



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
2013**

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

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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 particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) 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.

THIRD QUARTERLY RESULTS

The board of directors (the “Board”) of Code Agriculture (Holdings) Limited (“Company”) hereby presents the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and nine months ended 31 December 2013, together with the comparative unaudited figures for the corresponding period in 2012, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 31 December 2013

	Note	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
		2013 HK\$'000	2012 HK\$'000 (Restated)	2013 HK\$'000	2012 HK\$'000 (Restated)
Turnover	4	49,872	107,051	454,467	647,071
Cost of sales and services		(36,750)	(74,782)	(308,699)	(440,322)
Gross profit		13,122	32,269	145,768	206,749
Other revenue	5	2,264	2,134	8,650	6,754
Distribution costs		(37,204)	(59,957)	(91,384)	(112,314)
Administrative expenses		(35,140)	(41,379)	(92,846)	(103,188)
Loss from operations		(56,958)	(66,933)	(29,812)	(1,999)
Other losses	6	(11)	(1,735)	(104,333)	(69,560)
Finance costs	7	(7,495)	(6,360)	(22,100)	(18,019)
Share of results of associates		—	—	—	(681)
Loss before income tax	8	(64,464)	(75,028)	(156,245)	(90,259)
Income tax credit	9	8,502	11,234	4,178	11,639
Loss for the period		(55,962)	(63,794)	(152,067)	(78,620)
Other comprehensive income for the period					
Exchange differences on translating foreign operations		—	(298)	—	(9,825)
Total comprehensive income for the period		(55,962)	(64,092)	(152,067)	(88,445)
Loss for the period attributable to:					
Owners of the Company		(54,965)	(62,784)	(148,709)	(76,531)
Non-controlling interests		(997)	(1,010)	(3,358)	(2,089)
		(55,962)	(63,794)	(152,067)	(78,620)
Total comprehensive income for the period attributable to:					
Owners of the Company		(54,965)	(63,082)	(148,709)	(86,356)
Non-controlling interests		(997)	(1,010)	(3,358)	(2,089)
		(55,962)	(64,092)	(152,067)	(88,445)
Loss per share for loss attributable to owners of the Company during the period					
Basic and diluted — HK cents per share	10	(2.03)	(2.31)	(5.48)	(2.82)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2013

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Accumulated losses HK\$'000	Merger reserve HK\$'000 (note a)	Statutory reserve HK\$'000 (note b)	Share option reserve HK\$'000	Exchange reserve HK\$'000	Convertible bond reserve HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 April 2012, as previously reported	27,138	1,056,184	(903,138)	(197)	33,014	9,499	36,433	427,825	686,758	(497)	686,261
Correction of prior periods' errors with respect to: Initial recognition and subsequent measurements on assets acquired and liabilities assumed in a business combination completed in 2010 (note 3(a))	—	—	(243,710)	—	(16,097)	—	44,984	(427,825)	(642,648)	—	(642,648)
Timing of recognising share option expenses (note 3(b))	—	—	1,445	—	—	(1,445)	—	—	—	—	—
At 1 April 2012, as restated (audited)	27,138	1,056,184	(1,145,403)	(197)	16,917	8,054	81,417	—	44,110	(497)	43,613
Loss for the period (as restated)	—	—	(76,531)	—	—	—	—	—	(76,531)	(2,089)	(78,620)
Other comprehensive income for the period	—	—	—	—	—	—	(9,825)	—	(9,825)	—	(9,825)
Total comprehensive income for the period	—	—	(76,531)	—	—	—	(9,825)	—	(86,356)	(2,089)	(88,445)
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	6,065	6,065
Share option scheme:											
— Value of services	—	—	—	—	—	9,378	—	—	9,378	—	9,378
— Lapse of share option	—	—	279	—	—	(279)	—	—	—	—	—
At 31 December 2012, as restated (unaudited)	<u>27,138</u>	<u>1,056,184</u>	<u>(1,221,655)</u>	<u>(197)</u>	<u>16,917</u>	<u>17,153</u>	<u>71,592</u>	<u>—</u>	<u>(32,868)</u>	<u>(3,479)</u>	<u>(29,389)</u>
At 1 April 2013	27,138	1,056,184	(1,401,360)	(197)	24,347	17,524	80,720	—	(195,644)	1,790	(193,854)
Loss for the period	—	—	(148,709)	—	—	—	—	—	(148,709)	(3,358)	(152,067)
Other comprehensive income for the period	—	—	—	—	—	—	—	—	—	—	—
Total comprehensive income for the period	—	—	(148,709)	—	—	—	—	—	(148,709)	(3,358)	(152,067)
Share option scheme											
— Value of services	—	—	—	—	—	762	—	—	762	—	762
At 31 December 2013 (unaudited)	<u>27,138</u>	<u>1,056,184</u>	<u>(1,550,069)</u>	<u>(197)</u>	<u>24,347</u>	<u>18,286</u>	<u>80,720</u>	<u>—</u>	<u>(343,591)</u>	<u>(1,568)</u>	<u>(345,159)</u>

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 certain subsidiaries of the Company, established in the PRC, are required to appropriate no less than 10% of their net profits to the statutory reserves, until the respective balances of the fund reach 50% of the respective registered capital. Subject to certain restrictions as set out in the relevant PRC regulations, these statutory reserves may be used to offset respective accumulated losses or for capitalisation as paid-up capital of the subsidiaries.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Code Agriculture (Holdings) Limited (the “Company”) is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office address of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business of the Company is Rooms 1120–26, 11th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong.

The unaudited condensed consolidated financial statements for the three months and nine months ended 31 December 2013 (the “Third Quarterly Financial Statements”) are unaudited but have been reviewed by the Audit Committee of the Company and approved for issue by the Board on 14 February 2014.

2. BASIS OF PREPARATION

The Third Quarterly Financial Statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”). The Third Quarterly Financial Statements do not include all the information required in annual financial statements in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standard (“HKAS”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 March 2013 (the “Annual Report 2013”).

The accounting policies and methods of computation applied in the preparation of the Third Quarterly Financial Statements are consistent with those applied in preparing the Annual Report 2013 except for the adoption of new or revised standards, amendments and interpretations issued by the HKICPA mandatory for annual periods beginning 1 April 2013. The adoption of these new or revised standards, amendments and interpretations did not result in any substantial changes to the accounting policies of the Group. In addition, the Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Third Quarterly Financial Statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values.

The preparation of the Third Quarterly Financial Statements in conformity with HKFRSs requires the use of certain critical accounting estimates. The significant judgments, estimates and assumptions applied in the preparation of the Third Quarterly Financial Statements are consistent with those used in the Annual Report 2013.

3. RESTATEMENTS DUE TO CORRECTION OF PRIOR PERIODS’ ERRORS

In the preparation of the Annual Report 2013, it had come to the attention of the Directors that the consolidated financial statements of the Group for the year ended 31 March 2012, 2011 and 2010 contained errors, among other things, the errors so identified had all been restated in corresponding years.

A detailed description of the nature of prior periods’ error that identified for the three months and nine months ended 31 December 2012 is set out in notes 3(a) to 3(c) below, and the relevant errors and amounts have been restated accordingly. The correction for each of the line items in the unaudited condensed consolidated statement of comprehensive income is presented in the tables in note 3(d) below.

(a) Initial recognition and subsequent measurements of assets acquired and liabilities assumed in a business combination completed in 2010

On 30 November 2009, the Company entered into an agreement with Cyberland (China) Limited (“Cyberland”) to acquire the entire equity interest in Kang Yuan Universal Investment Limited and its subsidiaries (collectively referred to as “Kang Yuan Group”) at a consideration of HK\$1,398,000,000, comprising a cash consideration of HK\$300,000,000 and a convertible bond issued by the Company with a face value of HK\$1,098,000,000 (the “Acquisition”). The Acquisition was completed on 1 February 2010.

In the preparation of the Annual Report 2013, the management has come to aware that certain errors relating to the applicable accounting standards, including that: (1) the previous-mentioned business combination was not accounted for in accordance with the HKFRS 3 — Business Combination; (2) the subsequent measurement of net identifiable assets acquired in the Acquisition did not fully comply with the HKAS 36 — Impairment of Assets; and (3) the initial and subsequent measurement of the convertible bond did not fully comply with HKAS 32 — Financial Instruments: Presentation and HKAS 39 — Financial Instruments: Recognition and Measurement.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

3. RESTATEMENTS DUE TO CORRECTION OF PRIOR PERIODS' ERRORS (continued)

(a) Initial recognition and subsequent measurements of assets acquired and liabilities assumed in a business combination completed in 2010 (continued)

In this regard, the management had appointed an independent valuer to remeasure the valuation of purchase price allocation for the Acquisition and the valuation of the convertible bond. A summary of the effects of the errors is set out below:

(i) Identification of intangible assets arising from the Acquisition

In the previous valuation, there was only one intangible asset — “technologies” was identified on the Acquisition. The following intangible assets in addition to the previously reported “technologies” were identified after having re-performed valuation:

- tradename (with indefinite useful lives);
- patents and license rights (with indefinite useful lives);
- non-competition agreements;
- customer relationships; and
- distribution network.

Adjustments and restatements had been made to recognise these additional intangible assets.

(ii) Valuation of property, plant and equipment

The fair value of the property, plant and equipment as at the Acquisition date was re-measured and properly adjusted and, while their carrying amounts for each subsequent reporting period were also re-measured.

(iii) Convertible bond issued for the Acquisition

The convertible bond was issued as part of the consideration for the Acquisition. Previously, the convertible bond was regarded to have complied the “fixed for fixed” criteria of the relevant accounting standards. And this financial instrument was treated as to comprise of a liability component and an equity component. However, it was subsequently noted that there was an embedded call option which was inappropriately included in the equity component. After revisiting the terms and conditions of the convertible bond, the “fixed for fixed” criteria was determined to be violated and so, the entire convertible bond was designated as a financial liability through profit or loss on previous initial recognition. Appropriate adjustments had been made for the necessary rectification.

(iv) Deferred tax

In the reporting year ended 31 March 2010, no deferred tax had been recognised for the temporary differences arising from the Acquisition. In addition, a tax rate of 16.5% was inappropriately used for the deferred tax calculation in subsequent reporting periods. The Directors had revisited the deferred tax calculation and used the enacted tax rate applicable to the acquired PRC subsidiaries for each relevant accounting periods. Appropriate adjustments had been made accordingly.

(v) Capital reserve

The capital reserve of the acquired PRC subsidiaries was previously inappropriately included in the identifiable net assets for goodwill calculation at the Acquisition date. Necessary adjustment and restatement had been made appropriately to report the capital reserve.

(vi) Goodwill

Having taken into consideration of the above adjustments to the identifiable net assets and the issued convertible bond at the Acquisition date, goodwill was therefore re-measured and adjusted accordingly.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

3. RESTATEMENTS DUE TO CORRECTION OF PRIOR PERIODS' ERRORS (continued)

(a) Initial recognition and subsequent measurements of assets acquired and liabilities assumed in a business combination completed in 2010 (continued)

(vii) Impairment of goodwill and other intangible assets acquired in the Acquisition

For the purpose of impairment testing, goodwill arising from the Acquisition should be allocated to each of the relevant cash generating unit ("CGUs") that are expected to benefit from the synergy of the Acquisition.

In the previous valuation, there was only one single CGU — "Tobacco agriculture operation" identified. After the re-performance of the valuation for the business combination in 2010, two appropriate CGUs were identified by the management, namely "Tobacco agriculture operation" and "Fertilizer and pesticide operation". Consequently, the re-measured goodwill arising from the Acquisition was properly allocated to the two identifiable CGUs.

Furthermore, subsequent impairment testing of the re-measured goodwill and all other intangible assets was re-performed and the resultant impairment losses were appropriately recognised. When the goodwill of the "Tobacco agriculture operation" was fully impaired at 31 March 2011, the remaining impairment losses were allocated to the other assets of that CGU on a pro-rata basis of carrying amount.

(viii) Assets held for sale

As indicated in the consolidated financial statements for the year ended 31 March 2011, the Group had reclassified certain land use right and property, plant and equipment relating to the manufacturing of fertilizers as assets held for sale for subsequent disposal.

Assets held for sale at each relevant accounting period was properly reviewed and adjusted accordingly. Furthermore, a reassessment of the fair value less cost to sell of the assets held for sale was conducted on subsequent disposal.

(b) Timing of recognition of share option expenses

The Company had granted share options to certain employees, director, suppliers of goods or services and consultants for the year ended 31 March 2011. These options have a vesting period over 1 year. However, the entire fair value of these options was inappropriately recognised and expensed in the consolidated statement of comprehensive income for the year ended 31 March 2011.

However, in accordance with HKFRS 2 — Share-based payment, expenses of this nature should be recognised over the vesting period of each share option. As a result, the Share-based payment expense included in administrative expenses was adjusted for the three months and nine months ended 31 December 2012. The related share option reserve of the Company and the Group have been adjusted as at 31 December 2012.

(c) Reclassification of cost of sales and services and distribution costs

In the reporting period, certain line items in the unaudited condensed consolidated statement of comprehensive income have been reclassified to better reflect the relevance of financial information relating to the Group's activities. Prior Periods' figures have also been re-presented to reflect the new presentation format. The resultant reclassification has had no net effect on the results of the Group for the three months and nine months ended 31 December 2012.

(d) Summary of effects of restatements due to correction of prior periods' errors

- (I) Effect of error corrections on the Group's unaudited condensed consolidated statement of comprehensive income for the three months ended 31 December 2012; and
- (II) Effect of error corrections on the Group's unaudited condensed consolidated statement of comprehensive income for the nine months ended 31 December 2012.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

3. RESTATEMENTS DUE TO CORRECTION OF PRIOR PERIODS' ERRORS (continued)

(d) Summary of effects of restatements due to correction of prior periods' errors (continued)

(1) Effect of error corrections on the Group's unaudited condensed consolidated statement of comprehensive income for the three months ended 31 December 2012

	As previously reported HK\$'000	Initial recognition and subsequent measurements of assets acquired and liabilities assumed in a business combination note 3(a) HK\$'000	Timing of recognition of share option expenses note 3(b) HK\$'000	Reclassification of cost of sales and services and distribution costs note 3(c) HK\$'000	As restated HK\$'000
Turnover	107,051	—	—	—	107,051
Cost of sales and services	(105,800)	—	—	31,018	(74,782)
Gross profit	1,251	—	—	31,018	32,269
Other revenue	2,134	—	—	—	2,134
Distribution costs	(28,939)	—	—	(31,018)	(59,957)
Administrative expenses	(31,396)	(9,396)	(587)	—	(41,379)
Loss from operations	(56,950)	(9,396)	(587)	—	(66,933)
Other losses	(1,735)	—	—	—	(1,735)
Finance costs	(8,654)	2,294	—	—	(6,360)
Loss before income tax	(67,339)	(7,102)	(587)	—	(75,028)
Income tax credit	9,862	1,372	—	—	11,234
Loss for the period	(57,477)	(5,730)	(587)	—	(63,794)
Other comprehensive income for the period					
Exchange differences on translating foreign operations	(298)	—	—	—	(298)
Total comprehensive income for the period	(57,775)	(5,730)	(587)	—	(64,092)
Loss for the period attributable to:					
Owners of the Company	(56,467)	(5,730)	(587)	—	(62,784)
Non-controlling interests	(1,010)	—	—	—	(1,010)
	(57,477)	(5,730)	(587)	—	(63,794)
Total comprehensive income for the period attributable to:					
Owners of the Company	(56,765)	(5,730)	(587)	—	(63,082)
Non-controlling interests	(1,010)	—	—	—	(1,010)
	(57,775)	(5,730)	(587)	—	(64,092)
Loss per share for loss attributable to owners of the Company during the period					
Basic and diluted — HK cents per share	(2.08)				(2.31)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

3. RESTATEMENTS DUE TO CORRECTION OF PRIOR PERIODS' ERRORS (continued)

(d) Summary of effects of restatements due to correction of prior periods' errors (continued)

(II) Effect of error corrections on the Group's unaudited condensed consolidated statement of comprehensive income for the nine months ended 31 December 2012

	As previously reported HK\$'000	Initial recognition and subsequent measurements of assets acquired and liabilities assumed in a business combination note 3(a) HK\$'000	Timing of recognition of share option expenses note 3(b) HK\$'000	Reclassification of cost of sales and services and distribution costs note 3(c) HK\$'000	As restated HK\$'000
Turnover	647,071	—	—	—	647,071
Cost of sales and services	(502,552)	—	—	62,230	(440,322)
Gross profit	144,519	—	—	62,230	206,749
Other revenue	6,754	—	—	—	6,754
Distribution costs	(50,084)	—	—	(62,230)	(112,314)
Administrative expenses	(72,464)	(29,386)	(1,338)	—	(103,188)
Profit from operations	28,725	(29,386)	(1,338)	—	(1,999)
Other losses	(1,731)	(67,829)	—	—	(69,560)
Finance costs	(25,075)	7,056	—	—	(18,019)
Share of results of associates	(681)	—	—	—	(681)
Loss on disposal of interests in associates	(1,504)	1,504	—	—	—
Gain on disposal of assets held for sale	67,204	(67,204)	—	—	—
Profit/(Loss) before income tax	66,938	(155,859)	(1,338)	—	(90,259)
Income tax (expense)/credit	(10,227)	21,866	—	—	11,639
Profit/(Loss) for the period	56,711	(133,993)	(1,338)	—	(78,620)
Other comprehensive income for the period					
Exchange differences on translating foreign operations	(561)	(9,264)	—	—	(9,825)
Total comprehensive income for the period	56,150	(143,257)	(1,338)	—	(88,445)
Profit/(Loss) for the period attributable to:					
Owners of the Company	58,800	(133,993)	(1,338)	—	(76,531)
Non-controlling interests	(2,089)	—	—	—	(2,089)
	56,711	(133,993)	(1,338)	—	(78,620)
Total comprehensive income for the period attributable to:					
Owners of the Company	58,239	(143,257)	(1,338)	—	(86,356)
Non-controlling interests	(2,089)	—	—	—	(2,089)
	56,150	(143,257)	(1,338)	—	(88,445)
Earnings/(Loss) per share attributable to owner of the Company during the period					
Basic and diluted — HK cents per share	2.17				(2.82)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

4. TURNOVER

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales of agricultural machinery and provision of construction services	43,268	101,285	437,185	615,380
Sales of fertilizer and pesticide	5,090	3,573	13,743	26,438
Provision of digital television services	1,474	2,173	3,451	4,859
Sales of cordyceps-related and other healthcare products	40	20	88	394
	<u>49,872</u>	<u>107,051</u>	<u>454,467</u>	<u>647,071</u>

5. OTHER REVENUE

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Government grants (note below)	—	—	—	123
Interests income	116	1,786	2,185	6,275
Waiver of interest expenses on convertible bond	2,148	—	6,422	—
Sundry income	—	348	43	356
	<u>2,264</u>	<u>2,134</u>	<u>8,650</u>	<u>6,754</u>

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

6. OTHER LOSSES

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Restated)
Change in fair value of financial assets designated at fair value through profit or loss	—	—	—	(3)
Gain on disposal of assets held for sale	—	—	—	(35,469)
Loss on redemption of convertible bond	—	—	12,670	44,570
Loss on disposal of interests in associates	—	—	—	1,504
Change in fair value of convertible bond	—	—	36,918	57,223
Impairment loss on inventories	—	1,235	—	1,235
Impairment loss on property, plant and equipment	11	500	11	500
Impairment loss on trade receivables	—	—	54,734	—
	<u>11</u>	<u>1,735</u>	<u>104,333</u>	<u>69,560</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

7. FINANCE COSTS

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2013 HK\$'000	2012 HK\$'000 (Restated)	2013 HK\$'000	2012 HK\$'000 (Restated)
Interests on bank loans wholly repayable within five years	2,482	3,640	8,836	11,865
Interests on other loans	5,013	2,720	13,264	6,154
	<u>7,495</u>	<u>6,360</u>	<u>22,100</u>	<u>18,019</u>

8. LOSS BEFORE INCOME TAX

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

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2013 HK\$'000	2012 HK\$'000 (Restated)	2013 HK\$'000	2012 HK\$'000 (Restated)
Staff costs				
Contributions to defined contribution retirement plans	602	794	1,919	1,835
Equity-settled share-based payment expenses	1	377	127	568
Salaries, wages and other benefits	8,686	19,456	26,586	37,542
	<u>9,289</u>	<u>20,627</u>	<u>28,632</u>	<u>39,945</u>
Other items				
Amortisation				
— prepaid land lease payments	68	68	205	205
— other intangible assets	9,665	19,385	34,370	49,153
Depreciation on property, plant and equipment	2,011	1,954	6,168	5,743
Gain on disposal of assets held for sale	—	—	—	35,469
Loss on disposals/write off of property, plant and equipment	4	—	146	438
Impairment loss on property, plant and equipment	11	500	11	500
Impairment loss on trade receivables	54,734	—	54,734	—
Impairment loss on inventories	—	1,235	—	1,235
Operating lease charges: minimum lease payments				
— hire of building	2,217	1,985	5,283	4,557
— hire of office equipment	18	22	52	46
Auditors' remuneration				
— audit services in current period	238	362	713	1,052
— audit services under provided in prior periods	—	—	20	—
— other services	220	982	464	991
Cost of inventories recognised as expenses	35,581	72,435	304,922	435,124
Research and development costs	6,102	1,695	13,721	4,337
	<u>6,102</u>	<u>1,695</u>	<u>13,721</u>	<u>4,337</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

9. INCOME TAX CREDIT

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2013 HK\$'000	2012 HK\$'000 (Restated)	2013 HK\$'000	2012 HK\$'000 (Restated)
Current tax — Hong Kong Profits Tax				
Provision for the period	—	—	—	—
Current tax — PRC Enterprise Income Tax				
Provision for the period	442	51	1,782	5,928
Over-provision in prior periods	(7,316)	(8,827)	(1,062)	420
	<u>(6,874)</u>	<u>(8,776)</u>	<u>720</u>	<u>6,348</u>
Deferred tax				
Origination and reversal of temporary differences	(1,628)	(2,458)	(4,898)	(17,987)
Income tax credit	<u>(8,502)</u>	<u>(11,234)</u>	<u>(4,178)</u>	<u>(11,639)</u>

No provision for Hong Kong profits tax has been made in the financial statements of subsidiaries in Hong Kong as there were no estimated assessable profits for the nine months ended 31 December 2013 and 2012.

In accordance with the relevant tax laws and regulations in the PRC, the PRC subsidiaries are subject to an enterprise income tax rate of 25% (2012: 25%) on its taxable income. However, one of the PRC subsidiaries is entitled to exemption of enterprise income tax for two years starting from the first year of profitable operations after offsetting prior year tax losses, followed by a three years 50% tax reduction. Accordingly, the PRC subsidiary enjoyed 50% tax deduction. After the expiry of the above tax concession on 31 December 2012, that subsidiary had been designated as a High-Tech Enterprise and its PRC enterprise income tax rate was subjected to 15% in accordance with the relevant PRC tax laws and regulations. The remaining subsidiaries of the Company in the PRC are subject to PRC enterprise income tax at 25% (2012: 25%) on their taxable income.

10. LOSS PER SHARE FOR LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2013 HK\$'000	2012 HK\$'000 (Restated)	2013 HK\$'000	2012 HK\$'000 (Restated)
Loss attributable to owners of the Company	<u>(54,965)</u>	<u>(62,784)</u>	<u>(148,709)</u>	<u>(76,531)</u>
Numbers of shares				
Weighted average number of ordinary shares in issue during the period	<u>2,713,798</u>	<u>2,713,798</u>	<u>2,713,798</u>	<u>2,713,798</u>

Basic and diluted loss per share for the three months and nine months ended 31 December 2013 and 2012 have been presented as equal because the exercise prices of the Company's share options were higher than the average market price for these periods and therefore the effect is considered as anti-dilutive.

No adjustment has been made to the basic loss per share amounts presented for the three months and nine months ended 31 December 2013 and 2012 in respect of a dilution as the impact of the convertible bond outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

11. INTERIM DIVIDEND — UNAUDITED

The Board do not recommend the payment of an interim dividend for the nine months ended 31 December 2013 (2012: Nil).

12. COMPARATIVE FIGURES

As a result of the correction of prior periods' errors, certain comparative figures have been reclassified and adjusted to conform with the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Tobacco agricultural operation

The tobacco agricultural operation recorded a significant setback in revenue of HK\$437.2 million (2012: HK\$615.4 million) for the period under review. The decrease was primarily due to the sales shrinkage of tobacco flue-curing barns and uncertain market sentiment in the PRC. In light of this, the management has been taking measures to enrich the product scope and reallocating resources to enhance the sale of greenhouse and other transplanting machinery. The flue-curing machinery products "KH" series remain as the well recognised product in the industry.

Fertilizer and pesticide operation

The fertilizer and pesticide operation only recorded a revenue of HK\$13.7 million (2012: HK\$26.4 million), representing a significant decrease of 48.1% as compared to the same period of last year. The major products of this operation are flumetralin and biological fertilizers which are generally applied in soil transformation for tobacco cultivation and the growing of organic tobacco. As the market sentiment and demand of fertilizers are uncertain, the management are of the view that the performance of this operation is not optimistic in the remaining period of the fiscal year.

Digital television operation

The digital television operation recorded a revenue of HK\$3.5 million (2012: HK\$4.9 million), representing a decrease of 29.0% as compared to the same period of last year. During the period under review, advertising income, being the major source of revenue of this operation, has been hindered by unfavourable broadcasting policy in Hunan Province, the PRC. In addition to the peer competition, other product substitution in the electrical media has imposed immense pressure to this operation. The management believe that the performance of this operation is unlikely to improve in the foreseeable future. However, the Company will continue to explore new business model and improve its program quality and diversity.

Other operation

The healthcare products operation was severely underperformed with tiny sales of HK\$88,000 (2012: HK\$394,000) for the period under review. The decrease was mainly due to a shrinkage in the demand of cordyceps-related healthcare products and the diminishing sales network, immense pressure from peer competition and rising operating costs. The Group is now considering possible disposal of this operation if opportunity arises.

FINANCIAL REVIEW

Turnover

For the period under review, the Group's turnover was HK\$454.5 million (2012: HK\$647.1 million), representing a significant decrease of 29.8% as compared to the same period of last year. Such decrease was mainly due to the sales shrinkage of tobacco flue-curing barns and uncertain market sentiment in major tobacco-growing areas in the PRC. As to the unique seasonal effect of tobacco agricultural industry it is a common phenomenon that less sale is expected to record in the second half of the financial year.

Cost of sales and services and gross profit

For the period under review, the Group's cost of sales and services decreased to HK\$308.7 million (2012: HK\$440.3 million) which mainly included costs of goods sold, sheet steel, direct wages and delivery costs, and the Group's gross profit reduced to HK\$145.8 million (2012: HK\$440.3 million). As a result of the enhancement of cost control, the Group's overall gross profit margin stood at 32.1% as compared to the same period of 32.0% of last year. The management will continue to keep close monitoring the sheet steel prices, logistic costs, production overheads and product mix in order to maximize the profit margin.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW *(continued)*

Distribution costs and administrative expenses

For the period under review, the Group recorded the distribution costs of HK\$91.3 million (2012: HK\$112.3 million), which mainly consisted of transportation, labour costs, travelling expenses and business soliciting expenditures. The decrease in distribution costs was approximately in line with the decrease in corresponding sales.

The Group has adopted austerity measures to trim down the Group's overall administrative expenses and to cope with the challenging business environment. As results, the administrative expenses for the period under review have decreased by 10.1% to HK\$92.8 million (2012: HK\$103.2 million).

Other losses

The convertible bond of certificate number 3 of an aggregate principal amount of HK\$50 million issued by the Company was redeemed and thereby a loss of HK\$12.7 million was recognised during the period under review. At 31 December 2013, the Company's convertible bond of the principal amount of HK\$852.4 million remains outstanding.

After assessing the recoverability of account receivables, an impairment on trade receivable was made and an impairment loss of HK\$54.7 million (2012: Nil) was recognised for the period under review.

Finance costs

The finance costs increased by 22.8% to HK\$22.1 million (2012: HK\$18.0 million). The increase in finance costs was partially attributable to the private placement bonds.

Loss attributable to owners of the Company

For the nine months ended 31 December 2013, the loss attributable to owners of the Company was HK\$148.7 million (2012: HK\$76.5 million). The increase in loss attributable to owners of the Company was mainly due to a change in fair value of convertible bond, the impairment loss on trade receivables, loss on redemption of convertible bond, shrinkage of overall revenue and financing cost as well.

PRIVATE PLACEMENT BONDS

Jiangsu Kedi Modern Agriculture Company Limited, an indirectly wholly owned subsidiary of the Company, pursuant to the applicable regulations and rules in the PRC, has successfully issued two-years small and medium-sized enterprise private placement bonds with aggregate principal amount of RMB60 million (equivalent to HK\$74.0 million) carrying terms of 24 months tenure, unlisted, unsecured and bearing interest at the rate of 9.0% per annum. The bonds were registered in the Shenzhen Stock Exchange and the subscribers of which were financial institutions designated and approved by the Shenzhen Stock Exchange.

LEGAL PROCEEDINGS

The litigation in relation to the winding-up petition filed by Zhang Weibing (the "Petitioner") against the Company has been dismissed for the period under review. For another High Court Action No. HCA 776/2013 in relation to the Writ of Summon issued by Cyberland claiming against the Petitioner and the Company, the Company has subsequently reached a settlement on 24 September 2013 with Cyberland for discontinuation of the High Court Action with no order as to costs.

PROSPECTS

As a major player in the PRC's tobacco agricultural industry, one of the Group's business directions is to assist the continuous modernisation of the industry and to implement policies in the best interests of our shareholders, business partners, employees, and tobacco farmers in the PRC and other stakeholders. With a mature technical competence, products of quality and effective operational management team, the Group has established a sustainable development foundation, and a reputable branding with high quality within the tobacco agricultural industry in the PRC. However, in view of the tough business environment in the PRC and the uncertainties over the market sentiment of intensive flue-curing barns machinery and evaluation of credit control, cost control measures and product enrichment have already been in place to enhance the Group's overall competitiveness in the tobacco industry.

With an aim to maximise shareholders' long term return, the Group will take a prudent and cautious approach to capture and evaluate possible business opportunities, and will continue to reinforce its position in the intensive flue-curing machinery, by streamlining its business model, financing, aspiring further advancement in its product quality and innovation, and enhancing the Group's resources utilisation in an cost-effective approach.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

MATERIAL ACQUISITIONS OR DISPOSALS

There were no material acquisition and disposal of subsidiaries and affiliated companies during the period of review.

CONTINGENT LIABILITIES

At 31 December 2013, the Group had no material contingent liabilities.

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

At 31 December 2013, the interests and short positions of the Directors and chief executives of the Company in the ordinary share of HK\$0.01 each in the share capital of the Company ("Shares"), underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO")), as recorded in the register which is required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the SFO or the 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 Shares and underlying Shares

Name of Director	Capacity and nature of interests	Number of Shares and underlying Shares held	Approximate percentage of shareholding
Ms. Jingquan Yingzi	Interests held by controlled corporation and beneficial owner	2,027,546,744 (note (b))	74.71%
Mr. Wong Man Hung Patrick	Beneficial owner	32,000,000	1.18%
Mr. Shan Xiaochang	Interests held by controlled corporation and beneficial owner	1,984,776,744 (note (a) and (b))	73.14%
Mr. Feng Xiaoping (note (c))	Interests held by controlled corporation	31,618,750	1.17%

Notes:

- (a) 1,982,326,744 underlying Shares are held by Cyberland (China) Limited, which is legally and beneficially owned as to 54.63% by Stepwise International Holdings Limited ("Stepwise"). 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.
- (b) The interests refer to the same parcel of underlying Shares.
- (c) 31,618,750 Shares are held by Sino Unicorn Technology Limited, a company in which Mr. Feng Xiaoping ("Mr. Feng") has an indirect interest of 51% therein. Mr. Feng retired as an executive Director on 28 September 2012.

Save as disclosed above, at 31 December 2013, 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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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

At 31 December 2013, 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	Number of Shares/ underlying Shares held	Percentage of shareholding
Mr. Lee Yuk Lun	Beneficial interest	219,298,244	8.08%
Cyberland (China) Limited	Beneficial interest	1,982,326,744 (note (a) and (d))	73.05%
Stepwise International Holdings Limited	Interest of a controlled corporation	1,982,326,744 (note (a), (b) and (d))	73.05%
Ms. Wu Shuhua	Interest of child under 18 or spouse	1,984,776,744 (notes (c) and (d))	73.14%

Notes:

- (a) Cyberland (China) Limited is legally and beneficially owned as to 54.63% by Stepwise.
- (b) Stepwise is legally and beneficially wholly owned by Mr. Shan. Mr. Shan has resigned as an executive Director on 2 November 2013.
- (c) Ms. Wu Shuhua is the spouse of Mr. Shan. By virtue of the SFO, Ms. Wu is also deemed to be interested in all Shares in which Mr. Shan is interested and/or deemed to be interested.
- (d) 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.

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. There is no movement of share options for the period under review and the outstanding share options at 31 December 2013 is presented as follows:

Category of participants	Date of grant	Exercise price per share HK\$	Validity period	Number of share options				At 31.12.2013
				At 01.04.2013	Granted during the period	Exercised during the period	Lapsed during the period	
Consultants	10.12.2010 (note)	0.163	03.10.2012 to 02.10.2014	50,000,000	—	—	—	50,000,000
	03.10.2012	0.163	03.10.2012 to 02.10.2014	135,000,000	—	—	—	135,000,000
Employees	10.12.2010 (note)	0.163	03.10.2012 to 02.10.2014	10,000,000	—	—	—	10,000,000
Director	03.10.2012	0.163	03.10.2012 to 02.10.2014	7,000,000	—	—	—	7,000,000
				<u>202,000,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>202,000,000</u>

Note:

On 3 October 2012, the Company had resolved to modify the share options for a total of 60,000,000 previously granted to certain consultants and full-time employees of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' and Chief Executives' interests and short positions in Shares, underlying Shares and debentures of the Company or any associated corporation" and the share option scheme above, at no time during the nine months ended 31 December 2013 was rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

CORPORATE GOVERNANCE CODE

The Company is governed by the Board, which is responsible for overseeing the overall strategy and development of the Company, as well as monitoring the internal control policies and evaluating the financial performance of the Group. The Board sets the overall strategies and directions for the Group with a view to develop its business and enhance the shareholders' value. Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual interim accounts and quarterly results for approval by the Board before publication, execution of business strategies and initiatives made by the Board, implementation of adequate internal control systems and risk management procedures, and compliance with relevant statutory requirements and rules and regulations. In the opinion of the Board, the Company has complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 to the GEM Listing Rules (the "CG Code") for the nine months ended 31 December 2013.

INTERNAL CONTROL

As disclosed in the Annual Report 2013, there was non-compliance with the HKFRSs in the consolidated financial statement for the years ended 31 March 2010, 2011 and 2012. The non-compliance was resulted from errors in accounting treatments and inappropriate judgment on very substantial acquisition in 2010. The errors have already been properly dealt with and restated via correction of prior periods' errors in the Annual Report 2013 and subsequent financial statements. To avoid similar non-compliance in the future, the Board engaged an independent accounting firm to review the effectiveness of the Group's internal control procedures and financial reporting system. The accounting firm has completed the review and issued the Corporate Governance Review & Internal Control Report ("CGIC Report") in November 2013.

The CGIC Report indicated that the management has been proactively dealt with the non-compliance and has taken specific procedures in improving the controls on financial reporting procedures, including but not limited to (a) a mechanism was in place that if there is significant transaction taken place during the financial year that requires significant management judgment and involves complex accounting treatments, the financial controller can seek independent review opinion from a qualified professional firm if necessary; (b) the Audit Committee's terms of reference clearly stated that the Audit Committee should obtain, at the Company's expenses, independent professional advice or to secure assistance from external parties with relevant experience and expertise if necessary.

The Company has proper internal control and procedures over the financial reporting that enables the Board to ensure the accuracy and completeness of the information in the financial statements. However, the findings of CGIC Report show that there are areas where further steps could be taken by the Board to enhance the corporate governance and internal control as below:

Major findings and recommendations of CGIC Report are set out as below:

(i) Composition of Audit Committee

The Audit Committee is currently chaired by an Independent Non-Executive Director who has extensive legal experience in the industry and Listing Rule provisions. It is recommended that the Audit Committee should be chaired by a person who has extensive accounting and related financial reporting expertise;

(ii) Training and continuing professional development

Although the Company has a formal staff and director training budget policy, there is no formal policies regarding the continuous professional development requirement of each Board member and there is no designated personnel to manage the training issues. It is recommended that a minimum hour of trainings by each Director in a year to be e.g. 8 hours, and the Nomination Committee should be responsible for reviewing whether the Directors are spending sufficient time performing their duties and monitoring the training of Directors;

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

INTERNAL CONTROL *(continued)*

(iii) Adopting good governance practice beyond the CG Code requirement

The Board is recommended to disclose information set out in the paragraph Q-T of the Appendix 15 of GEM Listing Rules and consider to adopt the CG Code beyond requirement;

(iv) Areas of further improvement on the corporate governance terms of reference

It is recommended that the Company could revise the terms of reference of various committee, for instance, incorporating the whistle-blowing handling in the terms of reference of Audit Committee; and

(v) Establish of corporate governance committee

It is recommended that the Company should establish a corporate governance committee which plays a critical role in overseeing matters of corporate governance for the Board, including formulating and recommending governance principles and policies.

In response to the findings and recommendation of CGIC Report:

During the review period, the Company has complied with the CG Code. In response to the recommendations of the CGIC Report, the Company has proactively reviewed the recommendations and has adopted most of the recommended measures which are already in place subsequent to the release of CGIC Report including but not limited those as set out below:

- (a) The Company has adopted the recommendations regarding the enhancement of financial reporting procedures;
- (b) The composition of the Audit Committee is subsequently enhanced and chaired by Mr. Lee Chi Hwa Joshua (“Mr. Lee”), being an existing member of the Audit Committee. Mr. Lee is a fellow member of the Association of Chartered Certified Accountants and a member of Hong Kong Institute of Certified Public Accountants;
- (c) Regarding the continuous professional development of the Board members, specific personnel is designated to manage Directors’ training issues, including the recommendation of programs, seminars, articles in relation to the corporate governance, financial reporting and prevailing regulations. Non-executive Directors are eagerly engaged in the program. The Board has advised all members to meet the minimum hour of training at the best effort basis; and
- (d) For the recommendation of (v) above, the Board will consider to revise or enhance the terms of reference of the Audit Committee and the Nomination Committee. To the matter of facts, the Board has established the whistle-blowing procedures and they are already in place.

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 nine months ended 31 December 2013.

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.

PURCHASES, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its listed securities during the nine months ended 31 December 2013. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s listed securities during the nine months ended 31 December 2013.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

AUDIT COMMITTEE

The Company had established an Audit Committee on 20 March 2001 with written terms of reference in compliance with the requirements as set out in the GEM Listing Rules. The terms of reference was revised on 29 March 2012 in order to comply with the revised provision of the CG Code. 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 comprises of all the independent non-executive directors of the Company, namely Mr. Lee Chi Hwa, Joshua, Mr. Sousa Richard Alvaro and Mr. Zhao Zhizheng. The Audit Committee is chaired by Mr. Lee with effect from 7 January 2014. The Audit Committee together with the management has reviewed the accounting principles and practices adopted by the Group, the unaudited third quarterly results for the nine months ended 31 December 2013, and discussed the financial control, internal control and risk management systems.

On behalf of the Board
Code Agriculture (Holdings) Limited

Jingquan Yingzi
Chairman

Hong Kong, 14 February 2014

As of the date of this report, the executive Directors are Ms. Jingquan Yingzi (Chairman), Mr. Wong Man Hung Patrick, Mr. Wu Zhongxin and Mr. Stephen William Frostick; the non-executive Director is Prof. Liu Guoshun; and the independent non-executive Directors are Mr. Sousa Richard Alvaro, Mr. Lee Chi Hwa Joshua and Mr. Zhao Zhizheng.