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CODE AGRICULTURE (HOLDINGS) LIMITED

科地農業控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 8153)

MAJOR TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL IN BIG SUCCESS ENTERPRISES LIMITED

THE DISPOSAL

The Board is pleased to announce that on 6 October 2016 (after trading hours), the Vendor, the Purchaser and the Guarantor entered into the Agreement, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares at the Consideration of HK\$5,000,000 and the Guarantor has agreed to guarantee the due and punctual performance by the Purchaser of its obligations under the Agreement.

Upon Completion, the Disposal Group will cease to be subsidiaries of the Company.

GEM LISTING RULES IMPLICATIONS

As the applicable percentage ratio (as defined in the GEM Listing Rules) for the Disposal is more than 25% but less than 75%, the Disposal constitutes a major transaction on the part of the Company under Chapter 19 of the GEM Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements.

GENERAL

The SGM will be convened and held to approve the Disposal. No Shareholder will be required to abstain from voting at the SGM. A circular containing, among other things, further information on the Disposal and notice of the SGM, will be despatched to the Shareholders on or before 28 October 2016.

Shareholders and potential investors should note that completion of the Disposal is subject to fulfillment of the conditions precedent in the Agreement. As the Disposal may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

INTRODUCTION

On 6 October 2016 (after trading hours), the Vendor, the Purchaser and the Guarantor entered into the Agreement, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares at the Consideration of HK\$5,000,000 and the Guarantor has agreed to guarantee the due and punctual performance by the Purchaser of its obligations under the Agreement.

THE DISPOSAL

The Agreement

Date: 6 October 2016

Parties: (i) the Vendor;
(ii) the Purchaser; and
(iii) the Guarantor

The Purchaser is an investment holding company and is wholly owned by the Guarantor who is a PRC citizen. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Purchaser and the Guarantor are Independent Third Parties.

Assets to be disposed of

Pursuant to the Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares, being 30,001 ordinary shares of US\$1 each in the capital of Big Success and representing its entire issued share capital.

Consideration

The Consideration for the Sale Shares is HK\$5,000,000, which will be satisfied by the Purchaser to the Company upon Completion by cash.

The Consideration was determined after arm's length negotiation between the parties with reference to (i) the deteriorating performance of the Disposal Group in the past years; and (ii) the net liability position of the Disposal Group. Accordingly, the Directors consider that the Consideration and the terms and conditions of the Agreement are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

Conditions precedent

Completion is conditional upon the satisfaction (or waiver, if applicable) of, inter alia, the following conditions precedent:

- (i) all necessary governmental and regulatory approvals or consents (or waivers), including but not limited to those from the Stock Exchange and/or the SFC, required by the Company, the Vendor and any of the companies of the Disposal Group in respect of the Disposal;
- (ii) the Board approving and authorizing the Disposal; and
- (iii) if so required by the GEM Listing Rules, the passing of the necessary resolution(s) by the Shareholders at the relevant special general meeting approving and authorizing the Disposal.

In the event any of the conditions precedent are not being fulfilled on or before the Long Stop Date, the Vendor may at its sole and absolute discretion by written notice to the Purchaser terminate the Agreement.

Completion

Completion for the sale and purchase of the Sale Shares shall take place at or before 4 p.m. on the third Business Day after all the conditions are being satisfied, or at such time as the Purchaser and the Vendor may otherwise agree in writing.

Guarantee by the Guarantor

In consideration of the Vendor agreeing to enter into the Agreement, the Guarantor unconditionally and irrevocably:

- (i) guarantee by way of continuing obligation to the Vendor as primary obligor, and not merely as surety, the due and punctual performance and discharge of all the terms, conditions, duties, obligations, liabilities and payments by the Purchaser under the Agreement; and
- (ii) indemnify the Vendor on demand against any loss or liability suffered by it as a result of any breach by the Purchaser of any term and condition under the Agreement or if any term, condition, duty, obligation, liability and/or payment guaranteed by the Guarantor is or becomes unenforceable, invalid or illegal as if the obligation guaranteed had not become unenforceable, invalid or illegal provided that the Guarantor's liabilities shall be no greater than the Purchaser's liabilities would have been if the obligation guaranteed had not become unenforceable, invalid or illegal.

The Guarantor's obligations as stated above are continuing obligations and are to remain in full force and effect until all of the moneys or obligations for which the Purchaser is or may become liable under the Agreement have been paid, satisfied or performed.

INFORMATION ON THE DISPOSAL GROUP

The Disposal Group is principally engaged in manufacture and sales of tobacco agriculture machinery (the "**Tobacco Agricultural Machinery Operation**"). Set out below is the audited financial information of the Disposal Group for each of the two financial years ended 31 March 2015 and 31 March 2016 and the unaudited financial information for six months ended 30 September 2016:

	For the six months ended 30 September 2016 (unaudited) HK\$'000	For the year ended 31 March 2016 (audited) HK\$'000	For the year ended 31 March 2015 (audited) HK\$'000
Revenue	95	13,169	122,943
Loss before taxation	(17,693)	(210,508)	(215,981)
Loss after taxation	(17,996)	(208,943)	(210,856)

The Disposal Group recorded unaudited net liabilities of approximately HK\$75,530,000 as at 30 September 2016.

The Company is in the process of finalising the interim results of the Group for the six months ended 30 September 2016. The information contained in this announcement is only a preliminary assessment given by the management of the Group based on information available for the time being.

FINANCIAL IMPACT OF THE DISPOSAL ON THE GROUP

Upon Completion, the Disposal Group will cease to be subsidiaries of the Company and the Group will cease investment in the Tobacco Agricultural Machinery Operation. The financial results of the Disposal Group will no longer be consolidated into the Group's financial statements.

The asset, liability and revenue of the Group will decrease after the Disposal. Based on, inter alia, the Consideration, the net liability of the Disposal Group, the release of exchange reserve and the related expenses relating to the Disposal, the Group currently expects to record a gain arising from Disposal of approximately HK\$180 million, being the reversal of provisions made in the Disposal Group in the past and release of liabilities of Disposal Group on the consolidation of the financial statement of the Company. In addition, given the loss-making position of the Disposal Group, the Disposal is expected to bring in a positive impact on the future income of the Group.

The aforesaid estimation is for illustrative purpose only and does not purport to represent how the financial position of the Group will be after Completion, which is subject to review and confirmation by the Company's auditors.

REASONS FOR AND BENEFITS OF THE DISPOSAL AND INTENDED USE OF THE DISPOSAL PROCEEDS

The Group is principally engaged in manufacture and sale of tobacco agricultural machinery in the PRC, provision of digital television services in the PRC, provision of car beauty services in Hong Kong, and money lending business in Hong Kong.

Upon the Completion, the Group will be principally engage in provision of digital television services in the PRC, provision of car beauty services in Hong Kong, and money lending business in Hong Kong (the "**Remaining Business**").

Reference is made to the annual report of the Company for the year ended 31 March 2016 (the "**Annual Report**"). As stated in the Annual Report, financial performance of the Tobacco Agricultural Machinery Operation in the past years is far from satisfactory. Revenue from this segment for the year ended 31 March 2016 significantly decreased by 89.3% to approximately HK\$13.2 million, as compared with the year ended 31 March 2015. It recorded a loss of approximately HK\$191.8 million for the year ended 31 March 2016. Such performance was primarily due to the shrinkage of sales and uncertain market conditions of tobacco flue-curing barns in the PRC.

The Tobacco Agricultural Machinery Operation is in a net liability position due to its heavy borrowing and legal proceedings. As at 30 September 2016, the Disposal Group recorded unaudited net liabilities of approximately HK\$75,530,000. The Disposal Group is thus fettered by its liquidity problem. It encounters difficulties to sustain or expand its business, and consistently requires a large amount of fund injection from the Company. Such fund requirement is always of high urgency but provides low or nil return.

Looking into the future, the Company considers that the operating environment of the Tobacco Agricultural Machinery Operation in the PRC has turned into being very challenging and will continue to be so in the coming years. Despite the efforts and resources spent by the Group on the tobacco machinery market, the Disposal Group persistently finds it difficult to expand its business or engage high caliber staff. Therefore, the Company is not positive on the Disposal Group's future turn-around.

Given the unsatisfactory performance, net liability position and gloomy future of the Disposal Group, the Disposal represents a good opportunity for the Group to exit its investment in the Tobacco Agricultural Machinery Operation. The Disposal is expected to bring into a significant gain from disposal.

The Group will apply the proceeds from the Disposal as the general working capital for the Remaining Business. The Group is positive about the future performance of the Remaining Business, which is expected to sustainably grow and bring in steady income in the coming years. As the Remaining Group is released from the burden to finance the fund requirements of the Tobacco Agricultural Machinery Operation, the Disposal allows the Group to re-deploy its resources. Accordingly, the Company considers that the Disposal will enhance the working capital and the liquidity position of the Company, and on the other hand allow the Group to restructure its strategic development, by disposing of the under-performing businesses and focusing in promising opportunities.

In light of the above, the Directors believe that the terms of the Disposal are fair and reasonable and in the interests of the Shareholders as a whole.

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DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Agreement”	the conditional sale and purchase agreement dated 6 October 2016 entered into between the Vendor, the Purchaser and the Guarantor in respect of the Disposal
“Big Success”	Big Success Enterprises Limited, a company incorporated in the British Virgin Islands and is wholly owned by the Vendor as at the date of the Agreement
“Board”	the board of Directors of the Company
“Business Day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for the transaction of normal business
“Company” or “Vendor”	Code Agriculture (Holdings) Limited, a company duly incorporated in Bermuda with limited liability, whose shares are listed and traded on the Stock Exchange
“Completion”	completion of the Disposal pursuant to the terms and conditions of the Agreement
“Consideration”	HK\$5,000,000, being the total consideration for the Sale Shares
“Director(s)”	the director(s) of the Company

“Disposal”	the disposal of the Sale Shares by the Vendor to the Purchaser as contemplated under the Agreement
“Disposal Group”	Big Success and its subsidiaries
“GEM”	The Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries
“Guarantor”	Mr. Zhou Xin
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the GEM Listing Rules
“Long Stop Date”	16 December 2016 (or any other date as the parties to the Agreement may agree in writing)
“PRC”	the People’s Republic of China
“Purchaser”	Harmonic Ally Investments Limited, a company incorporated in the British Virgin Islands and is wholly owned by the Guarantor
“Sale Shares”	30,001 ordinary shares of US\$1 each in the capital of Big Success, representing the entire equity interest in Big Success
“SGM”	special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Disposal
“Share(s)”	ordinary share(s) of HK\$0.0004 each in the share capital of the Company

“Shareholder(s)” holder(s) of the Share(s)

“Stock Exchange” The Stock Exchange of Hong Kong Limited

By order of the Board
Code Agriculture (Holdings) Limited
Jingquan Yingzi
Chairman

Hong Kong, 6 October 2016

As of the date of this announcement, the executive directors of the Company are Ms. Jingquan Yingzi (Chairman), Mr. Chin Wai Keung Richard, Mr. Wang Anyuan, Mr. Wang Rongqian and Mr. Hu Chao; the non-executive director is Prof. Liu Guoshun; and the independent non-executive directors are Mr. Sousa Richard Alvaro, Mr. Lee Chi Hwa Joshua and Mr. Zhao Zhizheng.

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM for the purpose of giving information with regard to the Company. The directors of the Company, 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 for 7 days from the date of its publication and on the Company’s website at <http://www.code-hk.com>.