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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)

DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY INVOLVING THE PROPOSED ISSUE OF CONVERTIBLE BONDS UNDER GENERAL MANDATE

THE ACQUISITION

The Board is pleased to announce that on 24 May 2017 (after trading hours), the Vendor and the Purchaser entered into the SPA, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Shares, representing 100% of the issued share capital of the Target Company, at the Consideration of HK\$100,000,000 (subject to adjustment), which will be satisfied (i) as to HK\$20,000,000 in cash; and (ii) as to HK\$80,000,000 by the issue of the Convertible Bonds.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and accordingly, the financial information of the Target Group will be consolidated into the accounts of the Group.

As certain of the relevant percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition exceed 5% but are lower than 25%, the Acquisition constitutes a discloseable transaction for the Company under the GEM Listing Rules and is therefore subject to the reporting and announcement requirement but exempted from the Shareholders' approval requirement under Chapter 19 of the GEM Listing Rules.

The Board is pleased to announce that on 24 May 2017 (after trading hours), the Vendor and the Purchaser entered into the SPA, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Shares, being 100% of the issued share capital of the Target Company at the Consideration of HK\$100,000,000 (subject to adjustment), which will be satisfied (i) as to HK\$20,000,000 in cash; and (ii) as to HK\$80,000,000 by the issue of the Convertible Bonds.

THE SPA

Date: 24 May 2017 (after trading hours)

Parties: (1) Purchaser
(2) Vendor

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are Independent Third Parties.

Assets to be acquired

Pursuant to the SPA, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Shares, being 100% of the issued share capital of the Target Company at the Consideration of HK\$100,000,000.

Upon Completion, the Target Company will become a subsidiary of the Company and accordingly, the financial information of the Target Group will be consolidated into the accounts of the Group.

Consideration

The Consideration of HK\$100,000,000 (subject to adjustment as described in the paragraph headed “Lock-Up Arrangement and Profit Guarantee” below), which shall be paid by the Purchaser in the manner as set out below:

- (a) as to HK\$20,000,000 in cash payable to the Vendor as refundable deposit (the “**Deposit**”); and
- (b) as to HK\$80,000,000 by procuring the Company to issue the Convertible Bonds to the Vendor at Completion (but subject to the Lock-Up Arrangement).

The Deposit shall be refunded, without any interest, to the Purchaser on demand on the Long Stop Date if any of the conditions of the SPA is not fulfilled on or before the Long Stop Date.

Further details of the Convertible Bonds are set out in the section headed “Convertible Bonds” below.

Basis of the Consideration

The Consideration was determined after arm’s length negotiations between the Purchaser and the Vendor with reference to, among other things, (i) business development and future prospect of the Target Group; (ii) the Profit Guarantee; and (iii) the reasons and benefits of the Acquisition as stated under the section headed “Reasons for and benefits of the Acquisition” in this announcement.

Lock-Up Arrangement and Profit Guarantee

Pursuant to the SPA, the Vendor undertakes that, (i) within 18 months from the Completion Date; or (ii) the final determination of the Results (as defined below), whichever is later (the “**Lock-Up Period**”), it will not, without the prior written consent of the Purchaser:

- (a) convert any Lock-Up CB and/or demand repayment of any outstanding amount under the Lock-Up CB;
- (b) offer, sell, contract to issue or sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of any of the Lock-Up CB (or any Conversion Shares under the Lock-Up CB as converted);
- (c) enter into any swap or any other agreement or any transaction that transfers in whole or in part, directly or indirectly, any of the economic consequences of ownership of any of the Lock-Up CB (or any Conversion Shares under the Lock-Up CB as converted); or

- (d) create any charge or security interest over any of the Lock-Up CB (or any Conversion Shares under the Lock-Up CB as converted).

In consideration of the parties entering into the SPA, pursuant to the SPA, the Vendor irrevocably and unconditionally guarantees to the Purchaser that the total audited consolidated net profit after tax of the Target Group for the period within 12 months from the Completion Date (the “**Results**”) shall not be less than HK\$10,000,000 (the “**Profit Guarantee**”).

The Results shall be determined by the auditors nominated by both the Purchaser and the Vendor, by adopting the same accounting policies applied to the consolidated financial statements of the Group.

In the event that the Results is less than the Profit Guarantee, the Vendor shall compensate the Purchaser all the outstanding amount (which includes, the principal amount and interests) under the Lock-Up CB (the “**Compensation**”). The Purchaser is entitled to request the Vendor to satisfy the Compensation by setting off and cancelling the Lock-Up CB issued to the Vendor.

The Vendor agrees and acknowledges that when the Company issues the Lock-Up CB to the Vendor, the Company may make certain note(s) to the CB Register indicating that such Lock-Up CB is subject to the Lock-Up Arrangement and none of the Lock-Up CB can be transferred nor be converted into Conversion Shares in any way during the Lock-Up Period.

Conditions Precedent

The Completion is subject to and conditional upon satisfaction of the following conditions precedent on or before the Long Stop Date:

- (a) the Purchaser or the Company having received and satisfied in its absolute discretion (in substance and form) a legal opinion issued by a firm of lawyers qualified to practise in the PRC covering matters including, among other things, the due establishment and valid existence of the PRC Subsidiary; the operation of, the power and capacity of the PRC Subsidiary to carry on the Business as well as the recognition of the legality of the PRC Subsidiary;
- (b) the Purchaser or the Company having received a certificate of incumbency, in a form satisfactory to the Purchaser, on the Target Company certifying the due incorporation of the Target Company under the applicable law;
- (c) (if required) the approval by the Shareholders at the special general meeting in relation to the SPA and the transactions contemplated thereby and all other consents and acts required under the GEM Listing Rules having been obtained and completed, or as the case maybe, the relevant waiver from compliance with any of such rules being obtained from the Stock Exchange;

- (d) the Listing Committee having granted to the Company the approval for the listing of and permission to deal in the Conversion Shares related to the Convertible Bonds, and all other consent and approval documents involving the Stock Exchange;
- (e) due diligence (including legal, finance and business) on each members of the Target Group, including without limitation, its state of affairs, assets and liabilities, financial position and business operation having been completed to the full satisfaction of the Purchaser and the Company;
- (f) the results and reports of the investigations and due diligence conducted on the PRC Subsidiary by the Purchaser, its agents and professional advisers (whether of legal, accounting, financial, operations or other aspects considered to be important by the Purchaser) to the satisfaction of the Purchaser;
- (g) the Purchaser is satisfied at its sole and entire discretion that there has not occurred any Material Adverse Changes on the Target Group prior to the Completion Date or are likely to occur before the Completion Date in respect of the financial or trading position of any member of the Target Group;
- (h) all the representations and warranties made by the Vendor and the members of the Target Group in the SPA shall be true, accurate and not misleading in all respects;
- (i) the acquisition by the Purchaser does not, and will not constitute a reverse takeover pursuant to the GEM Listing Rules for the Company, and in the event that the acquisition by the Purchaser constitutes or will constitute a reverse takeover pursuant to the GEM Listing Rules for the Company, the SPA shall lapse and the respective obligations of the Vendor and the Purchaser under the SPA shall be released;
- (j) the obtaining of all necessary licenses, permits, approvals, authorizations, reliefs, orders, waives, permissions and consents from the relevant governmental authorities in HK, BVI, PRC or elsewhere in respect of the SPA and the transactions contemplated thereunder and completed all the registrations and filings with the relevant governmental authorities that may be required to enable it to enter into the SPA and to acquire and/or hold the Convertible Bonds and/or the Conversion Shares which may be issued upon exercise of the conversion rights attached to the Convertible Bonds or otherwise; and
- (k) the Purchaser having received and satisfied in its absolute discretion (in substance and form) document(s) evidencing that all outstanding amount due and owing by any member of the Target Group to the Vendor immediately prior to Completion has been waived by the Vendor in full.

If any of the above conditions precedent is/are not fulfilled or otherwise waived by the Purchaser on or before the Long Stop Date (or such later date as the parties to the SPA may agree in writing), the Purchaser may terminate the SPA (save and except for refund of the Deposit by the Vendor and representations, warranties and undertakings given by the Vendor under the SPA, which shall survive termination of the SPA), in which case none of the parties shall have any claim against the others for costs, damages, compensation or otherwise (save in respect of any prior breach of the SPA).

Completion

Completion shall take place at 4 p.m. on the third Business Day after the conditions precedent of the SPA are being fulfilled or waived by the Purchaser.

THE CONVERTIBLE BONDS

The principal terms of the Convertible Bonds have been negotiated on an arm's length basis and the principal terms of which are summarised below:

Issuer	:	The Company
Principal amount	:	The aggregate principal amount of the Convertible Bonds is HK\$80,000,000.
Maturity Date	:	The third anniversary of the date of issue of the Convertible Bonds (the " Maturity Date ").
Interest rate	:	2% per annum, payable on the Maturity Date.
Conversion Price	:	Initially set at HK\$0.60 per Conversion Share subject to adjustments for adjustment provisions summarized below.

The Conversion Price of HK\$0.60 per Conversion Share represents:

- (i) a premium of approximately 17.6% to the closing price of HK\$0.510 per Share as quoted on the Stock Exchange on the date of signing of the SPA;

- (ii) a premium of approximately 47.1% to the average closing price of HK\$0.408 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of signing of the SPA; and
- (iii) a premium of approximately 29.3% to the average closing price of approximately HK\$0.464 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days immediately prior to the date of signing of the SPA.

The Conversion Price was determined after arm's length negotiations between the Company and the Vendor, with reference to the recent performance of the Shares, the Group's existing financial position and current market conditions.

Conversion Shares : Assuming the conversion rights attached to the Convertible Bonds are exercised in full at the initial Conversion Price of HK\$0.60 per Conversion Share, a maximum of 133,333,333 Conversion Shares will be allotted and issued, representing approximately 11.7% of the entire issued share capital of the Company as at the date of this announcement and approximately 10.4% of the entire issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The Conversion Shares will be allotted and issued under the General Mandate.

Conversion Period : The period commencing on the Business Day from the date of issue of the Convertible Bonds but before the Maturity Date (the "**Conversion Period**").

Conversion rights : Except as recorded in the CB Register the otherwise, the Bondholder will have the right to convert the Convertible Bonds in whole or in part of the outstanding principal amount of the Convertible Bonds on any time during the Conversion Period.

Notwithstanding any other terms and conditions of the Convertible Bonds, the Company has the absolute discretion to restrict the Bondholder(s) to exercise any conversion right attaching to the Convertible Bonds and the Company shall not be obliged to issue any Conversion Shares, if it comes to the notice of the Company that any such issue will result in (i) the Company in breach of any provision of the GEM Listing Rules, including the requirement to maintain the prescribed minimum percentage (currently being 25%) of the issued share capital of the Company held by the public (as defined in the GEM Listing Rules), unless prior approval or waiver has been obtained from the Stock Exchange; (ii) the Bondholder(s) and parties acting in concert with it (for the purposes of the Takeovers Code) will incur a bid obligation under Rule 26 of the Takeovers Code, unless waiver has been obtained from the SFC on the obligation of a mandatory general offer under the Takeovers Code; or (iii) as specifically stated in the CB Register of certain conditions restricted to the conversion rights.

- Early redemption : The Company shall have the right to redeem any portion of the Convertible Bonds outstanding at any time before the Maturity Date.
- Adjustment provisions : The Conversion Price is subject to adjustment for, among other things, consolidation or sub-division of Shares, capitalization of profits or reserves, capital distribution in cash or specie, issue of Shares by way of rights or grant of options or warrants to subscribe for Shares at a price less than 90% of the then market price of the Shares, subsequent issue of Shares or convertible or exchangeable securities wholly for cash or modification of rights of conversion or exchange or subscription attached to any such securities at less than 90% of the then market price of the Shares, or subsequent issue of Shares for acquisition of asset at a price less than 90% of the then market price of the Shares.
- Transferability : The Bondholder may assign or transfer the Convertible Bonds to the transferee subject to the prior consent of the Company.
- Voting : Bondholder will not be entitled to attend or vote at any meetings of the Company by reason only of its being a Bondholder.

Listing : No application will be made by the Company for the listing or permission to deal in the Convertible Bonds on the Stock Exchange.

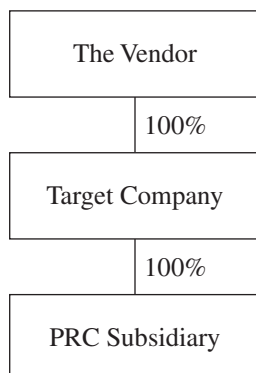
An application will be made by the Company to the Stock Exchange for the listing of and permission to deal in the Conversion Shares.

Ranking of the Conversion Shares : The Conversion Shares will rank *pari passu* in all respects among themselves and with other Shares outstanding at the date of issue of the Conversion Shares.

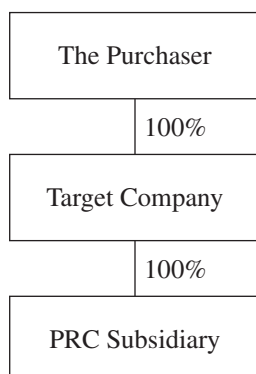
SHAREHOLDING STRUCTURE OF THE TARGET GROUP

Set out below is the shareholding structure of the Target Group (i) immediately before Completion; and (ii) immediately after Completion:

Shareholding structure of the Target Group immediately before Completion



Shareholding structure of the Target Group immediately after Completion



INFORMATION OF THE VENDOR AND THE TARGET GROUP

The Vendor

The Vendor is a company incorporated in Hong Kong with limited liability and is an investment holding company.

The Target Company

The Target Company is an investment holding company incorporated with limited liability in the BVI. The Target Company is wholly owned by the Vendor. The Target Company is the sole beneficial owner of the PRC Subsidiary.

PRC Subsidiary

PRC Subsidiary is a wholly foreign owned company established in the PRC. The principal business activity of the PRC Subsidiary is investment advisory. The PRC Subsidiary has developed fund management and asset management activities in the PRC.

Financial information of the Target Group

Set below is the unaudited consolidated financial information of the Target Group as prepared in accordance with Hong Kong Financial Reporting Standards for the year ended 31 March 2016 and 2017:

	Year ended 31 March 2016 (Unaudited) RMB'000	Year ended 31 March 2017 (Unaudited) RMB'000
Turnover	–	–
Net loss before taxation	(46,300)	(1,670)
Net loss after taxation	(46,300)	(1,670)

According to the unaudited consolidated financial information of the Target Group as at 31 March 2017, the Target Group recorded an unaudited consolidated net liabilities of approximately RMB53,987,000.

REASONS FOR AND BENEFITS OF THE ACQUISITION

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

Whilst the Group remains focused on developing its existing businesses, it has been the business strategy of the Group to proactively seek potential investment opportunities in order to enhance value of the Shareholders. The Directors consider that it will be beneficial for the Group to seek suitable investment opportunity from time to time to expand and diversify its existing business portfolio into business with growth potential and to broaden its source of income.

With the accumulation of social wealth and reform of the financial system in the PRC, it is anticipated to drive the investment demand for financial assets which will promote growth in the asset management industry in the PRC. As such, the Directors are optimistic on the growth opportunities of asset management industry in the PRC.

The Directors consider that the Acquisition is in line with the Company's business diversification strategy and represents an attractive investment opportunity of the Company to tap into the asset management industry in the PRC with growth potential.

Having considered (i) through the PRC Subsidiary, it will enable the Group to form new funds in the PRC for development of the asset management and investment business; (ii) future development prospects of the businesses of the Target Group; and (iii) the Profit Guarantee, the Directors are of the view that the Acquisition is in the interests of the Company and the Shareholders as a whole.

In view of the above, the Directors (including independent non-executive Directors) consider that the Acquisition and the terms of the SPA are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon Completion and after full exercise of the conversion rights attaching to the Convertible Bonds (assuming that there is no change in the issued share capital of the Company from the date of this announcement and up to Completion other than the issue of the Conversion Shares):

Shareholders	As at the date of this announcement		Immediately upon Completion and after full exercise of the conversion rights attaching to the Convertible Bonds	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Jingquan Yingzi (<i>Note 1</i>)	1,130,500	0.10	1,130,500	0.09
Alexia Joulian	136,541,900	11.94	136,541,900	10.69
Shimazaki Koji	143,475,068	12.55	143,475,068	11.24
Vendor	–	–	133,333,333	10.44
Other public shareholders	<u>862,223,100</u>	<u>75.41</u>	<u>862,223,100</u>	<u>67.54</u>
Total	<u><u>1,143,370,568</u></u>	<u><u>100.00</u></u>	<u><u>1,276,703,901</u></u>	<u><u>100.00</u></u>

Notes:

1. Ms. Jingquan Yingzi is an executive Director and the chairman of the Company.
2. Certain percentage figures included in the above table have been subject to rounding adjustments.

IMPLICATION UNDER THE GEM LISTING RULES

As certain of the relevant percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition exceed 5% but are lower than 25%, the Acquisition constitutes a discloseable transaction for the Company under the GEM Listing Rules and is therefore subject to the reporting and announcement requirement but exempted from the Shareholders' approval requirement under the GEM Listing Rules.

DEFINITIONS

In this announcement, the following definitions shall have the same meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition of Sale Shares as contemplated under the SPA
“Board”	the board of Directors
“Bondholder(s)”	holder(s) of the Convertible Bonds
“Business”	the business of activities carried on by the Target Group as at the date of the SPA as specified in the SPA and as from time to time carried on prior to Completion
“Business Day”	a day (other than a Saturday or a Sunday) on which banks are generally open for business in Hong Kong
“BVI”	British Virgin Islands
“CB Register”	register of Bondholder(s)
“Company”	Code Agriculture (Holdings) Limited, a company incorporated under the laws of Bermuda with limited liability, the Shares of which are listed on GEM (stock code: 8153)
“Completion”	completion of the Acquisition in accordance with the SPA
“Completion Date”	date of the Completion
“Consideration”	the consideration in the sum of HK\$100,000,000 payable by the Purchaser to the Vendor for the Acquisition
“Conversion Price”	initially HK\$0.60 per Conversion Share, subject to adjustment in accordance with the terms and conditions of the Convertible Bonds

“Conversion Shares”	new Shares to be issued and allotted by the Company upon the exercise in full by the holders of the Convertible Bonds of the conversion rights thereunder at the Conversion Price
“Convertible Bonds”	the convertible bonds to be issued by the Company to the Vendor in satisfaction of the equivalent amount of the Consideration on the Completion Date (which includes the Lock-Up CB), which shall carry 2% interest and the principal amount of which shall be convertible into new Conversion Shares at the initial conversion price of HK\$0.60 per Conversion Share (subject to adjustment) in partial satisfaction of the Consideration
“Director(s)”	director(s) of the Company
“GEM”	The Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“General Mandate”	the general mandate granted by the Shareholders at the annual general meeting of the Company held on 29 September 2016 to the Directors to allot, issue and deal with up to 136,421,839 Shares (20% of the total number of issued shares of the Company as at the date of annual general meeting)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons (as defined in the GEM Listing Rules)
“Listing Committee”	shall have the same meaning as in the GEM Listing Rules
“Lock-Up Arrangement”	the lock-up arrangement in relation to the Lock-Up CB as set out in the SPA

“Lock-Up CB”	the Convertible Bonds to be issued pursuant to the SPA in the principal amount of HK\$10,000,000
“Long Stop Date”	30 November 2017, or such later date as the parties to the SPA may agree in writing
“Material Adverse Change”	any change (or effect), the consequence of which is to materially and adversely affect the financial position, business or property, results of operations, business prospects or assets of the Target Group as a whole
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau and Taiwan
“PRC Subsidiary”	中信國通企業管理有限公司, a WFOE established in the PRC and wholly beneficially owned by the Target Company
“Purchaser”	Glory Ray Global Limited, a company incorporated with limited liability in the BVI, being a direct wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of PRC
“Sale Shares”	2 shares representing 100% of the issued share capital of the Target Company at Completion
“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)
“SPA”	the sale and purchase agreement dated 24 May 2017 entered into between the Vendor and the Purchaser in relation to the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Target Company”	Gold Pond International Limited, a company incorporated with limited liability in the BVI

“Target Group”	the Target Company and the PRC Subsidiary
“Vendor”	Asian Capital Partners Group Company Limited, a company incorporated with limited liability in Hong Kong
“WFOE”	a wholly foreign owned company established in the PRC
“%”	per cent.

By Order of the Board
CODE AGRICULTURE (HOLDINGS) LIMITED
Hu Chao
Executive Director

Hong Kong, 24 May 2017

As of the date of this announcement, the executive Directors are Ms. Jingquan Yingzi (Chairman), Mr. Chin Wai Keung Richard, Mr. Wang Anyuan, 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 jointly and individually accept full responsibility, including the 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 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 at www.hkgem.com for at least 7 days from the date of its publication and on the Company’s website at <http://www.code-hk.com>.