



CODE AGRICULTURE (HOLDINGS) LIMITED

科地農業控股有限公司

(Incorporated in Bermuda with limited liability) (於百慕達註冊成立之有限公司)

Stock Code 股份代號: 8153

2018

THIRD QUARTERLY
REPORT 2018



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

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given the emerging nature of companies listed on GEM are generally small and mid-sized companies, 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 (the “Director(s)”) 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 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 (UNAUDITED)

The board of Directors (the "Board") hereby presents the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the nine months ended 31 December 2018 (the "Period"), together with the unaudited comparative figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

For the nine months ended 31 December 2018

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Revenue	3	7,912	2,365	17,338	15,713
Cost of sales and services		(6,652)	(1,041)	(12,013)	(4,798)
Gross profit		1,260	1,324	5,325	10,915
Other income	4	–	34	49	102
Distribution costs		(57)	(37)	(172)	(190)
Administrative expenses		(4,241)	(5,517)	(10,854)	(12,564)
Net fair value gain on financial assets at fair value through profit or loss		48	1,758	490	2,290
Finance costs – net	5	(4,717)	(7,680)	(23,637)	(23,824)
Loss on disposal of a subsidiary	8	(56)	–	(56)	–
Loss before income tax	6	(7,763)	(10,118)	(28,855)	(23,271)
Income tax credit	7	2	116	34	378
Loss for the period		(7,761)	(10,002)	(28,821)	(22,893)
Loss attributable to:					
– Owners of the Company		(7,761)	(9,985)	(28,683)	(22,805)
– Non-controlling interests		–	(17)	(138)	(88)
		(7,761)	(10,002)	(28,821)	(22,893)
Loss per share attributable to owners of the Company:		HK cents	HK cents	HK cents	HK cents
– Basic and diluted	9	(0.63)	(0.54)	(1.30)	(1.64)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the nine months ended 31 December 2018

	Three months ended 31 December		Nine months ended 31 December	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Loss for the period	(7,761)	(10,002)	(28,821)	(22,893)
Other comprehensive income				
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translation of foreign operations	585	(291)	1,206	(849)
<i>Item that will not be reclassified subsequently to profit or loss:</i>				
Loss on amendments of the terms of the convertible bonds	(39,494)	–	(39,494)	–
Total comprehensive expense for the period	(46,670)	(10,293)	(67,109)	(23,742)
Total comprehensive (expense) income attributable to:				
– Owners of the Company	(46,830)	(10,212)	(67,322)	(23,511)
– Non-controlling interests	160	(81)	213	(231)
	(46,670)	(10,293)	(67,109)	(23,742)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2018

	Attributable to owners of the Company									
	Share capital HK'000	Share premium HK'000	Equity component of convertible bonds HK'000	Capital reserve HK'000	Merger reserve HK'000 (note (a))	Exchange reserve HK'000	Accumulated losses HK'000	Total HK'000	Non-controlling interests HK'000	Total equity HK'000
At 1 April 2017 (audited)	457	92,635	46,835	6,000	(197)	199	(303,957)	(158,028)	(7,349)	(165,377)
Loss for the period	-	-	-	-	-	-	(22,805)	(22,805)	(88)	(22,893)
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
- Exchange differences on translation of foreign operations	-	-	-	-	-	(706)	-	(706)	(143)	(849)
Total comprehensive expense for the period	-	-	-	-	-	(706)	(22,805)	(23,511)	(231)	(23,742)
Conversion of convertible bonds	160	22,902	(4,330)	-	-	-	-	18,732	-	18,732
Shares issued in respect of bond interest payments	122	14,157	-	(3,480)	-	-	-	10,799	-	10,799
At 31 December 2017 (unaudited)	739	129,694	42,505	2,520	(197)	(507)	(326,762)	(152,008)	(7,580)	(159,588)
At 1 April 2018 (audited)	760	132,194	42,505	-	(197)	(874)	(338,132)	(163,744)	(7,722)	(171,466)
Loss for the period	-	-	-	-	-	-	(28,683)	(28,683)	(138)	(28,821)
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
- Exchange differences on translation of foreign operations	-	-	-	-	-	855	-	855	351	1,206
- Loss on amendments of the terms of the convertible bonds (note (d))	-	-	-	-	-	-	(39,494)	(39,494)	-	(39,494)
Total comprehensive (expense) income for the period	-	-	-	-	-	855	(68,177)	(67,322)	213	(67,109)
Shares issued in respect of equity settlement of a loan (note (b))	60	14,940	-	-	-	-	-	15,000	-	15,000
Shares issued under general mandate (note (c))	28	6,972	-	-	-	-	-	7,000	-	7,000
Loss on amendments of the terms of the convertible bonds (note (d))	-	-	39,494	-	-	-	-	39,494	-	39,494
Direct cost regarding the amendments of the terms of the convertible bonds	-	-	(79)	-	-	-	-	(79)	-	(79)
Conversion of convertible bonds (note (e))	136	24,347	(4,281)	-	-	-	-	20,202	-	20,202
Shares issued in respect of bond interest payments (note (f))	88	5,950	-	-	-	-	-	6,038	-	6,038
At 31 December 2018 (unaudited)	1,072	184,403	77,639	-	(197)	(19)	(406,309)	(143,411)	(7,509)	(150,920)

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) On 29 August 2018, the Company entered into the subscription agreement with Artic Blue Corporation ("Artic Blue"), pursuant to which the Company has agreed to allot and issue and Artic Blue has agreed to subscribe for 150,000,000 subscription shares at the subscription price of HK\$0.10 per subscription shares for settlement of the outstanding loan of approximately HK\$15.0 million due to Artic Blue. On 10 September 2018, 150,000,000 ordinary shares of the Company (the "Share(s)") were issued accordingly.
- (c) On 19 September 2018, the Company entered into another subscription agreement with Mr. Wang Dequn ("Mr. Wang"), pursuant to which the Company agreed to allot and issue and Mr. Wang has agreed to subscribe for 70,000,000 subscription shares at the subscription price of HK\$0.10 per subscription shares for additional financial resources for the overall development of the Group. On 26 October 2018, 70,000,000 Shares were issued accordingly. Mr. Wang has been appointed as an executive Director and chairman of the Board with effect from 1 November 2018.
- (d) On 25 October 2018, the Company and the bondholders of the 6% convertible bonds in the aggregate principal amount of HK\$130.0 million due on 5 November 2018 (the "CB 2018") and the 6% convertible bonds in the aggregate principal amount of HK\$120.0 million due on 28 June 2019 (the "CB 2019") (collective refer the "CB" and the "Bondholders") entered the supplemental agreements, pursuant to which the Company agreed with the Bondholders (i) to extend the maturity date of the CB 2018 and the CB 2019 from the maturity date of 5 November 2018 and 28 June 2019 respectively to the extended maturity date of 31 December 2020, and (ii) to change the interest payment terms of the CB 2018 and the CB 2019 from interest of 6% per annum payable annually to 8% per annum payable semi-annually. The approval from the Stock Exchange has been granted and the shareholders' approval has been obtained at the special general meeting of the Company dated 5 December 2018 to approve the amendments to the terms of the CB.

As the terms of the CB have been amended, the CB has been revalued as at the date of obtaining the shareholders' approval on the basis carried out at that day by an independent qualified professional valuer not connected to the Group. The liability and the equity components of the CB have been adjusted. A gain on debt extinguishment of approximately HK\$1.7 million was recognised in the finance costs as the adjustment for the liability component and a loss of approximately HK\$39.5 million was recorded in the other comprehensive expense as the adjustment for the equity component.

- (e) During the Period, no bondholders of the CB 2018 have converted the CB 2018 into Shares. The bondholder of the CB 2019 has converted the CB 2019 with the aggregate principal amount of HK\$17.0 million at conversion price of HK\$0.05 per share into 340,000,000 Shares.
- (f) During the Period, the Bondholders have requested to pay any interest payable by way of Shares. The interests of approximately HK\$11.0 million have been paid by way of the Shares and 219,801,000 Shares were issued at conversion price of HK\$0.05 per share.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on GEM of the Stock Exchange. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is Room 2007, 20th Floor, C C Wu Building, 302-308 Hennessy Road, Wan Chai, Hong Kong.

The Company is an investment holding company and the principal activities of the Group are provision of digital television broadcasting and advertising in Hong Kong and the People's Republic of China (the "PRC"), money lending business in Hong Kong and securities investments in Hong Kong.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousands ("HK\$'000") except when otherwise indicated. The condensed consolidated financial statements for the nine months ended 31 December 2018 (the "Third Quarterly Financial Statements") are unaudited but were reviewed by the audit committee of the Company (the "Audit Committee") and approved for issue by the Board on 12 February 2019.

2. BASIS OF PREPARATION

The Third Quarterly Financial Statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of 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 Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 March 2018 (the "Annual Report 2018").

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 2018 except for the adoption of new or revised standards, amendments and interpretations issued by the HKICPA mandatory for annual periods beginning 1 April 2018. 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 2018.

Going concern

The Group recorded unaudited net liabilities as at 31 December 2018. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

As stated in the Annual Report 2018, the Directors reviewed the Group's financial and liquidity position, and have taken the following actions to mitigate the liquidity issues faced by the Group:

- (a) the shareholders of the Company (the "Shareholder(s)") have confirmed that they will provide continuous financial support to the Company for a period of twelve months from the date of approval of the consolidated financial statements for the year ended 31 March 2018 by the Directors;
- (b) the convertible bonds in the aggregate principal amount of HK\$163.0 million have been extended the maturity date to 31 December 2020;

- (c) possible fund raising activities including, but not limited to placing, rights issues, open offer or issuance of convertible bonds are to be attempted; and
- (d) the management plans to improve the Group's financial performance by taking steps to reduce discretionary expenses and administrative costs and exploring new business which will provide on growing and recurring source of income.

In light of the measures and arrangements as described above, the Directors consider the Group will have sufficient working capital to meet their financial obligations as they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

3. REVENUE (UNAUDITED)

	Three months ended		Nine months ended	
	31 December		31 December	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Digital television service income	7,600	1,386	15,695	13,052
Car beauty service income	240	940	1,324	2,507
Money lending income	72	39	319	154
	7,912	2,365	17,338	15,713

4. OTHER INCOME (UNAUDITED)

	Three months ended 31 December		Nine months ended 31 December	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Bank interest income	–	–	1	1
Interest income from amount due from a related company	–	34	48	101
	–	34	49	102

5. FINANCE COSTS – NET (UNAUDITED)

	Three months ended 31 December		Nine months ended 31 December	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Interest on bank overdraft	84	–	96	–
Interest on other loans wholly repayable within five years	559	493	3,583	1,354
Interest on convertible bonds	5,783	7,187	21,067	22,470
Gain on debt extinguishment of the convertible bonds	(1,709)	–	(1,709)	–
Loss on equity-settled loan arrangement	–	–	600	–
	4,717	7,680	23,637	23,824

6. LOSS BEFORE INCOME TAX (UNAUDITED)

Loss before income tax is arrived at after charging:

	Three months ended 31 December		Nine months ended 31 December	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
(a) Employee benefit expenses (including directors' remuneration)				
Salaries, wages and other benefits	2,265	2,993	6,699	7,341
Retirement benefit scheme contributions	38	82	142	337
	2,303	3,075	6,841	7,678
(b) Other items				
Amortisation of other intangible assets	7	24	56	73
Depreciation of items of property, plant and equipment	51	491	311	1,482
Loss on disposal of items of property, plant and equipment	-	44	324	44
Write-off of items of property, plant and equipment	-	-	41	-
Write-down of inventories	-	-	2	-
Minimum lease payments under operating leases in respect of land and buildings	339	977	1,412	2,842
Minimum lease payments under operating leases in respect of office equipment	16	16	50	48
Cost of inventories sold	11	88	92	169

7. INCOME TAX CREDIT (UNAUDITED)

	Three months ended 31 December		Nine months ended 31 December	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Current tax – Hong Kong Profits Tax				
– Provision for the period	–	6	–	24
– Over provision in respect of prior period	–	–	(20)	–
	–	6	(20)	24
Deferred tax	(2)	(122)	(14)	(402)
	(2)	(116)	(34)	(378)

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits arising in Hong Kong for the period.

The provision for PRC Enterprise Income Tax is calculated at the standard rate of 25% on the estimated assessable income as determined in accordance with the relevant income tax rules and regulations of the PRC. No PRC Enterprise Income Tax has been provided for the nine months ended 31 December 2018 and 2017.

8. LOSS ON DISPOSAL OF A SUBSIDIARY (UNAUDITED)

On 31 October 2018, Sparkle View Enterprises Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party for disposal of the entire equity interest of Super Car Service Company Limited (the "Disposal Company") at a consideration of HK\$300,000. The transaction was completed on 31 October 2018. The carrying amounts of the assets and liabilities of the Disposal Company at the date of disposal were as follows:

	HK\$'000
Net assets disposed of:	
Property, plant and equipment	155
Intangible assets	278
Cash and bank balance	172
Trade receivables	5
Other receivables	174
Inventory	110
Other payables and accruals	(394)
Deferred tax liabilities	(144)
	<hr/> 356
Consideration	300
	<hr/>
Loss on disposal	(56)

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (UNAUDITED)

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

	Three months ended 31 December		Nine months ended 31 December	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Loss				
Loss attributable to owners of the Company	(7,761)	(9,985)	(28,683)	(22,805)
Number of shares				
Weighted average number of ordinary shares in issue	1,240,070	1,850,275	2,205,652	1,390,757

No adjustment has been made to the basic loss per share amounts presented for the nine months ended 31 December 2018 and 2017 in respect of a dilution as the impact of the convertible bonds outstanding had an anti-dilutive effect.

10. DIVIDEND

The Board does not recommend the payment of a dividend for the nine months ended 31 December 2018 (nine months ended 31 December 2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the Period, the Group was principally engaged in provision of digital television broadcasting and advertising in Hong Kong and the PRC, money lending business in Hong Kong and securities investments in Hong Kong.

The Group's revenue for the Period amounted to approximately HK\$17.3 million, representing an increase of 10.3% as compared to that of approximately HK\$15.7 million for the nine months ended 31 December 2017 (the "Preceding Period"). The Group's loss for the Period was approximately HK\$28.8 million, as compared to approximately HK\$22.9 million for the Preceding Period.

Digital television operation

The Group recorded revenue of approximately HK\$15.7 million from this operation for the Period, as compared to revenue of approximately HK\$13.1 million for the Preceding Period. The increase was mainly due to the fact that the Group is more focused on the development of advertisement campaign in Hong Kong, as the three television channels of the Group in Hunan were stopped due to some changes in national policies in the PRC. The Group is working with the local media production houses to conduct stage shows within shopping malls in Hong Kong and expands its media resources. The expansion of media resources allow the Group to offer its advertising customers with a wider range of advertising solutions, including various advertising media, forms and formats that cater to different target audiences.

Car beauty operation

Revenue from this operation for the Period was decreased by 47.2% to approximately HK\$1.3 million, as compared to revenue of approximately HK\$2.5 million for the Preceding Period. This operation is loss-making as a result of unfavorable market conditions and price competition in the car beauty industry in Hong Kong, and it is difficult to turn loss to profit in the foreseeable future. Therefore, the entire equity interest of a subsidiary which is engaged in provision of car beauty service in Hong Kong has been sold to the third party during the Period. The management of the Group considers the possibility of developing the car beauty operation in the PRC.

Money lending operation

Revenue from this operation for the Period was approximately HK\$319,000, as compared to revenue of approximately HK\$154,000 for the Preceding Period. The increase in revenue was mainly due to more loan receivables were granted as compared with the Preceding Period. As at 31 December 2018, gross loan receivables amounted to HK\$4.3 million (as at 31 December 2017: HK\$3.9 million).

Securities investments operation

The net fair value gain on financial assets at fair value through profit or loss for the Period was approximately HK\$490,000, as compared to gain of approximately HK\$2.3 million for the Preceding Period.

Details of investments in equity securities listed in Hong Kong held by the Group during the Period are as follows:

Stock Code	Stock Abbreviation	Number of shares held as at 31 December 2018	Fair value as at 31 December 2018 HK\$'000	Gain (losses) during the Period HK\$'000
530	GOLDIN FIN HOLD	760,000	2,227	(737)
8103	TRILLION GRAND	900,000	1,224	(220)
8202	INNO-TECH HOLD	8,900,000	2,163	850
1166	SOLARTECH INT' L	—	—	699
1387	RENHE COMM	—	—	28
1130	CHINA ENV RES	—	—	(130)
			<hr/>	
			5,614	490

Financial Review

Revenue

For the Period, revenue of the Group amounted to approximately HK\$17.3 million, representing an increase of approximately 10.3% from approximately HK\$15.7 million for the Preceding Period. The increase in revenue was mainly attributable to increase in revenue contributed by the digital television operation.

Cost of sales and services, gross profit and gross profit margin

The cost of sales and services was approximately HK\$12.0 million for the Period, compared to approximately HK\$4.8 million for the Preceding Period. The Group's gross profit was approximately HK\$5.3 million for the Period, representing a decrease of approximately 51.2% from approximately HK\$10.9 million for the Preceding Period. The Group's gross profit margin was approximately 30.7% for the Period.

Administrative expenses

Administrative expenses for the Period were decreased by 13.6% to approximately HK\$10.9 million, as compared to approximately HK\$12.6 million for the Preceding Period. Administrative expenses mainly consist of staff costs, depreciation, operating lease rentals for office and legal and professional fees. The Group will continue to adopt the stringent cost controls in the forthcoming periods.

Finance costs

The Group recorded finance costs of approximately HK\$23.6 million for the Period, as compared to approximately HK\$23.8 million for the Preceding Period. The finance costs were mainly arising from the interest expenses on convertible bonds which were issued in November 2015 and June 2016 and amended the terms on 5 December 2018 with the effective interest rates of 10.5% and 9.2% per annum respectively.

Loss for the period and loss attributable to owners of the Company

The Group recorded a loss for the Period of approximately HK\$28.8 million, as compared to approximately HK\$22.9 million for the Preceding Period. Loss attributable to owners of the Company for the Period was approximately HK\$28.7 million, as compared to approximately HK\$22.8 million for the Preceding Period. The basic and diluted loss per share of the Group for the Period were HK cents 1.30, as compared to HK cents 1.64 for the Preceding Period.

CAPITAL STRUCTURE

As at 31 December 2018, the number of issued ordinary shares of the Company was 2,680,475,222 shares (31 March 2018: 1,900,674,675 shares). Additional shares may be issued by way of (i) conversion of the convertible bonds which if fully converted would result in the issuance of 3,260,000,000 shares of the Company; and (ii) bond interest payments which if fully paid would result in the issuance of 71,016,986 shares of the Company.

FUND RAISING ACTIVITIES AND USE OF PROCEEDS

During the Period, the Group conducted the following equity fund raising exercises and as at 31 December 2018, the actual use of proceeds were shown as follows:

Date of announcement	Fund raising activities	Net proceeds raised (approximately)	Proposed use of net proceeds	Actual use of net proceeds
29 August 2018	Subscription of 150,000,000 new Shares under general mandate	HK\$15 million	To settle the outstanding sum of a loan due from the Company to the subscriber	Fully used for settlement of the outstanding sum of a loan due from the Company to the subscriber
19 September 2018	Subscription of 70,000,000 new Shares under general mandate	HK\$7 million	(i) Approximately HK\$2 million to repay the loan owed by the Company; (ii) approximately HK\$2 million to increase the working capital of the Company; and (iii) approximately HK\$3 million to develop the EP business of the Company	(i) Approximately HK\$1 million was used for repayment of the loan owed by the Company; (ii) approximately HK\$5.5 million was used for working capital and investment opportunities of the Company; and (iii) approximately HK\$0.5 million was maintained at bank

PROSPECTS

Looking ahead, the Group remains confident about the prospects of the cultural industry including advertisement, travel, movie and television, integrated agriculture, modern agriculture and new media. The cultural and media industry throughout the world, and especially in the PRC is presented with a huge opportunity. The Group will commence EP and related businesses which may include production and sale of EP construction materials and EP construction engineering projects in 2019. The management will continue to develop solid operating strategies of the Group and explore other investment opportunities with a view to enhancing and improving returns to our stakeholders.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2018, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the Shares

Name of Director and chief executive	Capacity	Number of Shares held	Approximate percentage of shareholding
Mr. Wang Dequn	Beneficial owner	220,000,000	8.21%
Ms. Jingquan Yingzi	Beneficial owner	1,130,500	0.04%
Ms. Wu Meirong	Beneficial owner	63,146,301	2.36%

Save as disclosed above, as at 31 December 2018, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

So far as known to the Directors or chief executives of the Company, as at 31 December 2018, the following persons/entities (other than the Directors and chief executives of the Company) had or were deemed to have an interest or a short position in the shares or the underlying shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Long positions in the Shares and underlying Shares

Name of Shareholders	Notes	Capacity and nature of interests	Number of Shares held/ interested	Number of underlying Shares held/ interested (note (d))	Approximate percentage of shareholding
Yiu Kwok Ming Tommy		Beneficial owner	80,458,628	420,000,000	18.67%
Lau Kevin		Beneficial owner	8,195,958	180,000,000	7.02%
Leung Chung Shan		Beneficial owner	10,800,000	180,000,000	7.12%
Winner Cosmos Limited	(a)	Beneficial owner	16,800,000	140,000,000	5.85%
Ng Kwok Wing	(a)	Interest of a controlled corporation	16,800,000	140,000,000	5.85%
Kitchell Osman Bin		Beneficial owner	21,600,000	180,000,000	7.52%
Wong Ying Seung Asiong		Beneficial owner	21,600,000	180,000,000	7.52%

Name of Shareholders	Notes	Capacity and nature of interests	Number of Shares held/ interested	Number of Shares held/ interested (note (d))	Approximate percentage of shareholding
Chan Chak Kai Kenneth		Beneficial owner	28,800,000	160,000,000	7.04%
Kwong Kai Sing Benny		Beneficial owner	28,800,000	160,000,000	7.04%
Ip Cheuk Ho		Beneficial owner	42,001,232	200,000,000	9.03%
To Yuet Sing		Beneficial owner	26,811,233	200,000,000	8.46%
Tsang Kai Ming		Beneficial owner	64,151,233	200,000,000	9.85%
Siu Kwok Ching	(b)	Interest of a controlled corporation	36,000,000	600,000,000	23.73%
Faith Elite International Holdings Limited	(b)	Interest of a controlled corporation	36,000,000	600,000,000	23.73%
Latop International Investment Limited	(b)	Beneficial owner	36,000,000	600,000,000	23.73%
Zhou Yi	(c)	Interest of a controlled corporation	24,000,000	400,000,000	15.82%
Wing Wise International Limited	(c)	Beneficial owner	24,000,000	400,000,000	15.82%
宋文霞		Beneficial owner	364,200,547	–	13.59%
Shimazaki Koji		Beneficial owner	143,475,068	–	5.35%
Alexia Jouliau		Beneficial owner	143,341,900	–	5.35%

Notes:

- (a) Mr. Ng Kwok Wing is deemed to be interested in underlying Shares through his interests in Winner Cosmos Limited.
- (b) Latop International Investment Limited is directly wholly owned by Faith Elite International Holdings Limited which is directly wholly owned by Mr. Siu Kwok Ching. Mr. Siu Kwok Ching and Faith Elite International Holdings Limited are deemed to be interested in Shares and underlying Shares held by Latop International Investment Limited.
- (c) Mr. Zhou Yi is deemed to be interested in Shares and underlying Shares through his interests in Wing Wise International Limited.
- (d) These shares may be allotted and issued upon exercise of the conversion rights attaching to the convertible bonds issued by the Company.

Save as disclosed above, as at 31 December 2018, there was no person or corporation, other than the Directors and chief executives of the Company whose interests are set out in the section "Directors' and chief executives' interests and short position in shares, underlying shares and debentures" above, had any interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

COMPETITION INTEREST

None of the Directors, the controlling Shareholders or substantial Shareholders or any of its respective close associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, as defined in the GEM Listing Rules, or has or may have any other conflict of interests with Group during the nine months ended 31 December 2018.

PURCHASES, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the nine months ended 31 December 2018.

SHARE OPTION SCHEME

A share option scheme was adopted by the Shareholders and became effective on 2 February 2009 and shall remain in force for a period of 10 years from that date. The share option scheme mandate limit was refreshed to 10% of the issued Shares at the date of annual general meeting of the Company held on 14 September 2015. As at 31 December 2018, the number of Shares available for issue under the scheme was 10,812,347 Shares, after the adjustment in respect of the share consolidation taken effect on 15 October 2015. For the nine months ended 31 December 2018, no share option has been granted, exercised expired or lapsed and there is no outstanding share option under the scheme. As at the date of this report, the share option scheme of the Company has expired.

CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with all the code provisions as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 to the GEM Listing Rules for the nine months ended 31 December 2018, save and except for the following:

1. Code provision A.1.3 requires that notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. For all other board meetings, reasonable notice should be given. Due to the practical reasons, 14 days' advanced notifications have not been given to all meetings of the Board. Reasons have been given in the notifications in respect of those meetings of the Board where it is not practical to give 14 days' advanced notification. The Board will use its best endeavor to give 14 days' advanced notifications of Board meeting to the extent practicable.
2. Code provision A.2.1 requires the roles of chairman and chief executive should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. The Board has reviewed the current structure of the Board and re-designated Ms. Wu Meirong from an executive Director and the chairlady of the Board to the chief executive officer of the Company with effect from 1 November 2018.

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 2018.

DISCLOSURE OF CHANGES IN INFORMATION OF DIRECTOR

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, changes in Directors' information since the date of the Annual Report 2018 are set out below:

Positions held with the Company

1. Mr. Zhao Zhizheng retired as an independent non-executive Director with effect from 21 September 2018.
2. Mr. Wong Ching Keung has been appointed as an independent non-executive Director with effect from 21 September 2018.
3. Mr. Chin Wai Keung Richard has resigned as an executive Director with effect from 23 October 2018.
4. Mr. Mao Songtao has been appointed as an executive Director with effect from 23 October 2018.
5. Ms. Wu Meirong has been re-designated from an executive Director and the chairlady of the Board to the chief executive officer of the Company with effect from 1 November 2018; and
6. Mr. Wang Dequn has been appointed as an executive Director and the chairman of the Board with effect from 1 November 2018.

AUDIT COMMITTEE

The Audit Committee has its terms of reference revised on 1 January 2019. 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 the oversight of the financial reporting system, risk management and internal control system of the Group. The Audit Committee consists of three independent non-executive Directors, namely Mr. Lee Chi Hwa Joshua ("Mr. Lee"), Mr. Hau Chi Kit and Mr. Wong Ching Keung. Mr. Lee is the chairman of the Audit Committee. The Audit Committee has reviewed the unaudited third quarterly results for the nine months ended 31 December 2018, and was of opinion that the preparation of such report and results complied with applicable accounting standards and the GEM Listing Rules and that adequate disclosure had been made.

By order of the Board
Code Agriculture (Holdings) Limited
Wang Dequn
Chairman

Hong Kong, 12 February 2019

As of the date of this report, the executive Directors are Mr. Wang Dequn, Ms. Jingquan Yingzi, Mr. Wang Rongqian, Mr. Hu Chao, Ms. Lin Yan Jenny and Mr. Mao Songtao; and the independent non-executive Directors are Mr. Hau Chi Kit, Mr. Lee Chi Hwa Joshua and Mr. Wong Ching Keung.