
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Code Agriculture (Holdings) Limited (the “**Company**”), you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

This circular appears for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

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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)

**PLACING OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE;
AND
NOTICE OF SPECIAL GENERAL MEETING**

Financial Adviser to the Company



Placing Agent

PICO ZEMAN SECURITIES (HK) LIMITED
比富達證券(香港)有限公司

A notice convening the special general meeting of the Company (the “**SGM**”) to be held at 11:00 a.m. on Wednesday, 14 October 2015 at Rooms 1120-26, 11th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong is set out on pages 24 to 26 of this circular. Whether or not you intend to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company’s branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time scheduled for the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the SGM or any adjourned meeting thereof should you so wish.

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

25 September 2015

CHARACTERISTICS OF THE GEM

Characteristics of The Growth Enterprise Market (“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.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

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

“acting in concert”	has the meaning as ascribed to it in the Takeovers Code
“Additional Shares”	the Shares to be allotted and issued by the Company at the Conversion Price in the event the Bondholder(s) requested the Company to pay the interest of the Convertible Bonds by Shares instead of cash
“Announcement”	the announcement of the Company dated 28 August 2015 in relation to the Placing
“associate(s)”	has the meaning as ascribed to it under the GEM Listing Rules
“Bank Borrowings”	the bank borrowings (excluding a revolving bank loan which is intended to be maintained by the Group) with aggregate principal amount of approximately RMB129.0 million (equivalent to approximately HK\$155.8 million) which are either already overdue (RMB22 million) or repayable within one year (approximately RMB107 million)
“Board”	the board of Directors
“Bondholder(s)”	the holder(s) of the Convertible Bonds
“Business Day(s)”	a day on which banks are open for business in Hong Kong (excluding Saturdays and Sundays)
“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 placing of each tranche of the Convertible Bonds pursuant to the Placing Agreement
“connected person(s)”	has the meaning as ascribed to it under the GEM Listing Rules
“Conversion Price”	HK\$0.05 per Conversion Share

DEFINITIONS

“Conversion Shares”	the Shares to be allotted and issued by the Company upon exercise of the conversion rights attaching to the Convertible Bonds
“Convertible Bonds”	the six (6) per cent. interest convertible bonds due 2018 in an aggregate principal amount of HK\$250,000,000 to be issued by the Company pursuant to the Placing Agreement
“Director(s)”	the 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
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	independent third party(ies), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, who is independent of and not connected with the Company and its connected persons
“Latest Practicable Date”	22 September 2015, being the latest practicable date before the printing of this circular for the purpose of ascertaining certain information contained herein
“Maturity Date”	the third anniversary of the date of the issue of the Convertible Bonds
“Placee(s)”	any individuals, corporate, institutional investors or other investors procured by the Placing Agent to subscribe for any of the Convertible Bonds pursuant to the Placing Agent’s obligations under the Placing Agreement
“Placing”	the placing of the Convertible Bonds of up to an aggregate principal amount of HK\$250,000,000 by the Placing Agent pursuant to the Placing Agreement
“Placing Agent”	Pico Zeman Securities (HK) Limited, a licensed corporation to carry on business in Type 1 (dealing in securities) regulated activity under the SFO

DEFINITIONS

“Placing Agreement”	the placing agreement dated 28 August 2015 (as supplemented on 22 September 2015) entered into between the Company and the Placing Agent in respect of placing of the Convertible Bonds
“Placing Period”	commencing from the date of the Placing Agreement up to the date falling after 60 days from the date of the SGM (both days inclusive) (or such later date as may be agreed between the Company and the Placing Agent in writing)
“PRC”	the People’s Republic of China
“RMB”	Chinese Yuan Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company convened to be held at 11:00 a.m. on Wednesday, 14 October 2015 at Rooms 1120-26, 11th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong or any adjournment thereof, for the purpose of considering and, if thought fit, approving the entering into of the Placing Agreement and the transactions contemplated thereunder including the allotment and issue of the Conversion Shares and the Additional Shares under the Specific Mandate
“Share(s)”	ordinary shares of HK\$0.0001 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the issued Share(s)
“SME Private Bonds”	small and medium size private placement bonds of remaining outstanding principal amount of approximately RMB33.3 million (equivalent to approximately HK\$40.2 million) which bearing interest of 9 per cent per annum
“Specific Mandate”	the specific mandate to be sought from the Shareholders at the SGM to approve, <i>inter alia</i> , the allotment and the issue of the Conversion Shares and the Additional Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“%”	per cent.

LETTER FROM THE BOARD



CODE AGRICULTURE (HOLDINGS) LIMITED
科地農業控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 8153)

Executive Directors:

Ms. Jingquan Yingzi (*Chairman*)

Mr. Chin Wai Keung Richard

Mr. Wu Zhongxin

Non-executive Director:

Prof. Liu Guoshun

Independent Non-executive Directors:

Mr. Sousa Richard Alvaro

Mr. Lee Chi Hwa Joshua

Mr. Zhao Zhizheng

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Head office and principal place of
business in Hong Kong:*

Rooms 1120-26

11th Floor, Sun Hung Kai Centre

30 Harbour Road

Wan Chai, Hong Kong

25 September 2015

To the Shareholders

Dear Sir or Madam,

**PLACING OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE;
AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement. On 28 August 2015 (after trading hours of the Stock Exchange), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent agreed amongst other things to procure not less than six Placees to subscribe for up to HK\$250 million of the Convertible Bonds on a best effort basis by one or more tranches of not less than HK\$10 million each.

The purpose of this circular is to provide the Shareholders, among other things, further details of the Placing Agreement and notice of the SGM.

LETTER FROM THE BOARD

THE PLACING

A summary of the principal terms of the Placing Agreement is set out below:

Date:

28 August 2015 (after trading hours) (as supplemented on 22 September 2015)

Issuer:

The Company

Placing Agent:

Pico Zeman Securities (HK) Limited

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

The Placing Agreement:

On 28 August 2015 (after trading hours of the Stock Exchange), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent agreed amongst other things to procure not less than six Placees to subscribe for up to HK\$250 million of the Convertible Bonds on a best effort basis by one or more tranches of not less than HK\$10 million each.

Placing Conditions Precedent:

- (a) the passing by the Shareholders at the SGM of a necessary ordinary resolution approving the Placing Agreement and the transactions contemplated thereunder in accordance with the GEM Listing Rules (if not already obtained); and
- (b) the Listing Committee of the Stock Exchange granting or agreeing to grant approval for listing of and permission to deal in the Shares which may fall to be issued (i) upon exercise of the subscription rights attaching to the respective Convertible Bonds; and (ii) upon exercise of the right to request payment of interest under the Convertible Bonds by way of Shares by any holders of the Convertible Bonds.

LETTER FROM THE BOARD

If the conditions precedent specified above are not fulfilled on or before the date falling after 60 days from the date of the SGM (the “**Long Stop Date**”) (or such later date as may be agreed between the Company and the Placing Agent in writing), the obligations and liabilities of the Company and the Placing Agent under the Placing Agreement shall be null and void and the Company and the Placing Agent shall be released from all rights and obligations pursuant to the Placing Agreement (save for any antecedent breach). In the event that there is any extension of the Long Stop Date, the Company shall re-comply with all applicable requirements of the GEM Listing Rules as and when appropriate including seeking a separate specific mandate from the Shareholders.

As at the Latest Practicable Date, none of the conditions has been fulfilled.

The reason for adopting the Long Stop Date which is on or before the date falling after 60 days from the date of the SGM for the Placing is determined after arm’s length negotiation between the Placing Agent and the Company after taking into account the following factors:

- (i) the Group has an imminent need of funding to cope with its already overdue SME Private Bonds of principal amount of approximately HK\$40.2 million which bearing interest of 9 per cent per annum. As disclosed in the announcement of the Company dated 4 September 2015, on 2 September 2015, in respect of the dispute arising from the overdue SME Private Bonds (the “**Dispute**”), the Group received a civil court judgement (the “**Judgement**”) regarding the Dispute where the applicants of the Dispute applied for arbitration in May 2015 and demanded the freeze of a sum of RMB41 million in the bank account of Jiangsu Kedi Modern Agriculture Company Limited (“**Jiangsu Kedi**”), a wholly owned subsidiary of the Company, or other assets of equivalent amount of Jiangsu Kedi for the Dispute;
- (ii) weak financial indicators of the Group immediately prior to the Placing as illustrated with (i) loss margins of the Group as a percentage of its revenue for the last three consecutive financial years which ranged from approximately 34% to 102%; (ii) the Group recorded revenue contraction from its continuing operation of approximately 34% and 73% for year ended 31 March 2014 and 2015 respectively; and (iii) net liability position of the Group of approximately HK\$0.28 per Share for the year ended 31 March 2015;
- (iii) the shrinking cash flow coupled with the Bank Borrowings which are either overdue or repayable within one year imposes serious threat to the going concern of the Group;

LETTER FROM THE BOARD

- (iv) in view of the current volatile financial market in Hong Kong as a result of uncertainties stemming from weak market sentiment, trend of interest rates and uncertainties in the economic climate of the world, investors are inclined to be more prudent in its investment decisions and to adopt a wait-and-see approach. Thus, the Placing Agent estimated that it have to render a longer marketing process to solicit the investing community;
- (v) it has been the intention of the Company and the Placing Agent to complete the Placing as soon as possible. The immediate focus is to apply the net proceeds from each tranche of the Placing for settlement of overdue SME Private Bonds which is already subject to the Judgement. Furthermore, the Bank Borrowings are either already become due or repayable within one year. Based on current indebtedness level of the Group, it incurs a monthly interest expenses of approximately HK\$1.0 million;
- (vi) in the course of considering the Placing, the Company has approached two securities houses and none of them showed interest in providing placing service for the Company given the size of the Placing, the Group's financial performance and the market uncertainties. The Placing Agent was the only available placing agent which has agreed to conduct the Placing for the Company on a best-effort basis; and
- (vii) with the substantial size of the Placing of up to approximately HK\$250 million, which is around 2.6 times of the market capitalization of the Company of approximately HK\$97.7 million as at the Latest Practicable Date, coupled with the factors as stated in above, the Placing Agent indicated that a longer placing period will be required for identifying potential Placees.

The purpose of setting such Placing Period is to provide sufficient time and flexibility for the Placing Agent in procuring Placees to subscribe the Convertible Bonds as much as possible and possibly up to the maximum amount of HK\$250 million. Time is the key for the success of Placing, which will in turn enable the Group to improve its declining financial performance by reducing its huge interest burden, lowering its debt level and avoid the possibility of default risk and legal dispute. Therefore it is considered to be beneficial to the Group and the Shareholders as a whole given its present weak financial performance.

LETTER FROM THE BOARD

Completion:

Completion shall take place on or before the third Business Day after the date of fulfillment of the conditions precedent as set out in the Placing Agreement.

Placing Commission:

The Company shall pay to the Placing Agent a fee equal to 5% of the aggregate principal amount of the Convertible Bonds successfully placed by the Placing Agent to the Placee(s). Such rate was arrived at after arm's length negotiations between the Company and the Placing Agent with reference to, among other things, the size of the Placing, the current and expected declining market conditions and prevailing placing commission rate charged for similar placing activities.

Placing Period:

Commencing from the date of the Placing Agreement up to the date falling after 60 days from the date of the SGM (both days inclusive) (or such later date as may be agreed between the Company and the Placing Agent in writing).

Placee(s):

The Placing Agent will place the Convertible Bonds to not less than six Placees who are and whose ultimate beneficial owners are professional, institutional and/or individual investors independent of and not connected with any of the directors, chief executives, substantial shareholders or management shareholders of the Company or any of its subsidiaries or their respective associates or any parties acting in concert with any of them (as those terms are defined in the GEM Listing Rules or the Takeovers Code (as the case may be)).

Termination:

The Placing Agent shall be entitled by notice to the Company given prior to 10:00 a.m. on the Business Day preceding the relevant date of the Completion to terminate the Placing Agreement if:

- a) there develops, occurs or comes into force:
 - (i) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events, developments or changes occurring or continuing before, on and/or after the date hereof) and including an event or change in relation to or a development of an existing state of affairs of a political, military, industrial, financial, economic, fiscal, regulatory or other nature, resulting in a material adverse change in, or which may result in a material adverse change in, political,

LETTER FROM THE BOARD

economic, fiscal, financial, regulatory or stock market conditions and which in the reasonable opinion of the Placing Agent would materially adversely affect the success of the Placing; or

- (ii) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise and which in the reasonable opinion of the Placing Agent, would materially adversely affect the success of the Placing; or
 - (iii) any material adverse change in conditions of local, national or international securities markets occurs which in the reasonable opinion of the Placing Agent would materially and adversely affect the success of the Placing; or
 - (iv) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdiction relevant to the Group and if in the reasonable opinion of the Placing Agent any such new law or change may materially and adversely affect the business or financial prospects of the Group and/or the success of the Placing; or
 - (v) a change or development occurs involving a prospective change of taxation or exchange control (or the implementation of exchange control) in Hong Kong or elsewhere and if in the reasonable opinion of the Placing Agent, any such change or development would materially adversely affect the success of the Placing; or
 - (vi) any litigation or claim being instigated against any member of the Group, which has or may have a material adverse effect on the business or financial position of the Group and which in the reasonable opinion of the Placing Agent would materially and adversely affect the success of the Placing; or
- b) any material breach of any of the representations and warranties set out in Placing Agreement comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date hereof and prior to the Completion which if it had occurred or arisen before the date hereof would have rendered any of such representations and warranties untrue or incorrect in any material respect or there has been a material breach by the Company of any other provision of the Placing Agreement; or

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- c) there is any adverse change in the financial position of the Company which is material in the context of the Placing; or
- d) there is any adverse change in market conditions occurs which makes it inexpedient or inadvisable to proceed with the placing of the Convertible Bonds or any suspension in the trading of the Company's securities on the Stock Exchange for a period of more than fifteen (15) consecutive Business Days, excluding any suspension in connection with the clearance of the announcement, the circular or other documents in connection with the placing of the Convertible Bonds.

Then and in any such case, the Placing Agent may terminate the Placing Agreement without liability to the Company by giving notice in writing to the Company, provided that such notice is received prior to 10:00 a.m. on the Business Day preceding the relevant date of the Completion.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

The following summarises certain of the principal terms of the Convertible Bonds:

Aggregate principal amount of the Convertible Bonds:

Up to HK\$250,000,000

Authorised denomination for issue, transfer and conversion:

HK\$1,000,000

Maturity Date:

Three (3) years from the relevant date of issue.

Conversion Period:

The Bondholders will be able to convert the outstanding principal amount of the Convertible Bonds in whole or in part into Shares at any time following the relevant date of issue until Maturity Date under the Specific Mandate.

Conversion Price:

Initially preset at HK\$0.05 per Conversion Share, subject to customary adjustments in the events of share consolidation (save for the recent share consolidation proposed by the Company on the basis of four Shares into one consolidated share as disclosed in the announcement of the Company dated 11 September 2015 (the "**Recent Share Consolidation**")), share subdivision, capitalisation issues, capital distribution, rights issue

LETTER FROM THE BOARD

and issues of other securities below 80 per cent of market price. For the avoidance of doubt, no adjustment shall be made to the Conversion Price as a result of the Recent Share Consolidation.

Interest:

Six (6) per cent per annum payable annually. The Bondholders shall have the option (the “**Interest Payment Option**”) to request the Company to pay the interest by the Additional Shares instead of cash by giving at least 7 days notice prior to the due date for payment of such interest, subject to redemption of the Convertible Bonds by the Company on or prior to such interest payment date. In such event, the amount of interest payable shall be deemed to be part of the principal amount of the Convertible Bonds (the “**Relevant Interest Payment**”) (for the purpose of calculating number of Shares it will be convertible into) and convertible into Shares at the Conversion Price in accordance with the terms of the Convertible Bonds. The Relevant Interest Payment will not be subject to any interest. Assuming no part of the Convertible Bonds are converted prior to the Maturity Date, maximum amount of interest of the Convertible Bonds will be approximately HK\$45,000,000. Based on the Conversion Price of HK\$0.05 and assuming there is no adjustment to the Conversion Price, a maximum of 900,000,000 Additional Shares will be issued, representing approximately 208.10% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 14.21% of the Company’s issued share capital as enlarged by the issue of the Conversion Shares and the Additional Shares. Immediately after Recent Share Consolidation becoming effective (assuming that there is no change in issued share capital of the Company from the Latest Practicable Date to the date immediately prior to the effective date of the Recent Share Consolidation), the maximum of 900,000,000 Additional Shares representing (i) approximately 832.38% of the issued share capital of the Company immediately after Recent Share Consolidation becoming effective; and (ii) approximately 14.98% of the Company’s issued share capital as enlarged by the issue of the Conversion Shares and the Additional Shares. The Additional Shares will be issued under the Specific Mandate.

Pursuant to the terms of the Convertible Bonds, exercise of the Interest Payment Options will result in the Relevant Interest Payment, where such amount will be deemed to be part of the principal amount of the Convertible Bonds (for the purpose of calculating number of Shares it will be convertible into). According to the terms of the Convertible Bonds, the Relevant Interest Payment are convertible into the Additional Shares at the Conversion Price. In addition, conversion of the Relevant Interest Payment into Additional Shares will also be subject to the conversion restriction of the Convertible Bonds as described in the paragraph headed “Conversion restriction” below.

LETTER FROM THE BOARD

For the avoidance of doubt, conversion of the Relevant Interest Payment into the Additional Shares will only take place as long as (i) the public float of at least 25 per cent of the issued share capital of the Company as enlarged by the issue of the Additional Shares can be maintained; and (ii) it does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the Bondholders and any parties acting in concert with it (as defined under the Takeovers Code).

The Directors are of the view that the Interest Payment Option will provide the Group with an opportunity to avoid immediate cash outlay in respect of the interest payment to be made to the Bondholders if the Bondholders exercise the Interest Payment Option. In addition, upon exercise of the Interest Payment Option by Bondholders, it will strengthen the capital base and broaden the shareholder base of the Group. In this connection, the Directors consider that the Interest Payment Option is in the interest of the Company and Shareholders as a whole.

Transferability:

The Convertible Bonds will be transferrable without the consent of the Company except that the Convertible Bonds can only be transferred to a connected person of the Company if prior written consent of the Company is obtained. Such consent will only be granted upon the Company being satisfied that all relevant requirements under the GEM Listing Rules and as required by the Stock Exchange have been complied with.

As at the Latest Practicable Date, the Company is not aware of any agreement, arrangement, understanding or undertaking (whether formal or informal and whether express or implied) between the Placing Agent, any potential Placees and the Company's connected persons in connection with the Placing or transferring the Convertible Bonds to any of the Company's connected persons.

Voting:

The Bondholders will not be entitled to attend or vote at any meeting of the Company by reason only of them being the Bondholders.

Listing:

No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.

Application will be made by the Company for the listing of, and permission to deal in, (i) the Conversion Shares to be issued upon the exercise of the conversion rights attaching to the Convertible Bonds; and (ii) the Additional Shares.

LETTER FROM THE BOARD

Ranking:

The Conversion Shares and Additional Shares to be issued upon the exercise of the conversion rights and Interest Payment Options attaching to the Convertible Bonds will rank *pari passu* in all respects with all other Shares outstanding on the date the name of the Bondholders is entered on the register of the members of the Company as a holder of the Conversion Shares.

Conversion restriction:

The Convertible Bonds can only be converted so long as:

- (i) in the opinion of the Company, the public float of at least 25 per cent of the issued share capital of the Company as enlarged by the issue of Conversion Shares can be maintained; and
- (ii) it does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the Bondholders and any parties acting in concert with it (as defined under the Takeovers Code).

Redemption:

The Company shall be 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 subject to any notice of conversion of the Convertible Bonds delivered prior to such redemption.

Upon maturity of the Convertible Bonds, the Company intends to repay the Convertible Bonds by its internal resources. The Company will consider other means of fund raising, including but not limited to bank borrowings and equity fund raising, if no sufficient fund is available at the time of repayment of the Convertible Bonds.

Conversion:

Assuming the Convertible Bonds are fully placed, upon full conversion of the HK\$250,000,000 principal amount of the Convertible Bonds at the Conversion Price, a total of 5,000,000,000 Conversion Shares will be issued, representing approximately 1,156.09% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 92.04% of the Company's issued share capital as enlarged by the issue of the Conversion Shares. Immediately after Recent Share Consolidation becoming effective (assuming that there is no change in issued share capital of the Company from the Latest Practicable Date to the date immediately prior to the effective date of the Recent Share Consolidation), the 5,000,000,000 Conversion Shares representing (i) approximately

LETTER FROM THE BOARD

4,624.34% of the issued share capital of the Company immediately after Recent Share Consolidation becoming effective; and (ii) approximately 97.88% of the Company's issued share capital as enlarged by the issue of the Conversion Shares.

The Placing is conditional upon, *inter alia*, the convening of the SGM for Shareholders to consider and, if thought fit, passing the resolutions to, *inter alia*, approve the entering into of the Placing Agreement and the transactions contemplated thereunder including the allotment and issue of the Conversion Shares and the Additional Shares under the Specific Mandate.

Conversion Price:

The Conversion Price of HK\$0.05 per Conversion Share was arrived at after arm's length negotiation between the Company and the Placing Agent:

- (i) a discount of approximately 79.42% to the closing price of HK\$0.243 per Share quoted on the Stock Exchange on the date of the Placing Agreement;
- (ii) a discount of approximately 81.68% to the average closing price of HK\$0.273 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately prior to the date of the Placing Agreement;
- (iii) a discount of approximately 94.86% to the theoretical closing price of HK\$0.972 per consolidated share assuming the Recent Share Consolidation becoming effective on the date of the Placing Agreement, based on closing price of HK\$0.243 per Share quoted on the Stock Exchange on the date of the Placing Agreement;
- (iv) a discount of approximately 95.42% to the theoretical closing price of HK\$1.092 per consolidated share assuming the Recent Share Consolidation becoming effective on the five trading days immediately prior to the date Placing Agreement, based on closing price of HK\$0.273 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately prior to the date of the Placing Agreement;
- (v) a premium over the net liability position of the Group of approximately HK\$0.28 per Share for the year ended 31 March 2015 (based on 432,493,894 Shares as at the Latest Practicable Date);
- (vi) a discount of approximately 77.88% to the closing price of HK\$0.226 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

LETTER FROM THE BOARD

- (vii) a discount of approximately 94.47% to the theoretical closing price of HK\$0.904 per consolidated share assuming the Recent Share Consolidation becoming effective on the Latest Practicable Date, based on the closing price of HK\$0.226 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Conversion Price was determined with reference to the prevailing market price of the Shares, the continuous loss-making track record, capital deficiency for the last three consecutive financial years, the current par value of HK\$0.0001 and the net liability position of approximately HK\$0.28 per Share according to the audited consolidated financial statements of the Group for the year ended 31 March 2015, and was negotiated on an arm's length commercial basis between the Company and the Placing Agent.

Market price of the Shares demonstrated a downward trend for the six months immediately preceding 28 August 2015, date of the Placing Agreement (the "**Review Period**"). As quoted on the Stock Exchange, during the Review Period, the average adjusted closing price of the Shares was approximately HK\$0.689 and attained a peak of HK\$1.100 per Share on 13 April 2015. Closing price per Share declined to HK\$0.243 per Share as at 28 August 2015, representing a drop of approximately 64.7% and 77.9% to the respective average closing price and the highest closing price of the Shares during the Review Period.

Furthermore, the Group has weak financial indicators immediately prior to the Placing as illustrated with (i) the Group recorded net loss of over HK\$100 million for each of the last three consecutive financial years. Loss margins of the Group as a percentage of its revenue for the last three consecutive financial years ranged from approximately 34% to 102%; (ii) the Group recorded revenue contraction from its continuing operation of approximately 34% and 73% for year ended 31 March 2014 and 2015 respectively; and (iii) the Group recorded net liability of over HK\$100 million for the year ended 31 March 2013, 2014 and 2015. As at 31 March 2015, net liability of the Group was approximately HK\$119.9 million and recorded a net liability of approximately HK\$0.28 per Share (based on 432,493,894 Shares as at the Latest Practicable Date).

In view of the decline in trading price of the Shares and weak financial indicators of the Group as discussed above, the Conversion Price was arrived at upon commercial discussions and arm's length negotiations between the Company and the Placing Agent.

The net price of the Conversion Shares to be issued upon Conversion is approximately HK\$0.047.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE

The following tables show the shareholding structure of the Company (i) as at the Latest Practicable Date or immediately upon the Recent Share Consolidation becoming effective (as the case may be; (ii) immediately after Completion assuming the Convertible Bonds are fully placed and converted (for illustration purposes only); and (iii) immediately after Completion assuming the Convertible Bonds are fully placed and converted and with maximum number of Additional Shares being issued (for illustration purposes only).

Scenario 1: Assuming the Recent Share Consolidation not becoming effective

Shareholder(s)	As at the		Immediately after		Immediately after	
	Latest Practicable Date		Completion assuming all		Completion assuming all	
	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %
Jingquan Yingzi (Note)	4,522,000	1.05%	4,522,000	0.08%	4,522,000	0.07%
Cyberland (China) Limited (Note)	106,914,070	24.72%	106,914,070	1.97%	106,914,070	1.69%
Placees	–	–	5,000,000,000	92.04%	5,900,000,000	93.17%
Public shareholders	<u>321,057,824</u>	<u>74.23%</u>	<u>321,057,824</u>	<u>5.91%</u>	<u>321,057,824</u>	<u>5.07%</u>
Total:	<u>432,493,894</u>	<u>100.00%</u>	<u>5,432,493,894</u>	<u>100.00%</u>	<u>6,332,493,894</u>	<u>100.00%</u>

Scenario 2: Assuming the Recent Share Consolidation becoming effective

Shareholder(s)	Immediately upon the		Immediately after		Immediately after	
	Recent Share Consolidation		Completion assuming all		Completion assuming all	
	No. of Share	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %
Jingquan Yingzi (Note)	1,130,500	1.05%	1,130,500	0.02%	1,130,500	0.02%
Cyberland (China) Limited (Note)	26,728,517	24.72%	26,728,517	0.52%	26,728,517	0.44%
Placees	–	–	5,000,000,000	97.88%	5,900,000,000	98.20%
Public shareholders	<u>80,264,456</u>	<u>74.23%</u>	<u>80,264,456</u>	<u>1.58%</u>	<u>80,264,456</u>	<u>1.34%</u>
Total:	<u>108,123,473</u>	<u>100.00%</u>	<u>5,108,123,473</u>	<u>100.00%</u>	<u>6,008,123,473</u>	<u>100.00%</u>

LETTER FROM THE BOARD

Note: Ms. Jingquan Yingzi (“**Ms. Jingquan**”) is the chairman and an executive director of the Company. There are totally 106,914,070 Shares held by Cyberland (China) Limited (“**Cyberland**”) which is legally and beneficially owned as to 30.37% by Rise Enterprises Limited (“**Rise Enterprises**”) and 15% by Wealth Way Investment Limited (“**Wealth Way**”), respectively. Rise Enterprises is beneficially owned as to 62.96% by Eagle Bliss Limited which in turn is wholly owned by Ms. Jingquan, while Wealth Way is directly and wholly owned by Ms. Jingquan. Cyberland is in aggregate indirectly 34.12% owned by Ms. Jingquan. For the purpose of Part XV of SFO, Ms. Jingquan is deemed to be interested in the Shares held by Cyberland.

INFORMATION OF THE GROUP

The Group is principally engaged in manufacturing, sales and distribution of tobacco agricultural machinery, related products and provision of digital television broadcasting in the PRC.

REASONS FOR THE PLACING

As at the Latest Practicable Date, the Group has the SME Private Bonds with aggregate principal amount of RMB33.3 million which were already overdue. As mentioned in the paragraph headed “Placing Conditions Precedent” above that the Company received civil court Judgement regarding the Dispute over the SME Private Bonds where the applicants of the Dispute applied for arbitration in May 2015 and demanded the freeze of a sum of RMB41 million in the bank account of Jiangsu Kedi, or other assets of equivalent amount of Jiangsu Kedi for the Dispute.

As at the Latest Practicable Date, the Group has Bank Borrowings (excluding a revolving bank loan which is intended to be maintained by the Group) with aggregate principal amount of approximately RMB129.0 million which are either overdue or repayable within one year. The aggregate outstanding amount of the SME Private Bonds and the Bank Borrowings are approximately RMB162.3 million (equivalent to approximately HK\$196.0 million). As a result, the Group has to bear interest expenses of approximately HK\$1.0 million each month. Among the Bank Borrowings, (i) an aggregate principal amount of approximately RMB22.0 million (equivalent to approximately HK\$26.6 million) are overdue, of which approximately RMB11.0 million (equivalent to approximately HK\$13.3 million) was overdue by over six months and approximately RMB11.0 million (equivalent to approximately HK\$13.3 million) was overdue by one month (the “**Overdue Bank Borrowings**”); and (ii) principal of approximately RMB107.0 million (equivalent to approximately HK\$129.2 million) will be repayable within one year and will be due in early July 2016 (the “**Unexpired Bank Borrowings**”).

Based on the foregoing, the Group has an imminent need of funding to cope with its already overdue SME Private Bonds as its immediate focus and to settle the Bank Borrowings to reduce the Group’s huge interest burden, to lower the debt level and to avoid the possibility of interest penalty, default risk and other potential legal disputes. In order to facilitate the long-run business development of the Group and with the view to trim down the Group’s debt level to a healthy level, the Company is conducting the Placing.

LETTER FROM THE BOARD

The Group, through its legal consultant in mainland China, is continuously negotiating with the applicants on the amount, timing and method of settlement of the Dispute. As at the Latest Practicable Date, there is no significant development for the Dispute. The Directors consider that given the Group's immediate focus in settlement of the overdue SME Private Bonds using proceeds from the Placing, completion of the Placing will facilitate the Group to settle the Dispute. Upon settlement of the Dispute, it is anticipated that it will enable the bank account and other assets of Jiangsu Kedi to be unfrozen for the Group's operation. The Company will make further announcement in due course regarding the Dispute as and when necessary.

Use of proceeds

If the Convertible Bonds are fully placed, the gross proceeds from the Placing will be HK\$250,000,000. On the assumption that 5,000,000,000 Conversion Shares are issued at the Conversion Price of HK\$0.05 each, the net price raised per Conversion Share is approximately HK\$0.047. The net proceeds from the Placing of up to approximately HK\$236.9 million is to be used for (i) settlement of borrowings of the Group of approximately HK\$196.0 million. Among which, approximately HK\$40.2 million will be applied for repayment of the overdue SME Private Bonds, approximately HK\$26.6 million for repayment of the Overdue Bank Borrowings and approximately HK\$129.2 million for repayment of the Unexpired Bank Borrowings; and (ii) the remaining balance of approximately HK\$40.9 million as general working capital for day-to-day business operation of the Group for the next 12 months, including but not limited to interest payment of borrowings of the Group, salaries and directors' remuneration, legal and professional fee, rental expenses and building management fee, utilities expenses, operating and administrative expenses for the Group's day-to-day operations. Concurrently, the Group is also exploring potential business and/or investment opportunities in agriculture industry and other industry for its business development and expansion. The Company may consider deploy part of the net proceeds that already preset as working capital for future potential business and/or investment opportunities as may be identified from time to time. As disclosed below in the paragraph headed "Business Prospect of the Group", recently, the Group has been exploring the opportunities and studying the feasibility for two potential projects in relation to chain store of fruit in the PRC and the trading of fruit in APEC (the "**Opportunities Studies**"). The Opportunities Studies are still at a very preliminary stage and additional information will be required by the Company for its further assessment. As such, the Company and the related parties have not commenced any negotiation or entered into any form of agreement. As at the Latest Practicable Date, save for the Opportunities Studies (where no negotiation has commenced), the Group has not entered into any negotiation, agreement, arrangement, understanding or undertaking in relation to any potential investment.

LETTER FROM THE BOARD

The Directors are of the view that the Placing represents a good opportunity for the Company to raise additional funds and it will provide: (i) the Company with immediate funding without resulting in immediate dilution effect on the shareholding of the existing Shareholders; (ii) the Company with immediate working capital to support the Company's existing businesses; and (iii) an opportunity for the Company, if the conversion rights attached to the Convertible Bonds are exercised, to enlarge and strengthen its capital base and also broaden its Shareholders base by the introduction of new investors.

The Directors have considered other fund raising alternative such as bank borrowing and rights issue or open offer. However, since bank borrowings may incur a higher interest rate as compared to the 6% coupon rate of the Convertible Bonds and the lengthy execution time of the rights issue or open offer as compared to the imminent need of the Company to repay certain debts, the Directors considered that the placing of the Convertible Bonds is an appropriate means under the current situation of the Group.

In the course of considering the Placing, the Company has approached two securities houses and none of them showed interest in providing placing service for the Company given the size of the Placing, the Group's financial performance and the market uncertainties. The Placing Agent was the only available placing agent which has agreed to conduct the Placing for the Company on a best-effort basis.

The Directors are aware of the potential dilution effect on Shareholders' interest given the discount of the Conversion Price, the Directors considered that:

- (i) as discussed above, the Group has urgent funding need for debt repayment with immediate focus to settle the overdue SME Private Bonds where Judgement was received in respect of the Dispute associated thereof and to settle the Overdue Bank Borrowings and the Unexpired Bank Borrowings;
- (ii) given weak financial indicators of the Group as illustrated with loss making financial performance, contraction in revenue, decrease in gross profit, increase in loss from operations of the Group coupled with net current liability and net liability position of the Group, it may not generate sufficient cashflow from its principal business activities to settle its overdue debt and other debt repayment obligations which will be mature within one year. As such, shrinking cashflow coupled with overdue debt and outstanding Bank Borrowings imposes serious threat to the going concern of the Group;
- (iii) it is important for the Group to obtain funding for debt repayment to avoid possible liquidation initiated by creditors of the Group in the event the Group fails to reach a consensus on the repayment schedule of overdue indebtedness with its creditors; and

LETTER FROM THE BOARD

- (iv) based on the foregoing, there is an urgent need for the Group to find source of fund. Save for the Placing, the Group seems to have no other viable financing alternatives given the financial distress encountered by it and the Placing Agent is the only available placing agent agreeing to provide placing services to the Group on a best-effort basis.

In this connection, taking into account the urgent funding needs of the Group, the Directors are of the view that, on a balance of the benefits of the Placing in providing funding to the Group to cope with its financial distress situation and its pressure on liquidity and the potential shareholding dilution impact, the Placing is justifiable.

The Directors consider that the terms of the Placing Agreement and the terms of the Convertible Bonds (together with the Conversion Price) are fair and reasonable and in the interests of the Company and Shareholders as a whole.

BUSINESS PROSPECT OF THE GROUP

The Group was engaged in the manufacturing and sale of agricultural intensive flue-curing barns and trading of related machinery, and the provision of digital television broadcasting services in the PRC. As disclosed in the first quarterly report for the three months ended 30 June 2015 (the “**2015 First Quarterly Report**”), during the three months ended 30 June 2015, (i) revenue from continuing operation of the Group decreased by approximately 78.6% and reached approximately HK\$11.6 million in 2015 as compared with approximately HK\$54.2 million in the corresponding period in 2014; (ii) gross profit margin reduced to approximately 27% in 2015 as compared with approximately 37% in 2014; and (iii) loss for the period from continuing operations increased to approximately HK\$40.3 million in 2015 from approximately HK\$18.7 million in 2014.

During the three months ended 30 June 2015, the overall business performance is not satisfactory because of the shrinking demand, market uncertainties and sluggish economy in the PRC despite that the management has adopted stringent cost control measures, closure of persistent non-performance business. The Company is actively engaged in liaison for potential business opportunity and possible of all kinds of funding from external investors.

The Company is very cautious and prudent in running the business of manufacturing and sale of agricultural flue-curing barns. On the other hand, the Company will not rule out any possibility to have overhaul on the whole tobacco related segment or exit from the industry. Recently, the Company has been exploring the opportunities and studying the feasibility for two potential projects in relation to chain store of fruit in the PRC and the trading of fruit in APEC. The aforesaid studies are still at a very preliminary stage and additional information will be required by the Company for its further assessment. As such, the Company and the related parties have not commenced any negotiation or entered into any form of agreement. The Company considers reallocating more resources to the digital television operation in order to grasp the

LETTER FROM THE BOARD

opportunities arising from flourishing film exhibition and the entertainment industry in the PRC. The Group will continue to streamline its business model and structure and explore other business opportunities in addition to the conventional tobacco related business if opportunity arises.

FUND RAISING ACTIVITIES OF THE COMPANY DURING THE PAST 12 MONTHS

Except for the fund raising activities as mentioned below, the Board confirms that there has not been any fund raising activity made by the Company in the twelve months immediately preceding the Latest Practicable Date.

Date of announcement	Event	Net proceeds (approximately)	Intended use of net proceeds	Actual use of proceeds
21 April 2015	Placing of new shares under general mandate	HK\$9.6 million	For general working capital of the Group	(i) Approximately HK\$3.2 million was used for operating expenses of the Group; (ii) approximately HK\$2.2 million was used for interest payments for borrowings of the Group; and (iii) approximately HK\$4.2 million was used for repayment of borrowings of the Group.
11 May 2015	Placing of new shares under general mandate	HK\$10.2 million	For general working capital of the Group	(i) Approximately HK\$2.1 million was used for operating expenses of the Group; (ii) approximately HK\$3.0 million was used for interest payments for borrowings of the Group; and (iii) approximately HK\$5.1 million was used for repayment of borrowings of the Company.
2 June 2015	Placing of new shares under general mandate	HK\$18.74 million	For general working capital of the Group	(i) Approximately HK\$2.74 million was used for operating expenses of the Group; (ii) approximately HK\$8.0 million was used for interest payments for borrowings of the Group; and (iii) approximately HK\$3.9 million was used for repayment of borrowings of the Company. The remaining balance of approximately HK\$4.1 million was deposited in bank.

LETTER FROM THE BOARD

GENERAL

The Placing is conditional upon, *inter alia*, the convening of the SGM for Shareholders to consider and, if thought fit, passing the resolution to approve, *inter alia*, the entering into of the Placing Agreement and the allotment and issue of the Conversion Shares and the Additional Shares under the Specific Mandate and the transactions contemplated thereunder.

Completion is subject to the satisfaction of the conditions precedent set out in the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

SGM

The SGM will be convened and held at 11:00 a.m. on Wednesday, 14 October 2015 at Rooms 1120-26, 11th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong, for the purpose of considering, and, if thought fit, approving, *inter alia*, the Placing Agreement and all the transactions contemplated thereunder, the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares and the Additional Shares under the Specific Mandate. In compliance with the GEM Listing Rules, the resolution will be voted on by way of poll at the SGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholders are required to abstain from voting on the resolution to be proposed at the SGM.

The notice convening the SGM is set out on pages 24 to 26 of this circular. A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in an event not less than 48 hours before the time scheduled for the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the SGM or any adjourned meeting should you so wish, and in such case, the form of proxy submitted by you shall be deemed to be revoked.

RECOMMENDATION

The Directors are of the opinion that the Placing and the terms of the Placing Agreement are fair and reasonable and are in the interest of the Company and the Shareholders as a whole. Accordingly, the Board recommends that all Shareholders to vote in favour of the ordinary resolution approving the Placing to be proposed at the SGM.

Completion of the Placing is subject to the satisfaction of the conditions precedent set out in the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

LETTER FROM THE BOARD

RESPONSIBILITY STATEMENT

This circular, 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 Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular 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 circular misleading.

By Order of the Board of
CODE AGRICULTURE (HOLDINGS) LIMITED
Jingquan Yingzi
Chairman

NOTICE OF SGM



CODE AGRICULTURE (HOLDINGS) LIMITED 科地農業控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 8153)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the special general meeting (the “**SGM**”) of Code Agriculture (Holdings) Limited (the “**Company**”) will be held at 11:00 a.m. on Wednesday, 14 October 2015 at Rooms 1120-26, 11th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong for the purposes of considering and, if thought fit, passing (with or without amendments) the following resolutions of the Company as ordinary resolutions:

ORDINARY RESOLUTION

“THAT

- (a) the conditional placing agreement dated 28 August 2015 (as supplemented on 22 September 2015) (the “**Placing Agreement**”) entered into between the Company and Pico Zeman Securities (HK) Limited (the “**Placing Agent**”) pursuant to which the Placing Agent agreed to procure not less than six placees to subscribe for the convertible bonds in aggregate principal of up to HK\$250 million (the “**Convertible Bonds**”) on a best effort basis by one or more tranches of not less than HK\$10 million each entitling the holders thereof to convert the principal amount thereof into ordinary shares of the Company (the “**Conversion Shares**”) at the initial conversion price of HK\$0.05 per Conversion Share (subject to adjustment) (the “**Conversion Price**”) (a copy of the Placing Agreement has been produced at the SGM and marked “A” and initialled by the chairman of the SGM for the purpose of identification) and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) subject to the fulfillment and/or waiver of the conditions set out in the Placing Agreement, the directors of the Company (the “**Directors**”) be and are hereby authorised to issue the Convertible Bonds in accordance with the terms and conditions of the Placing Agreement;

NOTICE OF SGM

- (c) subject to the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Conversion Shares to be allotted and issued and the additional ordinary shares of the Company to be allotted and issued at the Conversion Price in the event the holder of the Convertible Bonds request the Company to pay the interest of the Convertible Bonds by ordinary shares of the Company (the “**Additional Shares**”), the Directors be and are hereby granted a specific mandate to exercise the powers of the Company to allot and issue the Conversion Shares and the Additional Shares; and
- (d) any Director be and is hereby authorised to exercise all powers of the Company and take all steps as might in his opinion be desirable, necessary or expedient to give effect to or in connection with the Placing Agreement and the Convertible Bonds including without limitation to:
- (i) the execution, amendment, supplement, delivery, submission and/or implementation of any further documents or agreements in relation to the Placing Agreement provided that any amendment or supplement thereto are ancillary to the Placing Agreement and of administrative nature, the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares and the Additional Shares; and
- (ii) the taking of all necessary actions to implement the transactions contemplated under the Placing Agreement.”

By Order of the board of Directors
CODE AGRICULTURE (HOLDINGS) LIMITED
Jingquan Yingzi
Chairman

Hong Kong, 25 September 2015

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head office and principal place of
business in Hong Kong:*
Rooms 1120-26
11th Floor, Sun Hung Kai Centre
30 Harbour Road
Wan Chai, Hong Kong

NOTICE OF SGM

Notes:

1. Any shareholder of the Company entitled to attend and vote at the SGM shall be entitled to appoint another person as his/her/its proxy to attend and vote instead of him/her/it. A shareholder who is the holder of two or more shares may appoint more than one proxy(ies) to represent him/her/it and vote on his/her/its behalf. A proxy need not to be a shareholder of the Company.
2. In order to be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a certified copy thereof, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the SGM (or any adjournment thereof).
3. Completion and delivery of a form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the SGM, and in such event, such form of proxy shall be deemed to be revoked.
4. Where there are joint holders of any shares, any one of such joint holder may vote, either in person or by proxy, in respect of such shares as if he/she/it was solely entitled thereto; but if more than one of such joint holders be present at the SGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of such joint holding.
5. A form of proxy for use at the SGM is attached herewith.
6. Any voting at the SGM shall be taken by poll.
7. The form of proxy shall be signed by the shareholder of the Company or his/her attorney duly authorised in writing or, in the case of a corporation, must be either executed under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

As of the date of this notice, the executive Directors are Ms. Jingquan Yingzi (Chairman), Mr. Chin Wai Keung Richard and Mr. Wu Zhongxin; 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.