
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



A notice convening the special general meeting of the Company (the “SGM”) to be held at 11:00 a.m. on Friday, 3 June 2016 at Rooms 2037-40, 20th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong is set out on pages SGM-1 to SGM-3 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 <http://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.

19 May 2016

CHARACTERISTICS OF THE GEM

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 22 April 2016 in relation to the Placing
“associate(s)”	the meaning ascribed thereto in the GEM Listing Rules
“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 ascribed thereto in the GEM Listing Rules
“Conversion Price”	HK\$0.05 per Conversion Share
“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 2019 in an aggregate principal amount of HK\$120,000,000 to be issued by the Company pursuant to the Placing Agreement and the subscription agreement in relation to the Convertible Bonds
“Director(s)”	director(s) of the Company

DEFINITIONS

“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”	16 May 2016, 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 investor(s) 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 an aggregate principal amount of HK\$120,000,000 by the Placing Agent pursuant to the Placing Agreement
“Placing Agent”	Win Wind Securities Limited, a licensed corporation to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO
“Placing Agreement”	the placing agreement dated 22 April 2016 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)

DEFINITIONS

“PRC”	the People’s Republic of China
“RMB”	Chinese Yuan Renminbi, the lawful currency of the People’s Republic of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the Placing and the allotment and issue of the Conversion Shares and the Additional Shares under the Specific Mandate
“Share(s)”	ordinary shares of HK\$0.0004 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 which had been overdue and with remaining outstanding principal amount of approximately RMB15.6 million (equivalent to approximately HK\$18.6 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. Wang Anyuan
Mr. Wu Zhongxin

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Non-executive Director:

Prof. Liu Guoshun

*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

Independent Non-executive Directors:

Mr. Sousa Richard Alvaro
Mr. Lee Chi Hwa Joshua
Mr. Zhao Zhizheng

19 May 2016

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 22 April 2016 (after trading hours), 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, or failing which itself as principal on a fully underwritten basis, to subscribe for HK\$120 million of the Convertible Bonds by one or more tranches of not less than HK\$1 million each.

LETTER FROM THE BOARD

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

THE PLACING

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

Date:

22 April 2016 (after trading hours)

Issuer:

The Company

Placing Agent:

Win Wind Securities 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 22 April 2016 (after trading hours), 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, or failing which itself as principal on a fully underwritten basis, to subscribe for HK\$120 million of the Convertible Bonds by one or more tranches of not less than HK\$1 million each. In the event that, as at the close of the Placing Period, there are any unplaced Convertible Bonds, the Placing Agent shall subscribe, or procure its nominees to subscribe, the unplaced Convertible Bonds at the Placing Price.

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

LETTER FROM THE BOARD

- (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.

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, including publication of related announcement and circular and seeking a separate specific mandate from the Shareholders.

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

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). If the conditions precedent as set out in the Placing Agreement are not fulfilled on or before the Long Stop Date (or such later date as may be agreed between the Company and the Placing Agent in writing), the Company shall pay to the Placing Agent a fee equal to 2% of HK\$120,000,000, being HK\$2,400,000 (the “**Unsuccessful Fee**”).

In the event that the Placing Agent terminates the Placing Agreement in the manner as stipulated in the Placing Agreement (details are set out in the paragraph headed “Termination” below), all obligations of each of the parties under the Placing Agreement shall cease and determine and no party shall have any claim against any other party in respect of any matter arising out of or in connection with the Placing Agreement except for any antecedent breach of any obligation under the Placing Agreement. In such case, the Placing Agent will not be entitled to the Unsuccessful Fee.

LETTER FROM THE BOARD

Such rate and fee were arrived at after arm's length negotiations between the Company and the Placing Agent with reference to, among other things, the 5% commission rate of the Previous CB Placing (as defined below), the size of the Placing, the current and expected declining market conditions and prevailing placing commission rate charged for similar placing activities. The 2% Unsuccessful Fee represents the compensation for the liquidity risk and cost borne by the Placing Agent in order to satisfy the Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong) for the fully-underwritten commitment under the Placing.

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). 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, including publication of related announcement and circular and seeking a separate specific mandate from the Shareholders.

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)). In the event that, as at the close of the Placing Period, there are any unplaced Convertible Bonds, the Placing Agent shall subscribe, or procure its nominees to subscribe, the unplaced Convertible Bonds at the Placing Price.

LETTER FROM THE BOARD

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, 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

LETTER FROM THE BOARD

- (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
- (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 summaries certain of the principal terms of the Convertible Bonds:

Aggregate principal amount of the Convertible Bonds:

HK\$120,000,000.

Authorised denomination for issue, transfer and conversion:

HK\$1,000,000.

LETTER FROM THE BOARD

Maturity Date:

Third (3rd) anniversary of 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 set at HK\$0.05 per Conversion Share, subject to customary adjustments, including share consolidation, share subdivision, capitalisation issues, capital distribution, rights issue, open offer and issues of options or warrants to subscribe for new shares or other securities at a price below 80 per cent of market price.

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\$21,600,000. Based on the Conversion Price of HK\$0.05 and assuming there is no adjustment to the Conversion Price, a maximum of 432,000,000 Additional Shares will be issued, representing approximately 289.3% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 14.5% 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.

LETTER FROM THE BOARD

Pursuant to the terms of the Convertible Bonds, exercise of the Interest Payment Option 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.

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. Save with the consent of the Stock Exchange, none of the Convertible Bonds may be transferred to a connected person of the Company. The Company shall give notice to the Stock Exchange for seeking consent only for any transfer of the Convertible Bonds where a connected person of the Company is involved.

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.

LETTER FROM THE BOARD

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.

Ranking:

The Conversion Shares and Additional Shares to be issued upon the exercise of the conversion rights and Interest Payment Option 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.

LETTER FROM THE BOARD

CONVERSION

Assuming the Convertible Bonds are fully placed, upon full conversion of the HK\$120,000,000 principal amount of the Convertible Bonds at the Conversion Price, a total of 2,400,000,000 Shares will be issued, representing approximately 1,607.2% of the existing issued share capital of the Company and approximately 94.1% 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 94.57% to the closing price of HK\$0.92 per Share quoted on the Stock Exchange on the date of the Placing Agreement;
- (ii) a discount of approximately 94.64% to the average closing price of HK\$0.932 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; and
- (iii) a discount of approximately 93.59% to the closing price of HK\$0.78 per Share 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\$0.0004 and the net liability position of approximately HK\$1.38 per Share as per the unaudited financial statements for the six months ended 30 September 2015 of the Group, and was negotiated on an arm's length commercial basis between the Company and the Placing Agent.

The net price per Conversion Share to be issued upon Conversion is approximately HK\$0.047.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE

The following table shows the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after Completion of the Placing 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).

Shareholder(s)	As at		Immediately after Completion		Immediately after Completion	
	the Latest Practicable Date		assuming all Convertible Bonds		assuming all Convertible Bonds	
	Number of	Approximate %	Number of	Approximate %	Number of	Approximate %
	Shares		Shares		Shares	
Jingquan Yingzi (<i>Note</i>)	1,130,500	0.76	1,130,500	0.04	1,130,500	0.04
Cyberland (China) Limited (<i>Note</i>)	26,728,517	17.90	26,728,517	1.05	26,728,517	0.90
Chow Kam Wah	20,601,643	13.80	20,601,643	0.81	20,601,643	0.69
Ip Po Ki	20,601,643	13.80	20,601,643	0.81	20,601,643	0.69
Placees	–	–	2,400,000,000	94.14	2,832,000,000	94.99
Public shareholders	<u>80,264,456</u>	<u>53.74</u>	<u>80,264,456</u>	<u>3.15</u>	<u>80,264,456</u>	<u>2.69</u>
Total	<u>149,326,759</u>	<u>100.00</u>	<u>2,549,326,759</u>	<u>100.00</u>	<u>2,981,326,759</u>	<u>100.00</u>

Note:

Ms. Jingquan Yingzi (“**Ms. Jingquan**”) is the chairman and an executive Director. There are totally 26,728,517 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 and related products, provision of digital television broadcasting in the PRC and provision of car beauty and maintenance services in Hong Kong.

LETTER FROM THE BOARD

REASONS FOR THE PLACING AND USE OF PROCEEDS

As disclosed in the Company's circular dated 25 September 2015 (the "**CB Placing Circular**"), the Company entered into a placing agreement on 28 August 2015 (as supplemented on 22 September 2015) with the Placing Agent in respect of placing of convertible bonds of up to an aggregate principal amount of HK\$250 million (the "**Previous CB Placing**"). However, due to the uncertainties in financial market in Hong Kong and fluctuating market sentiment, it caused difficulty in placing of the convertible bonds up to the maximum amount of HK\$250 million under the Previous CB Placing within the placing period. Therefore, only convertible bonds with an aggregate amount of HK\$130 million were successfully placed under the Previous CB Placing prior to long stop date of the Previous CB Placing on 13 December 2015. As such, a shortfall of HK\$120 million was resulted from the Previous Placing as compared with the amount originally intended to be raised by the Group (the "**Shortfall Amount**").

As at the Latest Practicable Date, the Group has borrowings with aggregate principal amount of approximately HK\$271.1 million (the "**Borrowings**"), consisting of approximately RMB169.0 million (equivalent to approximately HK\$201.3 million) from the PRC bank borrowings (the "**PRC Bank Borrowings**"), SME Private Bonds from PRC financial institutions of approximately RMB15.6 million (equivalent to approximately HK\$18.6 million) and a loan of approximately HK\$51.2 million borrowed by the Company from a third party which will be repayable in May 2016 (the "**HK Loan**"). As a result, the Group has to bear interest expenses of approximately HK\$1.2 million each month. Among the PRC Bank Borrowings, (i) an aggregate principal amount of approximately RMB62.0 million (equivalent to approximately HK\$73.8 million) are overdue (the "**Overdue PRC Bank Borrowings**"), of which RMB22.0 million (equivalent to approximately HK\$26.2 million) was overdue by over six months and RMB40.0 million (equivalent to approximately HK\$47.6 million) was overdue by one month; and (ii) principal of approximately RMB107.0 million (equivalent to approximately HK\$127.4 million) will be overdue in July 2016 (the "**Unexpired PRC Bank Borrowings**"). In respect of above Borrowings, the Company has been in active negotiation with relevant parties for possible debt restructuring, waiver of interest accrued, repayment by installments, and other arrangements. The Group continues to work closely with its PRC legal consultant in handling its legal matters. The Company expects to enter into amendment agreements with the banks to extend the maturity dates of the Unexpired PRC Bank Borrowings which will be repayable in July 2016. The Company keeps negotiating with the lenders and has received positive feedback from them and the Company will take further steps to speed up the negotiation process to reach agreements with the lenders.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the outstanding Borrowings of the Group comprised of:

	Outstanding Amount <i>HK\$' million</i>
Overdue PRC Bank Borrowings	73.8
SME Private Bonds (Overdue)	18.6
HK Loan (Repayable in May 2016)	51.2
Unexpired PRC Bank Borrowings (Repayable in July 2016)	<u>127.4</u>
	271.0
<i>Less: Unutilised net proceeds from the Previous CB Placing which will be used to repay the Overdue PRC Bank Borrowings</i>	<u>54.7</u>
	<u><u>216.3</u></u>

Based on the foregoing, the Group has an imminent need of funding to cope with its Overdue PRC Bank Borrowings, SME Private Bonds and the HK Loan as its immediate focus and 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. As a result of the Shortfall Amount, it has restricted the Group's capability to fully relieve its financial burden and meet its funding requirements as originally planned under the Previous CB Placing. Therefore, the Company entered into the Placing Agreement to raise the necessary funding (same as the Shortfall Amount) to further trim down the Group's debt level to a healthy level and meet its funding requirements as stated in the CB Placing Circular. However, completion of the Placing is subject to the satisfaction of the conditions precedent set out in the Placing Agreement. If the Placing does not proceed, the Company will continue to negotiate with relevant parties for possible debt restructuring, waiver of interest accrued, repayment by installments and other arrangements in order to improve the Group's financial and cash flow positions and to maintain the Group as a going concern.

LETTER FROM THE BOARD

Use of proceeds

If the Convertible Bonds are fully subscribed, the gross proceeds from the Placing will be HK\$120,000,000. On the assumption that 2,400,000,000 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. After considering the maturity profile of the outstanding Borrowings, 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. In the event any urgency for the repayment of the outstanding Borrowings, the Company may utilise part of general working capital from the Placing to repay the outstanding Borrowings. On the other hand, if the Company can (i) extend the maturity date of the outstanding Borrowings; (ii) have available financial resources; and (iii) identify any favourable investment opportunities, the Company may utilize part of general working capital from the Placing to enhance its existing business and for other suitable business opportunities with growth potential so as to maximize the return of the Shareholders.

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 current situation of the Group.

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.

LETTER FROM THE BOARD

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 as at the Latest Practicable Date
21 April 2015	Placing of new shares under general mandate	HK\$9.6 million	For general working capital of the Group	<ul style="list-style-type: none"> (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	<ul style="list-style-type: none"> (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\$18.7 million	For general working capital of the Group	<ul style="list-style-type: none"> (i) Approximately HK\$6.8 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 Group.

LETTER FROM THE BOARD

Date of announcement	Event	Net proceeds (approximately)	Intended use of net proceeds	Actual use of proceeds as at the Latest Practicable Date
28 August 2015	The Previous CB Placing	HK\$123.5 million	For settlement of borrowings of the Group and as general working capital of the Group	<ul style="list-style-type: none"> (i) Approximately HK\$19.9 million was used for settlement of the SME Private Bonds; (ii) approximately HK\$1.8 million was used for interest payments for borrowings of the Group; (iii) approximately HK\$18.7 million was used for repayment of borrowings of the Group; (iv) approximately HK\$5.0 million was used for investment in a financial asset; (v) approximately HK\$6.5 million for the launch of car beauty and maintenance workshop and acquisition of fixed assets; (vi) approximately HK\$4.5 million loans made to third parties as part of the money lending business; (vii) approximately HK\$12.4 million was used for operating expenses of the Group; and (viii) approximately HK\$54.7 million is maintained at bank and will be used as intended.

The Company has committed efforts in negotiating with the lenders for obtaining more favourable terms for the repayment of the borrowings of the Group such as waiver of interest accrued, repayment with discounts to the principal amount or extension of maturity date, etc. Negotiation is in process and positive feedback is received from lenders. Therefore, the Company may enter into amendment and restatement agreements for the above possible arrangements of several loan agreements. As such, in view of the Company's intention and the possibility in obtaining more favourable repayment arrangements with the lenders, net proceeds of approximately HK\$54.7 million originally intended for settlement of debts is still maintained at bank. Such amount will be utilized once the Company has reached agreements with the lenders for the settlement arrangements.

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 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.

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.

SGM

The SGM will be convened and held at 11:00 a.m. on Friday, 3 June 2016 at Rooms 2037-40, 20th 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 including 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 SGM-1 to SGM-3 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.

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 Friday, 3 June 2016 at Rooms 2037-40, 20th 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 resolution of the Company as an ordinary resolution:

ORDINARY RESOLUTION

“THAT

- (a) the conditional placing agreement dated 22 April 2016 (the “**Placing Agreement**”) entered into between the Company and Win Wind Securities Limited (the “**Placing Agent**”) pursuant to which the Placing Agent agreed to procure not less than six placees, or failing which itself as principal on a fully underwritten basis, to subscribe for HK\$120 million of the Convertible Bonds (the “**Convertible Bonds**”) by one or more tranches of not less than HK\$1 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, 19 May 2016

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, Mr. Wang Anyuan 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.