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CHAODA MODERN AGRICULTURE (HOLDINGS) LIMITED

超大現代農業(控股)有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 682)

CONTINUING CONNECTED TRANSACTIONS AND PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION

CONTINUING CONNECTED TRANSACTIONS

On 1 December 2000, Fuzhou Chaoda, a wholly-owned subsidiary of the Company, entered into the 2000 Agreement with Fujian Chaoda Trading, a company ultimately controlled by Mr. Kwok who is the Chairman and controlling shareholder of the Company, in relation to the supply of organic fertilizers by Fujian Chaoda Trading to Fuzhou Chaoda. The transactions pursuant to the 2000 Agreement constitute continuing connected transactions of the Company under the Previous Listing Rules. The Company applied for and was granted the 2004 Waiver from the Stock Exchange on 27 January 2004 in respect of, among others, the continuing connected transactions under the 2000 Agreement. The 2004 Waiver will expire on 30 June 2006.

The 2000 Agreement has an initial term of twenty years commencing from 1 December 2000. The Group expects to continue to purchase organic fertilizers from Fujian Chaoda Trading in the ordinary and usual course of its business. In compliance with Rule 14A.35 of the Listing Rules which provides that the term of the written agreement(s) in relation to continuing connected transactions of listed issuers must be fixed and, except in special circumstances, must not exceed three years, Fuzhou Chaoda and Fujian Chaoda Trading entered into the Agreement which will, subject to the fulfillment of the condition precedent specified therein, replace the 2000 Agreement and which sets out the terms and conditions governing the purchase of organic fertilizers by Fuzhou Chaoda from Fujian Chaoda Trading following the termination of the 2000 Agreement.

The Agreement is conditional upon the approval of the Agreement, the Transactions and the Proposed Annual Caps from the Independent Shareholders having been obtained. If the above condition precedent is not fulfilled on or before 30 September 2006 (or such later date as the parties may agree in writing), the Agreement shall forthwith terminate and neither party shall have any claim against the other.

Fujian Chaoda Trading is a 95%-owned subsidiary of Fujian Chaoda Group which itself is owned as to 95% by Mr. Kwok who is the Chairman and controlling shareholder of the Company. Fujian Chaoda Trading is therefore an associate of Mr. Kwok and hence, a connected person of the Company within the meaning of the Listing Rules. The Transactions will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the annual aggregate value of the Transactions is expected to be more than HK\$10,000,000 and the Percentage Ratio in respect of the annual aggregate value of the Transactions is expected to exceed 2.5%, the Transactions will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.35 of the Listing Rules.

ARTICLES OF ASSOCIATION

The Directors propose to amend the Articles of Association: (i) to provide for the removal of the Directors by way of ordinary resolution(s) of the Shareholders at the general meetings of the Company, in order to bring the Articles of Association in line with the amendments to Appendices 3 and 13 of the Listing Rules which came into effect on 1 March 2006 to enable the removal of directors of a listed issuer by an ordinary resolution passed in a general meeting of the shareholders of the listed issuer; (ii) to allow a proxy appointed by any individual Shareholder to vote in general meetings of the Company on a show of hands as well as on a poll; and (iii) to provide for the retirement by rotation of directors at least once every three years in compliance with Rule A.4.2 of Appendix 14 of the Listing Rules.

A circular containing, among other things, details of the Agreement and the Transactions, a letter from the Independent Board Committee and the letter from the independent financial adviser, and details of the proposed amendments to the Articles of Association, together with a notice convening the EGM to consider, and if appropriate, to approve the Transactions, the Proposed Annual Caps and the proposed amendments to the Articles of Association will be despatched to the Shareholders as soon as practicable. Mr. Kwok and his associate, Kailey Investment, will abstain from voting in relation to the ordinary resolution to be put forward at the EGM for the purpose of approving the Transactions and the Proposed Annual Caps.

THE 2004 WAIVER

On 1 December 2000, Fuzhou Chaoda, a wholly-owned subsidiary of the Company, entered into the 2000 Agreement with Fujian Chaoda Trading, a company ultimately controlled by Mr. Kwok who is the Chairman and controlling shareholder of the Company, in relation to the supply of organic fertilizers by Fujian Chaoda Trading to Fuzhou Chaoda. The transactions pursuant to the 2000 Agreement constitute continuing connected transactions of the Company under the Previous Listing Rules. The Company applied for and was granted the 2004 Waiver from the Stock Exchange on 27 January 2004 in respect of, among others, the continuing connected transactions under the 2000 Agreement. The 2004 Waiver will expire on 30 June 2006.

CONTINUING CONNECTED TRANSACTIONS

The 2000 Agreement has an initial term of twenty years commencing from 1 December 2000. The Group expects to continue to purchase organic fertilizers from Fujian Chaoda Trading in the ordinary and usual course of its business. In compliance with Rule 14A.35 of the Listing Rules which provides that the term of the written agreement(s) in relation to continuing connected transactions of listed issuers must be fixed and, except in special circumstances, must not exceed three years, Fuzhou Chaoda and Fujian Chaoda

Trading entered into the Agreement which will, subject to the fulfillment of the condition precedent specified therein, replace the 2000 Agreement and which sets out the terms and conditions governing the purchase of organic fertilizers by Fuzhou Chaoda from Fujian Chaoda Trading following the termination of the 2000 Agreement.

The Agreement is conditional upon the approval of the Agreement, the Transactions and the Proposed Annual Caps from the Independent Shareholders having been obtained. If the above condition precedent is not fulfilled on or before 30 September 2006 (or such later date as the parties may agree in writing), the Agreement shall forthwith terminate and neither party shall have any claim against the other.

Fujian Chaoda Trading is a 95%-owned subsidiary of Fujian Chaoda Group which itself is owned as to 95% by Mr. Kwok who is the Chairman and controlling shareholder of the Company. Fujian Chaoda Trading is therefore an associate of Mr. Kwok and hence, a connected person of the Company within the meaning of the Listing Rules. The Transactions will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the annual aggregate value of the Transactions is expected to be more than HK\$10,000,000 and the Percentage Ratio in respect of the annual aggregate value of the Transactions is expected to exceed 2.5%, the Transactions will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.35 of the Listing Rules. Details of the Transactions and the Proposed Annual Caps will be included in the annual report and accounts of the Company for the three financial years ending 30 June 2007, 2008 and 2009 in accordance with Rules 14A.45 and 14A.46 of the Listing Rules.

THE AGREEMENT

- Date : 16 June 2006
- Purchaser : Fuzhou Chaoda, a wholly-owned subsidiary of the Company which is principally engaged in the cultivation and sale of crops, and the breeding and sale of livestock in the PRC
- Supplier : Fujian Chaoda Trading, a 95%-owned subsidiary of Fujian Chaoda Group which is owned as to 95% by Mr. Kwok, the Chairman and controlling shareholder of the Company, which is principally engaged in the supply of agricultural raw materials in the PRC
- Products : biological organic fertilizers and high efficiency organic fertilizers (or such other types of organic fertilizers as may be agreed between the parties in writing from time to time)
- Pricing : to be agreed between the parties at the time when a purchase order is placed by Fuzhou Chaoda with Fujian Chaoda Trading, such price to be acceptable to Fujian Chaoda Trading provided that it shall not exceed the average ex-factory price (net of delivery costs) at which the same type of organic fertilizers were sold by Fujian Chaoda Trading to independent third parties during the calendar month preceding the date on which the purchase order is placed by Fuzhou Chaoda
- Term : a fixed term of 3 years commencing on the later of 1 July 2006 and the date of the Independent Shareholders' Approval (the "Commencement Date") and ending on the day immediately after the third anniversary of the Commencement Date, during which the Agreement may be terminated by Fuzhou Chaoda by giving not less than three months'

notice in writing to Fujian Chaoda Trading (but may not be terminated by notice by Fujian Chaoda Trading). In addition, either party may terminate the Agreement without notice upon the occurrence of certain events such as material breach of obligations by the other party.

Condition : The Agreement is conditional upon the approval of the Agreement, the Transactions and precedent the Proposed Annual Caps from the Independent Shareholders having been obtained in compliance with Rule 14A.35 of the Listing Rules.

The Agreement provides that, subject to the fulfilment of the condition precedent of the Agreement as set out above, the 2000 Agreement shall be terminated with effect from the later of 1 July 2006 and the date on which the Independent Shareholders' Approval is obtained.

If the above condition precedent is not fulfilled on or before 30 September 2006 (or such later date as the parties may agree in writing), the Agreement shall forthwith terminate and neither party shall have any claim against the other.

PROPOSED ANNUAL CAPS FOR THE CONTINUING CONNECTED TRANSACTIONS UNDER THE AGREEMENT

The following table sets out the approximate total value of purchases of organic fertilizers made by the Group under the 2000 Agreement for the two financial years ended 30 June 2004 and 2005 and the six months ended 31 December 2005:

| | For the year ended 30 June | | For the |
|--|-----------------------------------|----------------|-------------------------|
| | 2004 | 2005 | six months ended |
| | <i>RMB'000</i> | <i>RMB'000</i> | 31 December 2005 |
| | (audited) | (audited) | <i>RMB'000</i> |
| | | | (unaudited) |
| Purchase of organic fertilizers from Fujian Chaoda Trading | 175,109 | 214,741 | 117,473 |

In respect of the Transactions, the Board has, with reference to the previous purchases of organic fertilizers made by the Group as disclosed above and the expected increase in demand for organic fertilizers to be used by the Group for its business having taken into account the future expansion of the Group's existing or establishment of new production bases in line with the Group's development strategy, considered and proposed to set a maximum annual aggregate value for the purchases of organic fertilizers to be made by the Group pursuant to the Agreement in each of the three financial years ending 30 June 2007, 2008 and 2009 as set out below:

| | For the year ending | For the year ending | For the year ending |
|----------------------|----------------------------|----------------------------|----------------------------|
| | 30 June 2007 | 30 June 2008 | 30 June 2009 |
| Proposed Annual Caps | RMB443,000,000 | RMB585,000,000 | RMB772,000,000 |

The Proposed Annual Caps have been determined by the Board (based on the Directors' experience and knowledge of the Group's business) with reference to the expected annual total purchase of the organic fertilizers to be made by the Group for each of the three financial years ending 30 June 2007, 2008 and 2009, which is in turn calculated with reference to (i) the increase in the total gross area of the agricultural land areas of the Group in the PRC and the expected corresponding increase in the production and sales

volume of the Group's crops products for the three financial years ending 30 June 2007, 2008 and 2009 and (ii) the volume of organic fertilizers (in tones) required to be used by the Group for the production of each unit tones of its crops products under its normal production operation.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

Fuzhou Chaoda, a wholly-owned subsidiary of the Company, is principally engaged in the cultivation and sale of crops, and the breeding and sale of livestock in the PRC. The Agreement was entered into between the Group (through Fuzhou Chaoda) and Fujian Chaoda Trading, subject to the fulfillment of the conditions precedent contained therein, terminate the 2000 Agreement and setting out the terms and conditions governing the Group's future purchases of organic fertilizers from Fujian Chaoda Trading following the termination of the 2000 Agreement in compliance with the Listing Rules as described above. While the Group can purchase organic fertilizers from other independent suppliers in the PRC, the Directors are of the view that the Group will continue to benefit from the well-established business relationship between the Group and Fujian Chaoda Trading through the Agreement following the termination of the 2000 Agreement as it ensures that the Group can, on terms favourable to the Group, obtain a stable and reliable supply of good quality organic fertilizers, which are important raw materials of the agricultural produce business of the Group.

The Directors are of the view that the Transactions to be carried out pursuant to the Agreement are in the ordinary and usual course of the Group's business and are on normal commercial terms. The Directors (other than the independent non-executive Directors) are also of the view that the terms of the Agreement and the Transactions are fair and reasonable and in the interest of the Company and its shareholders as a whole.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Directors propose to amend the Articles of Association: (i) to provide for the removal of the Directors by way of ordinary resolution(s) of the Shareholders at the general meetings of the Company, in order to bring the Articles of Association in line with the amendments to Appendices 3 and 13 of the Listing Rules which came into effect on 1 March 2006 to enable the removal of directors of a listed issuer by an ordinary resolution passed in a general meeting of the shareholders of the listed issuer; (ii) to allow a proxy appointed by any individual Shareholder to vote in general meetings of the Company on a show of hands as well as on a poll; and (iii) to provide for the retirement by rotation of directors at least once every three years in compliance with Rule A.4.2 of Appendix 14 of the Listing Rules.

GENERAL INFORMATION

The Company is an investment holding company. The Group is principally engaged in the agricultural produce and livestock businesses in the PRC.

The Independent Board Committee will be formed to review and consider the Agreement, the Transactions and the Proposed Annual Caps. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders regarding the Agreement, the Transactions and the Proposed Annual Caps.

A circular containing, among other things, details of the Agreement and the Transactions, a letter from the Independent Board Committee and the letter from the independent financial adviser, and details of the proposed amendments to the Articles of Association, together with a notice convening the EGM to

consider, and if appropriate, to approve the Agreement, the Transactions, the Proposed Annual Caps and the proposed amendments to the Articles of Association will be despatched to the Shareholders as soon as practicable. Mr. Kwok and his associate, Kailey Investment, will abstain from voting in relation to the ordinary resolution to be put forward at the EGM for the purpose of approving the Agreement, the Transactions and the Proposed Annual Caps.

DEFINITION

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

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|---------------------------|--|
| “2000 Agreement” | the organic fertilizers supply agreement dated 1 December 2000 and made between Fuzhou Chaoda and Fujian Chaoda Trading |
| “Agreement” | the organic fertilizers supply agreement dated 16 June 2006 and made between Fuzhou Chaoda and Fujian Chaoda Trading |
| “Articles of Association” | the existing Articles of Association of the Company |
| “associate(s)” | has the meaning ascribed thereto in the Listing Rules |
| “Board” | the board of Directors |
| “Company” | Chaoda Modern Agriculture (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange |
| “controlling shareholder” | has the meaning ascribed thereto in the Listing Rules |
| “Director(s)” | the director(s) of the Company |
| “EGM” | the extraordinary general meeting of the Company to be held to consider and, where appropriate, approve (i) the Agreement, the Transactions and the Proposed Annual Caps by the Independent Shareholders and (ii) the proposed amendments to the Articles of Association by the Shareholders |
| “Fujian Chaoda Group” | Fujian Chaoda Group Limited (福建超大集團有限公司), a limited liability company established in the PRC owned as to 95% by Mr. Kwok |
| “Fujian Chaoda Trading” | Fujian Chaoda Agricultural Produce Trading Company (福建超大農業產品銷售有限公司), a limited liability company established in the PRC which is a 95%-owned subsidiary of Fujian Chaoda Group |
| “Fuzhou Chaoda” | Fuzhou Chaoda Modern Agriculture Development Company Limited (福州超大現代農業發展有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company |
| “Group” | the Company and its subsidiaries |

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| “Independent Board Committee” | an independent committee of the Board to be established by the Board for the purpose of advising the Independent Shareholders in relation to the Transactions and the Proposed Annual Caps |
| “Independent Shareholders” | Shareholders other than Mr. Kwok and his associate, Kailey Investment |
| “Kailey Investment” | Kailey Investment Ltd, a company incorporated with limited liability in the British Virgin Islands which holds approximately 30.77% of the issued share capital of the Company as at the date of this announcement and which is wholly-owned by Mr Kwok |
| “Listing Rules” | The Rules Governing the Listing of Securities on the Stock Exchange (as amended on 31 March 2004) currently in force |
| “Mr Kwok” | Mr Kwok Ho, the Chairman and controlling shareholder of the Company |
| “Percentage Ratio” | the percentage ratios (other than the profits ratio) under Rule 14.07 of the Listing Rules |
| “PRC” | People’s Republic of China |
| “Previous Listing Rules” | the then Rules Governing the Listing of Securities on the Stock Exchange before they were amended on 31 March 2004 |
| “Proposed Annual Caps” | the proposed maximum annual aggregate values of RMB443,000,000, RMB585,000,000 and RMB772,000,000 for the Transactions to be made by the Group under the Agreement for the three financial years ending 30 June 2007, 2008 and 2009 respectively |
| “Share(s)” | share(s) of HK\$0.10 each in the capital of the Company |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Transactions” | the purchases of organic fertilizers to be made by the Group pursuant to the Agreement |
| “2004 Waiver” | the waiver granted to the Company by the Stock Exchange on 27 January 2004 in respect of various connected transactions between the Group and associates of Mr Kwok (including connected transactions pursuant to the 2000 Agreement) from strict compliance with the requirements of disclosure by press notice and circular to Shareholders and Independent Shareholders’ approval under Chapter 14 of the Previous Listing Rules |

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| “HK\$” or “Hong Kong dollars” | Hong Kong dollars, the lawful currency of Hong Kong |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “%” | per cent |

By order of the Board
Kwok Ho
Chairman

Hong Kong, 16 June 2006

As at the date hereof, the Board comprises seven executive directors, namely, Mr. Kwok Ho, Mr. Ip Chi Ming, Dr. Lee Yan, Ms. Wong Hip Ying, Mr. Fong Jao, Mr. Chen Jun Hua and Mr. Chan Chi Po, Andy and four independent non-executive directors, namely, Mr. Fung Chi Kin, Mr. Tam Ching Ho, Professor Lin Shun Quan and Ms. Luan Yue Wen.

Please also refer to the published version of this announcement in the South China Morning Post.