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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)

CHANGE OF USE OF PROCEEDS

Reference is made to the Company's circular dated 19 May 2016 ("**Circular**") and announcement dated 28 June 2016 relating to the placing of convertible bonds in the principal amount of HK\$120 million. Unless otherwise stated, terms use herein shall have the same meanings as defined in the Circular.

It was stated in the Circular that the net proceeds from the Placing of approximately HK\$112.5 million is to be used for (i) settlement of the Overdue PRC Bank Borrowings of approximately HK\$19.1 million (after taking into account the unutilised net proceeds of approximately HK\$54.7 million from the Previous CB Placing which will be used to repay the Overdue PRC Bank Borrowings); (ii) settlement of the SME Private Bonds of approximately HK\$18.6 million; (iii) settlement of the HK Loan of approximately HK\$51.2 million; and (iv) the remaining balance of approximately HK\$23.6 million as general working capital and/or investment opportunities as may be identified from time to time.

As disclosed in the Company's announcement dated 15 February 2017, the net proceeds from the Placing were used for (i) settlement of finance costs and borrowings of approximately HK\$43.1 million; (ii) investments in financial assets at fair value through profit or loss of approximately HK\$39.5 million; (iii) general working capital of approximately HK\$19.5 million; and (iv) the remaining balance of approximately HK\$10.4 million remained unused.

After the HK Loan of approximately HK\$51.2 million became due in May 2016 and at the time of issue of the Circular, the Company was trying to negotiate with the lender thereof (“**Lender**”) on the terms of repayment but there was little feedback from the Lender. The Lender issued further demands on the Company for immediate repayment of the HK Loan in June 2016. After further negotiations, the Lender was then willing to discuss with the Company on various possible ways of repaying the HK Loan. In view of the continuing negotiation with the Lender on the repayment arrangement of the HK Loan, the Company decided not to repay the HK Loan immediately. In the meantime, in order to allow the idle cash to generate better return, the Company used part of the proceeds of approximately HK\$39.5 million to acquire investments in financial assets in about July and August 2016.

The Directors consider that the information regarding the intended use of proceeds from the Placing as disclosed in the Circular is accurate and complete in all material respects and not misleading or deceptive as required under GEM Listing Rules 17.56.

The Company does not consider it appropriate to seek shareholders’ approval again on the Placing as there is no change in the terms of the Placing itself. The intended use of the proceeds as set out in the Circular was based on the relevant circumstances then. In view of the subsequent change in circumstances regarding repayment of the HK Loan, the Directors have the power and duty to make appropriate change to the use of the proceeds having regard to the prevailing situations.

After taking into account of (i) the change in circumstances regarding the negotiation with the Lender on the repayment of the HK Loan, (ii) the continuing negotiation with the Lender and (iii) the use of the idle cash to generate potentially better return through the Company’s treasury management, the Directors consider that the aforesaid change of use of proceeds is in the interest of the Company and its shareholders as a whole.

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

Hong Kong, 9 June 2017

As at 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 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 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>.