospect to the shareholders.

## OTHER INFORMATION

### INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six-month period ended 30 September 2011 (30 September 2010:Nil).

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

As at 30 September 2011, the interests and short positions of the directors and chief executives of the Company in the share of HK\$0.01 each in the share capital of the Company (the "Shares"), underlying Shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Future Ordinance (the "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 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:—

#### Long positions in the ordinary shares of the Company

Name of director	Capacity and nature of interest	Number of Shares and underlying Shares held	Approximate percentage of the Company's issued share capital
Ms. Jingquan Yingzi	Interests held by controlled corporation and beneficial owner	2,424,289,767 (notes (a) and (b))	89.33%
Mr. Wong Man Hung Patrick	Beneficial owner	25,000,000	0.92%
Mr. Shan Xiaochang	Interests held by controlled corporation and beneficial owner	2,381,519,767 (notes (a) and (b))	87.76%
Mr. Feng Xiaoping (note (c))	Interests held by controlled corporation	31,718,750	1.17%

#### Notes:

- (a) 2,379,069,767 underlying Shares are held by Cyberland (China) Limited, which are 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. Ms. Jingquan Yingzi also holds derivative interests of the Company through her 100% interests in Eagle Bliss.
- (b) The interests refer to the same parcel of underlying Shares.
- (c) 31,718,750 shares are held by Sino Unicom Technology Limited, a company in which Mr. Feng Xiaoping has an indirect interest of 51% therein.

Save as disclosed above, as at 30 September 2011, none of the directors or chief executives 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 325 of SFO or (b) to be notified to the Company and the Stock Exchange pursuant to the SFO or the GEM Listing Rules.

### SHARE OPTION SCHEME

There are no movement of the share options under the share option scheme approved and adopted pursuant to a resolution of the shareholders of the Company during the six-month period ended 30 September 2011.

Further details of the Scheme are as disclosed in the Company's 2011 Annual Report.

## OTHER INFORMATION *(continued)*

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

As at 30 September 2011, 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 & 3 of Part XV of the SFO and were recorded in the register kept by the Company pursuant to section 336 of 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 2011 (%)
Mr. Lee Yuk Lun	219,298,244	8.08	—	—
Cyberland (China) Limited	—	—	2,379,069,767 <i>(notes (a) and (b))</i>	87.67
Eagle Bliss Limited	—	—	2,379,069,767 <i>(notes (a), (c) and (e))</i>	87.67
Rise Enterprises Limited	—	—	2,379,069,767 <i>(notes (a) and (b))</i>	87.67
Stepwise International Holdings Limited	—	—	2,379,069,767 <i>(notes (a), (b) and (d))</i>	87.67
Ms. Wu Shuhua	—	—	2,381,519,767 <i>(note (f))</i>	87.76

#### Notes:

- (a) The interests refer to the same parcel of underlying Shares.
- (b) Cyberland (China) Limited is legally and beneficially owned as to 45% and 40% by Rise Enterprises and Stepwise respectively.
- (c) Rise Enterprises is legally and beneficially owned as to 32.5% and 42.5% by Mr. Shan and Eagle Bliss respectively.
- (d) Stepwise is legally and beneficially wholly owned by Mr. Shan.
- (e) Ms. Jingquan Yingzi also holds derivative interests of the Company through her 100% interests in Eagle Bliss.
- (f) Ms. Wu Shuhua is the spouse of Mr. Shan. By virtue of the SFO, Mr. Wu Shuhua is also deemed to be interested in all shares in which Mr. Shan 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 or short positions in the issued share capital of the Company to be recorded under Section 336 of the SFO as at 30 September 2011.

### CORPORATE GOVERNANCE PRACTICES

The Company’s corporate governance practices are based on the principles and the code provisions as set out in the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 15 of the GEM Listing Rules. The principles adopted by the Company emphasize a quality board, transparency and accountability to shareholders. In the opinion of the Board, the Company has complied with the Code for the six-month period ended 30 September 2011, with the exception of the deviation in respect of the appointment term of non-executive directors as mentioned below.

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.

## **OTHER INFORMATION** *(continued)*

### **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-month period ended 30 September 2011, except that Ms. Jingquan Yingzi, the Chairman of the Company, without notifying the designated director of the Company for the purpose of acknowledgement of the Chairman's dealings, acquired 1,304,000 shares of the Company on 5 August 2011. The Company shall iterate and remind the Directors from time to time in respect of the relevant procedures, rules and requirements in relation to directors' dealing in order to ensure the Directors' compliance.

### **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 that competed 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 report has been reviewed by the audit committee.

### **PURCHASES, SALE OR REDEMPTION OF LISTED SECURITIES**

The Company has not redeemed any of its listed securities during the six-month period ended 30 September 2011. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the six-month period ended 30 September 2011.

On behalf of the Board  
**Code Agriculture (Holdings) Limited**

**Jingquan Yingzi**  
*Chairman*

Hong Kong, 10 November 2011