



CODE AGRICULTURE (HOLDINGS) LIMITED

科地農業控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 8153)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2018

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

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

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This announcement, for which the directors (the “Director(s)”) of Code Agriculture (Holdings) Limited (the “Company”) collectively and individually accept full responsibility, includes particular given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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 announcement 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 announcement misleading.

ANNUAL RESULTS

The board of Directors (the “Board”) hereby announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2018 together with comparative figures for the year ended 31 March 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2018

	<i>Notes</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Continuing operations			
Revenue	5	26,912	45,091
Cost of sales and services		(13,364)	(22,264)
Gross profit		13,548	22,827
Other income	6	135	525
Other losses	7	–	(1,039)
Distribution costs		(445)	(1,425)
Administrative expenses		(16,031)	(17,681)
Net fair value gain (loss) on financial assets at fair value through profit or loss	14	1,202	(2,042)
Finance costs	8	(31,369)	(28,322)
Loss before income tax	9	(32,960)	(27,157)
Income tax expense	10	(1,342)	(1,214)
Loss for the year from continuing operations		(34,302)	(28,371)
Discontinued operation			
Profit for the year from discontinued operation	11	–	158,444
(Loss) profit for the year		(34,302)	130,073
(Loss) profit attributable to owners of the Company			
– from continuing operations		(34,175)	(27,300)
– from discontinued operation		–	158,444
		(34,175)	131,144
Loss attributable to non-controlling interests from continuing operations		(127)	(1,071)
		(34,302)	130,073
		<i>HK cents</i>	<i>HK cents</i>
(Loss) earnings per share attributable to owners of the Company	12		
Basic and diluted			
– from continuing and discontinued operations		(2.27)	19.65
– from continuing operations		(2.27)	(4.09)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
(Loss) profit for the year	<u>(34,302)</u>	<u>130,073</u>
Other comprehensive (expense) income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	(1,319)	8,810
Exchange differences reclassified on disposal of subsidiaries	<u>–</u>	<u>(101,818)</u>
Other comprehensive expense for the year	<u>(1,319)</u>	<u>(93,008)</u>
Total comprehensive (expense) income for the year	<u>(35,621)</u>	<u>37,065</u>
Total comprehensive (expense) income attributable to:		
– Owners of the Company	(35,248)	37,956
– Non-controlling interests	<u>(373)</u>	<u>(891)</u>
	<u>(35,621)</u>	<u>37,065</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	<i>Notes</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		4,659	6,452
Goodwill		–	–
Other intangible assets		444	531
Investment in an associate		–	–
Deposit		–	10,000
Deferred tax assets		–	1,212
		5,103	18,195
Current assets			
Inventories		172	233
Loan receivables		3,995	700
Trade receivables	<i>13</i>	28,505	9,505
Prepayments, deposits and other receivables		5,402	1,742
Amount due from a related company		2,802	2,667
Financial assets at fair value through profit or loss	<i>14</i>	9,717	36,595
Cash and cash equivalents		2,063	12,329
		52,656	63,771
Current liabilities			
Trade payables	<i>15</i>	6,256	4,708
Other payables and accruals		12,883	9,846
Amount due to a non-controlling shareholder of a subsidiary		754	677
Borrowings		40,797	63,901
Convertible bonds	<i>16</i>	76,626	–
Tax payable		2,415	2,088
		139,731	81,220
Net current liabilities		(87,075)	(17,449)
Total assets less current liabilities		(81,972)	746

	<i>Notes</i>	2018 HK\$'000	2017 <i>HK\$'000</i>
Non-current liabilities			
Deferred tax liabilities		158	354
Convertible bonds	<i>16</i>	89,336	165,769
		<u>89,494</u>	<u>166,123</u>
Net liabilities		<u>(171,466)</u>	<u>(165,377)</u>
EQUITY			
Capital and reserves			
Share capital		760	457
Reserves		(164,504)	(158,485)
		<u>(163,744)</u>	<u>(158,028)</u>
Equity attributable to owners of the Company		(163,744)	(158,028)
Non-controlling interests		(7,722)	(7,349)
		<u>(171,466)</u>	<u>(165,377)</u>
Capital deficiency		<u>(171,466)</u>	<u>(165,377)</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Attributable to owners of the Company										
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Equity component of convertible bonds <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i> <i>(note (a))</i>	Statutory reserve <i>HK\$'000</i> <i>(note (b))</i>	Exchange reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non-controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 April 2016	43	41,900	28,146	-	(197)	24,347	93,387	(459,448)	(271,822)	(6,458)	(278,280)
Profit (loss) for the year	-	-	-	-	-	-	-	131,144	131,144	(1,071)	130,073
Other comprehensive income											
- Exchange differences on translation of foreign operations	-	-	-	-	-	-	8,630	-	8,630	180	8,810
- Exchange differences reclassified upon disposal of subsidiaries <i>(note 17)</i>	-	-	-	-	-	-	(101,818)	-	(101,818)	-	(101,818)
Total comprehensive income (expense) for the year	-	-	-	-	-	-	(93,188)	131,144	37,956	(891)	37,065
Statutory reserve released upon disposal of subsidiaries	-	-	-	-	-	(24,347)	-	24,347	-	-	-
Issue of convertible bonds <i>(note 16)</i>	-	-	32,164	-	-	-	-	-	32,164	-	32,164
Direct transaction costs attributable to equity component	-	-	(1,943)	-	-	-	-	-	(1,943)	-	(1,943)
Conversion of convertible bonds <i>(note (c))</i>	400	50,749	(11,532)	-	-	-	-	-	39,617	-	39,617
Shares issued or to be issued in respect of bond interest payments <i>(note (d))</i>	14	(14)	-	6,000	-	-	-	-	6,000	-	6,000
At 31 March and 1 April 2017	457	92,635	46,835*	6,000*	(197)*	-	199*	(303,957)*	(158,028)	(7,349)	(165,377)
Loss for the year	-	-	-	-	-	-	-	(34,175)	(34,175)	(127)	(34,302)
Other comprehensive income											
- Exchange differences on translation of foreign operations	-	-	-	-	-	-	(1,073)	-	(1,073)	(246)	(1,319)
Total comprehensive expense for the year	-	-	-	-	-	-	(1,073)	(34,175)	(35,248)	(373)	(35,621)
Conversion of convertible bonds <i>(note (c))</i>	160	22,902	(4,330)	-	-	-	-	-	18,732	-	18,732
Shares issued or to be issued in respect of bond interest payments <i>(note (d))</i>	143	16,657	-	(6,000)	-	-	-	-	10,800	-	10,800
At 31 March 2018	760	132,194*	42,505*	-	(197)*	-	(874)*	(338,132)*	(163,744)	(7,722)	(171,466)

* These reserve accounts comprise the consolidated reserves of –HK\$164,504,000 (2017: –HK\$158,485,000) in the consolidated statement of financial position.

Notes:

- (a) The merger reserve of the Group represents the difference between the nominal value of the share capital of a subsidiary acquired and the nominal value of the shares issued by the Company in exchange thereof pursuant to the Group reorganisation on 20 March 2001 as set out in the prospectus of the Company dated 26 March 2001.
- (b) In accordance with relevant regulations prevailing in the People's Republic of China (the "PRC"), the Company's subsidiaries established and operating in the PRC are required to appropriate 10% of their profit after income tax calculated under the accounting principles generally applicable to the PRC enterprises to the statutory reserve until the fund aggregates 50% of their respective registered capital. The statutory reserve can be utilised to offset prior years' losses or to increase capital. However, the balance of the statutory reserve must be maintained at a minimum of 25% of capital after these usages.
- (c) During the year, the bondholders of the 6% convertible bonds in the aggregate principal amount of HK\$130,000,000 due on 5 November 2018 (the "CB 2018") have converted the CB 2018 with the aggregate principal amount of HK\$20,000,000 at conversion price of HK\$0.05 per share into 400,000,000 ordinary shares of the Company (the "Share(s)") (2017: aggregate principal amount of HK\$30,000,000 converted into 600,000,000 Shares).

During the year, no bondholder of the 6% convertible bonds in the aggregate principal amount of HK\$120,000,000 due on 28 June 2019 (the "CB 2019") has converted the CB 2019 into Shares (2017: aggregate principal amount of HK\$20,000,000 converted into 400,000,000 Shares at conversion price of HK\$0.05 per share).

- (d) During the year, the bondholders of the CB 2018 and the CB 2019 have requested to pay any interest payable by way of Shares. The outstanding interests of approximately HK\$17,865,000 have been paid by way of the Shares and 357,304,000 Shares were issued at conversion price of HK\$0.05 per share (2017: outstanding interests of approximately HK\$1,762,000 converted into 35,247,000 Shares).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the GEM 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 PRC, provision of car beauty services in Hong Kong, money lending business in Hong Kong and securities investments in Hong Kong.

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which includes all applicable HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and accounting principles generally accepted in Hong Kong. In addition, these consolidated financial statements include applicable disclosures required by the GEM Listing Rules and by Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments measured at fair values as explained in the accounting policies set out below. The consolidated financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand (“HK\$’000”) except when otherwise indicated.

Going concern

In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity and performance of the Group in light of the fact that as at 31 March 2018, the Group had net current liabilities of approximately HK\$87,075,000 (2017: approximately HK\$17,449,000) and a capital deficiency of approximately HK\$171,466,000 (2017: approximately HK\$165,377,000).

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 have confirmed that they will provide continuous financial support to the Company for a period of twelve months from the date of approval of these consolidated financial statements for the year ended 31 March 2018 by the Directors;
- (b) possible fund raising activities including, but not limited to, placing, rights issues or open offer and issuance of convertible bonds are to be attempted;
- (c) the Group is in negotiation with financial institutions and the Company’s bondholders for new borrowings and extensions of existing borrowings and convertible bonds upon due dates and applying for future credit facilities; 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 a 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. ADOPTION OF NEW AND REVISED STANDARDS

3.1 Application of new and revised standards

The Group has adopted the following revised HKFRSs for the first time for the current year's consolidated financial statements.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12
included in Annual Improvements to HKFRSs 2014-2016 Cycle	

None of the above amendments to HKFRSs has had a significant financial effect on these consolidated financial statements. Disclosure has been made in the consolidated financial statements upon the adoption of amendments to HKAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

3.2 Issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not early applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these consolidated financial statements.

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
HKFRS 9	Financial Instruments ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
HKFRS 15	Revenue from Contracts with Customers ¹
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers ¹
HKFRS 16	Leases ²
Amendments to HKAS 19	Employee Benefits ²
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ²
Amendments to HKAS 40	Transfers of Investment Property ¹
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ²
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28 ¹
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 ²

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ Effective for annual periods beginning on or after 1 January 2021

⁴ No mandatory effective date yet determined but available for adoption

The Directors anticipate that the application of the above new or revised HKFRSs have been issued but are not yet effective will have no material impact on the results and the financial position of the Group.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- (a) Digital television: provision of digital television broadcasting and advertising in Hong Kong and the PRC;
- (b) Car beauty: provision of car beauty and maintenance services in Hong Kong;
- (c) Money lending: provision of mortgage loans and short-term loans in Hong Kong; and
- (d) Securities investments: investments and trading of securities in Hong Kong.

During the year ended 31 March 2017, the Group disposed of the entire equity interests in Big Success Enterprises Limited and its subsidiaries (collectively referred to as the “Disposal Group”) which engaged in sale of tobacco agricultural machinery in the PRC. Accordingly, the Group’s tobacco agricultural machinery operation was treated as discontinued operation. The segment information reported below does not include any amounts for the discontinued operation which is disclosed in note 11.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before income tax. The adjusted profit or loss before income tax is measured consistently with the Group’s profit or loss before income tax except that bank interest income, finance costs as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, corporate and unallocated assets and assets relating to discontinued operation.

Segment liabilities exclude deferred tax liabilities, convertible bonds, corporate and unallocated liabilities and liabilities relating to discontinued operation.

Segment Results

For the year ended 31 March 2018

	Digital television <i>HK\$’000</i>	Car beauty <i>HK\$’000</i>	Money lending <i>HK\$’000</i>	Securities investments <i>HK\$’000</i>	Total <i>HK\$’000</i>
Segment revenue					
Sales to external customers	<u>23,345</u>	<u>3,302</u>	<u>265</u>	<u>–</u>	<u>26,912</u>
Segment results	<u>12,696</u>	<u>(2,275)</u>	<u>243</u>	<u>1,202</u>	<u>11,866</u>
Reconciliation:					
Bank interest income					1
Unallocated gains					134
Finance costs					(31,369)
Corporate and other unallocated expenses					<u>(13,592)</u>
Loss before income tax					<u>(32,960)</u>

For the year ended 31 March 2017

	Digital television <i>HK\$'000</i>	Car beauty <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Securities investments <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue					
Sales to external customers	<u>39,759</u>	<u>2,786</u>	<u>2,546</u>	<u>–</u>	<u>45,091</u>
Segment results	<u>18,315</u>	<u>(3,610)</u>	<u>2,528</u>	<u>(2,042)</u>	15,191
Reconciliation:					
Bank interest income					3
Unallocated gains					522
Finance costs					(28,322)
Corporate and other unallocated expenses					<u>(14,551)</u>
Loss before income tax					<u>(27,157)</u>

**Segment Assets and Liabilities
At 31 March 2018**

	Digital television <i>HK\$'000</i>	Car beauty <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Securities investments <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>31,059</u>	<u>1,207</u>	<u>4,006</u>	<u>11,222</u>	47,494
Reconciliation:					
Corporate and other unallocated assets					<u>10,265</u>
Total assets					<u>57,759</u>
Segment liabilities	<u>13,392</u>	<u>624</u>	<u>187</u>	<u>–</u>	14,203
Reconciliation:					
Deferred tax liabilities					158
Convertible bonds					165,962
Corporate and other unallocated liabilities					<u>48,902</u>
Total liabilities					<u>229,225</u>

At 31 March 2017

	Digital television <i>HK\$'000</i>	Car beauty <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Securities investments <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>12,546</u>	<u>2,521</u>	<u>842</u>	<u>37,918</u>	53,827
Reconciliation:					
Deferred tax assets					1,212
Corporate and other unallocated assets					<u>26,927</u>
Total assets					<u>81,966</u>
Segment liabilities	<u>12,170</u>	<u>491</u>	<u>179</u>	<u>–</u>	12,840
Reconciliation:					
Deferred tax liabilities					354
Convertible bonds					165,769
Corporate and other unallocated liabilities					<u>68,380</u>
Total liabilities					<u>247,343</u>

**Other Segment Information
For the year ended 31 March 2018**

	Digital television <i>HK\$'000</i>	Car beauty <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Securities investments <i>HK\$'000</i>	Total <i>HK\$'000</i>
Depreciation	230	715	–	–	945
Unallocated depreciation					<u>990</u>
					<u>1,935</u>
Amortisation of other intangible assets	7	91	–	–	<u>98</u>
Capital expenditure	32	73	–	–	105
Unallocated expenditure					<u>31</u>
					<u>136</u>

For the year ended 31 March 2017

	Digital television <i>HK\$'000</i>	Car beauty <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Securities investments <i>HK\$'000</i>	Total <i>HK\$'000</i>
Depreciation	231	716	–	–	947
Unallocated depreciation					<u>1,010</u>
					<u>1,957</u>
Amortisation of other intangible assets	7	91	–	–	98
Impairment of goodwill	–	873	–	–	873
Impairment of other intangible assets	–	166	–	–	166
Write-down of inventories	–	21	–	–	<u>21</u>
Capital expenditure	212	1,176	–	–	1,388
Unallocated expenditure					<u>268</u>
					<u>1,656</u>

Geographical information

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue from external customers		
Hong Kong	25,567	39,475
The PRC	1,345	5,616
	<u>26,912</u>	<u>45,091</u>
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Non-current assets		
Hong Kong	2,321	14,699
The PRC	2,782	2,284
	<u>5,103</u>	<u>16,983</u>

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the non-current assets is based on the physical and operating location of the assets. The Company is an investment holding company incorporated in Bermuda and operated in Hong Kong, while the Group has part of its operations and its workforce in the PRC, and therefore, the PRC is considered as the Group's country of domicile for the purpose of the disclosures as required by HKFRS 8 "Operating Segments".

Information about major customers

Revenue of HK\$4,000,000 (2017: HK\$6,000,000) was derived from a single customer of the digital television operation segment accounted for 10% or more of the Group's revenue for the year ended 31 March 2018.

5. REVENUE

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Continuing operations		
Digital television service income	23,345	39,759
Car beauty service income	3,302	2,786
Money lending income	265	2,546
	26,912	45,091

6. OTHER INCOME

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Continuing operations		
Bank interest income	1	3
Interest income from held-to-maturity investments	–	204
Interest income from amount due from a related company	134	135
Sundry income	–	183
	135	525

7. OTHER LOSSES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Continuing operations		
Impairment of goodwill	–	873
Impairment of other intangible assets	–	166
	–	1,039

8. FINANCE COSTS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Continuing operations		
Interest on other loans wholly repayable within five years	1,644	1,537
Interest on convertible bonds	29,725	26,785
	31,369	28,322

9. LOSS BEFORE INCOME TAX

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
(a) Employee benefit expense (including directors' remuneration)		
Salaries, wages and other benefits	9,989	13,183
Retirement benefit scheme contributions	405	591
	<u>10,394</u>	<u>13,774</u>
(b) Other items		
Amortisation of other intangible assets	98	98
Depreciation of items of property, plant and equipment	1,935	1,957
Loss on disposal of items of property, plant and equipment	44	–
Write-off of items of property, plant and equipment	–	28
Write-down of inventories	–	21
Impairment of goodwill	–	873
Impairment of other intangible assets	–	166
Minimum lease payments under operating leases in respect of land and buildings	3,851	3,877
Minimum lease payments under operating leases in respect of office equipment	64	60
Auditors' remuneration		
– Current year	580	530
– Over provision for prior year	(30)	–
Cost of inventories sold	213	354
Research and development costs	–	5
	<u> </u>	<u> </u>

10. INCOME TAX EXPENSE

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Continuing operations		
Current tax – Hong Kong Profits Tax	326	2,089
Deferred tax	1,016	(875)
	<u>1,342</u>	<u>1,214</u>

Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong for the years ended 31 March 2018 and 2017.

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 years ended 31 March 2018 and 2017.

Reconciliation between the income tax expense and the Group's accounting loss from continuing operations at applicable tax rates is as follows:

	2018 HK\$'000	2017 HK\$'000
Loss before income tax from continuing operations	<u>(32,960)</u>	<u>(27,157)</u>
Tax calculated at Hong Kong income tax rate of 16.5% (2017: 16.5%)	(5,438)	(4,481)
Tax effect of non-taxable income	(2,215)	(1,422)
Tax effect of non-deductible expenses	1,102	2,605
Tax effect of unused tax losses not recognised	<u>7,893</u>	<u>4,512</u>
Income tax expense	<u>1,342</u>	<u>1,214</u>

11. DISCONTINUED OPERATION

On 6 October 2016, the Group entered into a sales and purchase agreement with an independent third party for disposal of the Group's entire equity interests in the Disposal Group, which were engaged in sales of tobacco agricultural machinery in the PRC. The transaction was completed on 6 February 2017. Further details are included in note 17.

Particulars of the Disposal Group are as follows:

Name of subsidiaries	Place of incorporation/ registration and operation	Particulars of issued and paid up share capital/ registered capital	Percentage held by the Company		Principal activities
			Direct	Indirect	
Big Success Enterprises Limited	British Virgin Islands	30,001 shares of USD1 per share	100%	–	Investment holding
Kang Yuan Universal Investment Limited	Hong Kong	10,000 shares of HKD1 per share	–	100%	Investment holding
Mega Top (China) Limited	Hong Kong	1 share of HKD1 per share	–	100%	Dormant
Jiangsu Kedi Modern Agriculture Company Limited* (江蘇科地現代農業有限公司)	The PRC	USD11,600,000	–	100%	Manufacturing and trading of tobacco flue-curing agricultural machinery
Zhengzhou Ruihao Tobacco Technology Company Limited* (鄭州瑞豪煙草科技有限公司)	The PRC	RMB10,000,000	–	100%	Trading of agricultural machinery

* English translated name is for identification only. The official name is Chinese.

(a) The results of the Disposal Group for the year are presented below:

	2017 HK\$'000
Revenue	113
Cost of sales	(57)
	<hr/>
Gross profit	56
Other revenue	7
Distribution costs	(414)
Administrative expenses	(18,893)
Finance costs	(9,556)
	<hr/>
Loss before income tax from discontinued operation	(28,800)
Income tax expense	(7)
	<hr/>
Loss after income tax from discontinued operation	(28,807)
Gain on disposal of subsidiaries (<i>note 17</i>)	187,251
	<hr/>
Profit for the year from discontinued operation and attributable to owners of the Company	<u>158,444</u>

(b) Analysis of the expenses of discontinued operation is as follows:

	2017 HK\$'000
Employee benefit expense	199
Amortisation of prepaid land lease payments	212
Depreciation of items of property, plant and equipment	3,354
Write-down of inventories	4,982
Minimum lease payments under operating leases in respect of land and buildings	459
Cost of inventories sold	57
	<hr/>

12. (LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Basic (loss) earnings per share is calculated by dividing the (loss) profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
(Loss) earnings		
(Loss) profit attributable to owners of the Company		
– From continuing operations	(34,175)	(27,300)
– From discontinued operation	–	158,444
	(34,175)	131,144
Number of shares	'000	'000
Weighted average number of ordinary shares in issue	1,505,305	667,258

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

13. TRADE RECEIVABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade receivables	28,505	9,505

(a) Aging analysis

The Group's credit terms with its customers generally range from 30 days to 180 days (2017: 30 days to 180 days). The Group seeks to apply strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. As at the end of the reporting period, an aging analysis of the trade receivables, net of provision presented based on the respective dates on which revenue was recognised, are as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current	10,000	–
Within 30 days	–	1,000
31–90 days	3,000	8,005
91–180 days	8,000	500
Over 180 days	7,505	–
	28,505	9,505

(b) **Aging analysis of trade receivables that were past due but not impaired**

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
0 to 3 months past due	3,000	8,005
4 to 6 months past due	8,000	500
Over 6 months past due	7,505	–
	18,505	8,505

Trade receivables that were past due but not impaired related to a large number of diversified customers that have a good track record of credit with the Group. Based on past credit history, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Equity securities listed in Hong Kong	9,717	36,595

The movements for the financial assets at fair value through profit or loss during the year are as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Beginning of the year	36,595	–
Additions	38,281	55,498
Net fair value gain (loss) recognised in profit or loss	1,202	(2,042)
Disposals	(66,361)	(16,861)
End of the year	9,717	36,595

Net fair value gain (loss) on financial assets at fair value through profit or loss recognised included:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Realised gain (loss)	7,420	(3,361)
Unrealised (loss) gain	(6,218)	1,319
	1,202	(2,042)

The fair value of all equity securities is based on their current bid prices in an active market and the fair values are within level 1 of the fair value hierarchy.

15. TRADE PAYABLES

Based on the invoice date, the aging analysis of the trade payables is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within 30 days	1,995	4,167
31–90 days	3,659	–
91–180 days	–	315
Over 180 days	602	226
	<u>6,256</u>	<u>4,708</u>

The Group's credit terms generally range from 30 to 60 days (2017: 30 to 60 days) from the invoice date.

16. CONVERTIBLE BONDS

On 5 November 2015, the Company issued the 6% convertible bonds in the aggregate principal amount of HK\$130,000,000 due on 5 November 2018 (the "CB 2018") with a conversion price of HK\$0.05 per share, subject to customary adjustment. On 28 June 2016, the Company issued the 6% convertible bonds in the aggregate principal amount of HK\$120,000,000 due on 28 June 2019 (the "CB 2019") with a conversion price of HK\$0.05 per share, subject to customary adjustment.

The terms of CB 2018 and CB 2019 are satisfied the "fixed for fixed" rule in HKAS 32. The proceeds of the CB 2018 and CB 2019 were allocated into two components, debt and equity elements on initial recognition. The equity elements are presented in equity component of convertible bonds. The CB 2018 and CB 2019 have been valued as at its date of issue on the basis carried out at that date by independent qualified professional valuers not connected with the Group.

The initial recognition of the CB 2018 and CB 2019 were as follows:

	CB 2018 <i>HK\$'000</i>	CB 2019 <i>HK\$'000</i>
Nominal value of convertible bonds at issuance date	130,000	120,000
Equity component	(29,723)	(32,164)
Direct transaction costs attributable to the liability component	(5,321)	(5,305)
	<u>94,956</u>	<u>82,531</u>

The movements of the liability component of the CB 2018 and CB 2019 during the year were as follows:

	CB 2018 <i>HK\$'000</i>	CB 2019 <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2016	102,070	–	102,070
Liability component at the issuance date	–	82,531	82,531
Effective interest expense for the year	15,425	11,360	26,785
Conversion during the year	(25,243)	(14,374)	(39,617)
Shares issued in respect of bond interest payments	(6,000)	–	(6,000)
	<u>86,252</u>	<u>79,517</u>	<u>165,769</u>
At 31 March 2017	86,252	79,517	165,769
Effective interest expense for the year	13,906	15,819	29,725
Conversion during the year	(18,732)	–	(18,732)
Shares issued in respect of bond interest payments	(4,800)	(6,000)	(10,800)
	<u>76,626</u>	<u>89,336</u>	<u>165,962</u>
At 31 March 2018	76,626	89,336	165,962

The carrying amounts of the CB 2018 and CB 2019 are presented in the consolidated statement of financial position as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current portion	76,626	–
Non-current portion	89,336	165,769
	<u>165,962</u>	<u>165,769</u>

The principal terms of the CB 2018 and CB 2019 are as follows:

(i) Period

The convertible bonds are due and will mature on the third (3rd) anniversary of the date of issuance of the convertible bonds (the “Maturity Date”). Any unredeemed and unconverted bond shall be redeemed at 100% of the outstanding principal amount in cash.

(ii) Conversion

The bondholder of the convertible bonds (the “Bondholder(s)”) has the right (the “Conversion Right”) to convert the outstanding principal amount of the convertible bonds in whole or in part into Shares (the “Conversion Shares”) at any time following the date of issue until the Maturity Date.

The number of Conversion Shares to be issued on exercise of a Conversion Right shall be determined by dividing the principal amount of the convertible bonds being converted by HK\$0.05 (the “Conversion Price”), subject to customary adjustments in the events of share consolidation, share subdivision, capitalisation issues, capital distribution, rights issue and issues of other securities below 80 per cent of market price. In the opinion of the Directors, the adjustments to Conversion Price in those circumstances are all for anti-dilutive purpose to protect the right of the Bondholder.

(iii) Early redemption

The Company is entitled to redeem the convertible bonds at 100% of the outstanding principal amount of the convertible bonds (in whole or in part) at any time and from time to time at the option of the Company prior to the Maturity Date.

(iv) Interest

The convertible bonds bears interest from and including the date of its issue at the rate of 6% per annum on the outstanding principal amount thereof. The Bondholders have the option to request the Company to pay the interest by the additional shares of the Company instead of cash. The Bondholders have, by notice in writing served on the Company, required the Company to pay any interest payable hereunder by way of Shares.

17. DISPOSAL OF SUBSIDIARIES

On 6 February 2017, the Group disposed of its 100% equity interest in the Disposal Group to an independent third party for a cash consideration of HK\$5,000,000.

The carrying amounts of the assets and liabilities of the Disposal Group at the date of disposal were as follows:

	2017 HK\$'000
Net liabilities disposed of:	
Property, plant and equipment	15,329
Prepaid land lease payments	9,164
Deferred tax assets	3,723
Inventories	21,991
Trade receivables	75,398
Prepayments, deposits and other receivables	90,546
Tax receivables	38
Cash and cash equivalents	59,772
Trade payables	(41,692)
Other payables and accruals	(57,111)
Borrowings	(211,192)
Provision	(46,357)
Deferred tax liabilities	(42)
	<hr/>
	(80,433)
Reclassification of exchange reserve from other comprehensive income to the consolidated statement of profit or loss upon disposal of subsidiaries	(101,818)
Gain on disposal	187,251
	<hr/>
Consideration	5,000
	<hr/>

18. CONTINGENT LIABILITIES

No contingent liabilities of the Group were noted at 31 March 2018 and 2017.

19. EVENTS AFTER REPORTING PERIOD

- (a) On 26 April 2018, the Company discovered that a winding up petition (the “Petition”) under case number HCCW107/2018 was presented by Artic Blue Corporation (the “Lender”) to the High Court of the Hong Kong Special Administrative Region (the “Court”) on 24 April 2018 for winding up of the Company. The Lender alleged that the Company was indebted to it in the sum of HK\$33,178,000. The Company denies that it is indebted to the Lender in the sum of HK\$33,178,000. The Company has engaged in immediate discussion and negotiation with the Lender to attempt to settle the dispute and entered into a deed of settlement (the “Third Deed”) on 26 April 2018. The Company agreed to effect payment of HK\$25,000,000 (the “Settlement Sum”) to the Lender. The hearing of the Petition is fixed for 27 June 2018. Further details were set out in the announcement of the Company dated 26 April 2018.
- (b) On 8 May 2018, the Lender has filed a summons the Court and the Company and the Lender have executed an Amended and Restated Deed of Settlement (the “Amended and Restated Deed of Settlement”) to amend and restate the payment terms of the Third Deed, the terms of payment of the Settlement Sum amended and restated as (i) the Company shall pay the Lender a 1st instalment payment of the Settlement Sum in the sum of HK\$10,000,000 by means of cheque dated 23rd April 2018 drawn in favour of Lender’s nominee and the Lender is entitled to present the said cheque for payment and in satisfaction of the 1st instalment payment of the Settlement upon dismissal or withdrawal of the Petition; (ii) the Company shall pay the Lender the 2nd instalment payment of the Settlement Sum in the sum of HK\$5,000,000 by delivering a cashier order or bank draft issued by a licensed bank in Hong Kong in favour of Lender’s nominee, on or before 31 May 2018; and (iii) the Company shall pay the Lender the 3rd and final instalment payment of the Settlement Sum in the sum of HK\$10,000,000 by delivering a cashier order or bank draft issued by a licensed bank in Hong Kong in favour of the Lender’s nominee on or before 30 June 2018. Further details were set out in the announcement of the Company dated 8 May 2018.
- (c) On 8 June 2018, the Company announced that the Court has made an order that the Petition against the Company filed on 24 April 2018 which is not yet published be withdrawn and the hearing of the Petition fixed for 27 June 2018 be vacated.
- (d) On 19 June 2018, the Company announced that the Company has entered into a share acquisition agreement with a vendor to acquire the entire equity interests of Guangdong Huatai Energy Co., Limited* (廣東華太能源有限公司) (“Guangdong Energy”) for a consideration of RMB10,000 (the “Acquisition”). Immediately after the completion of the Acquisition, Guangdong Energy shall become an indirect wholly-owned subsidiary of the Company. Following the Acquisition, the Group intends to commence environmental protection (“EP”) and related businesses which may include production and sale of EP construction materials and EP construction engineering projects.
- (e) On 22 June 2018, the Company, as potential purchaser, entered into a non-legally binding memorandum of understanding (the “MOU”) with potential vendor (the “Potential Vendor”). Pursuant to the MOU, the Company intends to acquire, and the Potential Vendor intends to dispose of, the entire capital in a company (the “Target Company”) that is a winery management company and principally engaged in the business of brewing and trading of wine. The Target Company is committed to forming O2O integrated and unified wine planform to provide service to consumers in the world.

* English translated name is for identification only. The official name is Chinese.

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

Basis for disclaimer of opinion

1) Corresponding figures and comparative financial statements

The auditor's report on the consolidated financial statements of the Group for the year ended 31 March 2017 contained a qualification for the limitation on the scope of audit in relation to the disposal of Big Success Enterprises Limited and its wholly owned subsidiary, Jiangsu Kedi Modern Agriculture Company Limited. Details of which has been set out in the auditor's report dated 26 June 2017.

As the auditor's report on consolidated financial statements of the Group for the year ended 31 March 2017 formed the basis for the corresponding figures presented in the current year's consolidated financial statements, any adjustments found to be necessary in respect of the limitation would have a significant effect on the opening balances on the consolidated financial position as at 1 April 2016, consolidated results and cash flow for the year ended 31 March 2017 and the related disclosures, accordingly, our opinion on the comparative figure is therefore modified.

2) Multiple uncertainties related to the going concern basis

As disclosure in note 2 to consolidated financial statements, the Group had net current liabilities of approximately HK\$87,075,000 and capital deficiency of approximately HK\$171,466,000 as at 31 March 2018. The existence of these uncertainties casts significant doubt on the Group's ability to continue as going concern.

The consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern, the validity of which is dependent on the favourable outcomes of the steps being taken by the directors as described in note 2 to the consolidated financial statements. However, we were unable to obtain sufficient audit evidence to assess the appropriateness and validity of the going concern assumption. Should the going concern assumption be inappropriate, adjustments would have to be made to reclassify all non-current assets and liabilities as current assets and liabilities, write down the value of assets to their recoverable amounts and to provide for any further liabilities which may arise. These consolidated financial statements do not include any of those adjustments.

DISCLAIMER OF OPINION

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 March 2018 (the “Year”), the Group derives its revenue mainly from: (i) provision of digital television broadcasting and advertising in Hong Kong and the PRC; (ii) provision of car beauty services in Hong Kong; (iii) money lending business in Hong Kong; and (iv) securities investments in Hong Kong.

The Group’s revenue for the Year amounted to approximately HK\$26.9 million, representing a decrease of 40.3% as compared to that of approximately HK\$45.1 million for the year ended 31 March 2017 (the “Preceding Year”) resulting in the Group’s loss for the Year from continuing operations increased by 20.9% to HK\$34.3 million, as compared to approximately HK\$28.4 million for the Preceding Year.

SEGMENTAL ANALYSIS

Digital television

Revenue from the digital television segment was the main source of revenue for the Year, representing approximately 86.7% thereof. The segment revenue decreased by approximately 41.3% to approximately HK\$23.3 million for the Year, as compared to that of approximately HK\$39.8 million for the Preceding Year. The segment profit for the Year from this operation decreased by approximately 30.7% to approximately HK\$12.7 million, as compared to that of approximately HK\$18.3 million for the Preceding Year. The decrease was mainly due to loss of some major customers. The Group will not continue to invest in resources to develop Hunan digital television due to development restrictions arising from some changes in national policies. The management will focus on the development of advertisement campaign in the near future.

Car beauty

Revenue from car beauty segment increased by approximately 18.5% to approximately HK\$3.3 million for the Year, as compared to that of approximately HK\$2.8 million for the Preceding Year. The segment loss for the Year from this operation decreased by approximately 37.0% to approximately HK\$2.3 million, as compared to that of approximately HK\$3.6 million for the Preceding Year. The second branch has failed to break even after two years of operation. The management has decided not to renew the lease for its operation.

Money lending

Revenue from money lending for the Year was approximately HK\$265,000, as compared to that of approximately HK\$2.5 million for the Preceding Year. Such decrease was mainly due to the one-off income incurred for the Preceding Year. As at 31 March 2018, gross loan receivables amounted to HK\$3.9 million (2017: HK\$700,000).

Securities investments

The Group commenced securities investments in Hong Kong since July 2016. The segment gain for the Year from this operation increased by approximately HK\$3.2 million to approximately HK\$1.2 million, as compared to the segment loss of approximately HK\$2.0 million for the Preceding Year.

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

Stock Code	Stock Abbreviation	Number of shares held as at 31 March 2018	Fair value as at 31 March 2018 <i>HK\$'000</i>	Gain (losses) during the Year <i>HK\$'000</i>
283	GOLDIN PPT	–	–	1,285
530	GOLDIN FIN HOLD	–	–	1,023
8103	TRILLION GRAND	940,000	1,062	529
8202	INNO-TECH HOLD	11,410,000	2,385	(3,162)
1166	SOLARTECH INT'L	5,520,000	4,582	4,294
8173	UNION ASIA ENT	–	–	(2,768)
8212	CELEBRATE INT	–	–	(668)
1387	RENHE COMM	300,000	46	(13)
8356	CNC HOLDINGS	–	–	(71)
1130	CHINA ENV RES	4,760,000	1,642	542
2112	CAA RESOURCES	–	–	211
			<u>9,717</u>	<u>1,202</u>

FINANCIAL REVIEW

Revenue

The Group's revenue from continuing operations decreased by 40.3% to approximately HK\$26.9 million for the Year, as compared to that of approximately HK\$45.1 million for the Preceding Year. The significant decrease in revenue was mainly attributable to decrease in revenue contributed by the digital television segment.

Cost of sales and services

The cost of sales and services from continuing operations decreased by approximately 40.0% to approximately HK\$13.4 million for the Year, as compared to that of approximately HK\$22.3 million for the Preceding Year. Such decrease was along with the drop in revenue for the Year.

Gross Profit and gross profit margin

The Group's gross profit decreased by approximately 40.6% to approximately HK\$13.5 million for the Year, as compared to that of approximately HK\$22.8 million for the Preceding Year. Such decrease was in line with the drop in revenue for the Year. The Group's gross profit margin maintained at a steady level of approximately 50.3% for the Year as compared with that of 50.6% for the Preceding Year.

Distribution costs

The Group's distribution costs from continuing operations decreased by approximately 68.8% to approximately HK\$445,000 for the Year, as compared to that of approximately HK\$1.4 million for the Preceding Year.

Administrative expenses

Administrative expenses from continuing operations decreased by approximately 9.3% to approximately HK\$16.0 million for the Year, as compared to that of approximately HK\$17.7 million for the Preceding Year. Administrative expenses mainly consist of staff costs, depreciation, operating lease rentals mainly for office, legal and professional fees and others. Such decrease was mainly attributable to the stringent cost controls during the Year.

Finance costs

The Group recorded finance costs from continuing operations of approximately HK\$31.4 million, as compared to that of approximately HK\$28.3 million for the Preceding Year. The finance costs were mainly arising from the interest expense on convertible bonds which were issued in November 2015 and June 2016 with the effective interest rates of 18.5% and 21.1% per annum respectively.

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

The Group recorded a loss for the Year of approximately HK\$34.3 million, as compared to a profit of approximately HK\$130.1 million for the Preceding Year mainly due to the absence of profit from discontinued operation of approximately HK\$158.4 million recognised during the Year. Loss attributable to owners of the Company for the Year was approximately HK\$34.2 million, as compared to a profit of approximately HK\$131.1 million for the Preceding Year. The basic and diluted loss per share of the Group for the Year were HK\$0.02, as compared to the basic and diluted earnings per share of HK\$0.20 for the Preceding Year. The basic and diluted loss per share from continuing operations for the Year were HK\$0.02, as compared to the basic and diluted loss per share of HK\$0.04 for the Preceding Year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2018, the Group's cash and cash equivalents amounted to approximately HK\$2.1 million (2017: approximately HK\$12.3 million). The Group's current ratio, being the current assets of approximately HK\$52.7 million (2017: approximately HK\$63.8 million) divided by the current liabilities of approximately HK\$139.7 million (2017: approximately HK\$81.2 million), was computed as approximately 0.38 (2017: approximately 0.79). The management viewed that the ratio was not healthy and acceptable and will try to improve the overall financial soundness and sustainability of the Group.

The Group's total indebtedness comprised the amount due to a non-controlling shareholder of a subsidiary, borrowings and convertible bonds with the total amount of approximately HK\$207.5 million (2017: approximately HK\$230.3 million). The gearing ratio of the Group, being the total indebtedness divided by total assets excluding deferred tax assets and liabilities was 359.3% (2017: 285.2%) as at 31 March 2018. The incremental of the ratio was mainly due to the decrease of deposit and cash and cash equivalents of approximately HK\$10.0 million and approximately HK\$10.3 million respectively.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATE AND TREASURY POLICIES

The majority of the Group's cash balances and transactions were either denominated in Renminbi or Hong Kong dollars. The Group does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. As at 31 March 2018 and 2017, the Group did not have any outstanding hedging instruments.

CAPITAL STRUCTURE

As at 31 March 2018, the number of issued ordinary shares of the Company was 1,900,674,675 shares (2017: 1,143,370,568 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 3,600,000,000 Shares; (ii) bond interest payments which if fully paid would result in the issuance of 129,731,506 Shares.

HUMAN RESOURCES

As at 31 March 2018, the Group had a total of 39 (2017: 62) full-time employees including the Directors. Such decrease was primarily attributable to the reduction in the number of staff in the PRC's subsidiaries as a result of cost control and down sizing of Hunan digital television business. Total staff costs from continuing operations for the Year, including director's emoluments, were approximately HK\$10.4 million (2017: approximately HK\$13.8 million).

MATERIAL ACQUISITION AND DISPOSALS

The Group disposed of its entire equity interest in a subsidiary, Big Success Enterprises Limited, which was engaged in sale of tobacco agricultural machinery in the PRC on 6 February 2017. Except for this, the Group had no other material acquisition or disposal of subsidiaries and associated companies for the years ended 31 March 2018 and 2017.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

The Group currently does not have any firm intention or specific plans for material investment or capital assets. Apart from strengthening the Group's current business, the Group will explore new business opportunities which may benefit the Shareholders.

PLEDGE OF ASSETS

The Group did not pledge any of its assets as securities for any facilities granted to the Group as at 31 March 2018 and 2017.

CONTINGENT LIABILITY

The Group did not have any significant contingent liabilities as at 31 March 2018 and 2017.

CAPITAL COMMITMENT

The Group did not have any significant capital commitment as at 31 March 2018 and 2017.

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 intends to commence EP and related businesses which may include production and sale of EP construction materials and EP construction engineering projects in the next year. 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.

DIVIDENDS

The Directors do not recommend the payment of a dividend for the year ended 31 March 2018 (2017: Nil).

PURCHASE, REDEMPTION OR SALE OF SHARES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the year.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles and the code provisions (the "Code Provision") as set out in the CG Code as set out in Appendix 15 of the GEM Listing Rules. The principles adopted by the Company emphasize a quality board, sound internal controls and transparency and accountability to shareholders. In the opinion of the Board, the Company has complied with the CG Code for the year ended 31 March 2018, save and except for the following:

- 1) Code Provision E.1.2 specifies that the chairman of the board should attend the annual general meeting. Ms. Jingquan Yingzi, the chairman of the Board has been heavily involved in the business operations of the Group. Despite her utmost intention to be present at the AGM of the Company held on 29 September 2017 (the "AGM 2017"), Ms. Jingquan was unable to attend the AGM 2017 due to other urgent business commitments of the Group. Mr. Chin Wai Keung Richard, an executive Director, has taken the chair; and
- 2) Code Provision A.1.3 requires of at least 14 days' notice should be given to all directors for regular board meetings. For all other board meetings, reasonable notice should be given. Due to the practical reasons, 14 days' advanced notifications have not been given to all meetings of the Board. Reasons have been given in the notifications in respect of those meetings of the Board where it is not practical to give 14 days' advanced notification. The Board will use its best endeavour to give 14 days' advanced notifications of Board meeting to the extent practicable.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the Year, 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 Year.

COMPETING INTEREST

As at 31 March 2018, as far as the Directors are aware of, none of the Directors has an interest in a business that competed or may compete with the business of the Group.

AUDIT COMMITTEE

The Audit Committee comprises three members, namely, Mr. Lee Chi Hwa Joshua, Mr. Hau Chi Kit and Mr. Zhao Zhizheng. All of them are independent non-executive Directors. The chairman of the Audit Committee is Mr. Lee Chi Hwa Joshua, who has extensive accounting and related financial reporting expertise. The Group's unaudited quarterly and interim results and audited annual results and consolidated financial statements during the year ended 31 March 2018 have been reviewed by the Audit Committee, which is of opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

Discussion on disclaimer of opinion

The management of the Company have discussed with auditors and the auditor's report on the consolidated financial statements of the Group for the year ended 31 March 2018 contained:

- 1) a qualification for the limitation on the scope of audit in relation to the disposal of Big Success Enterprises Limited and its wholly owned subsidiary, Jiangsu Kedi Modern Agriculture Company Limited for the year ended 31 March 2017. Details of which has been set out in the independent auditor's report dated 26 June 2017. As the auditor's report on consolidated financial statements of the Group for the year ended 31 March 2017 formed the basis for the corresponding figures presented in the current year's consolidated financial statements, any adjustments found to be necessary in respect of the limitation would have a significant effect on the opening balances on the consolidated financial position as at 1 April 2016, consolidated results and cash flow for the year ended 31 March 2017 and the related disclosures, accordingly, the opinion on the comparative figure is therefore modified. The qualification will not be carried forward in the financial statement for the year ending 31 March 2019.
- 2) multiple uncertainties related to the going concern basis, details of which has been set out under basis for disclaimer of opinion in the independent auditor's report.

The Audit Committee regularly and critically review with any judgmental area. For the year ended 31 March 2018, there are no disagreements between the Audit Committee and the management of the Company concerning the disclaimer of opinion.

REVIEW OF THIS ANNUAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 March 2018 as set out in the preliminary announcement have been agreed by the Group's auditors, Elite Partners CPA Limited, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Elite Partners CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Elite Partners CPA Limited on this preliminary announcement.

By order of the Board
Code Agriculture (Holdings) Limited
Wu Meirong
Chairlady

Hong Kong, 27 June 2018

As of the date of this announcement, the executive Directors are Ms. Wu Meirong, Ms. Jingquan Yingzi, Mr. Chin Wai Keung Richard, Mr. Wang Rongqian, Mr. Hu Chao and Ms. Lin Yan Jenny; and the independent non-executive Directors are Mr. Hau Chi Kit, Mr. Lee Chi Hwa Joshua and Mr. Zhao Zhizheng.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement 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 announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website <http://www.hkgem.com> for at least 7 days from the date of its publication. This announcement will also be published on the Company’s website at <http://www.code-hk.com>.