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CHAODA MODERN AGRICULTURE (HOLDINGS) LIMITED
超大現代農業（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 682)

UPDATE ON SUSPENSION OF TRADING

Summary

This announcement is made by the Board pursuant to Rule 13.24A of the Listing Rules.

The Board would like to provide the shareholders of the Company and the public with an update on matters pertaining to the Resumption, which include the Company's response to the Allegations in the Anonymous Report and a tentative timetable devised for the Resumption.

Trading in the Company's shares on the Stock Exchange will remain suspended pending the fulfilment of the Resumption Conditions.

This announcement is made by the board of directors (the **Board**) of Chaoda Modern Agriculture (Holdings) Limited (the **Company**, together with its subsidiaries, the **Group**) pursuant to Rule 13.24A of the Rules Governing the Listing of Securities (the **Listing Rules**) on The Stock Exchange of Hong Kong Limited (the **Stock Exchange**) to provide the shareholders of the Company and the public with an update on matters pertaining to the resumption of trading in the Company's shares (the **Resumption**) on the Stock Exchange.

As disclosed in the Company's announcement dated 10 May 2012, the Stock Exchange prescribed three conditions (the **Resumption Conditions**) for the Resumption, which include (i) addressing the allegations (the **Allegations**) made against the Company in a report issued by Anonymous Analytics on 26 September 2011 (the **Anonymous Report**); (ii) publishing all outstanding financial results and reports of the Group; and (iii) demonstrating the adequacy of the Company's financial reporting procedures and internal control systems to meet the obligations under the Listing Rules.

In order to alleviate the concerns of the Company's shareholders and the public about the Group and to disperse any rumour or market speculation, the Board considers it in the best interests of the Company and its shareholders to first release the Company's response to and refutation of the Allegations contained in the Anonymous Report pending the fulfilment of the remaining Resumption Conditions.

ALLEGATIONS IN THE ANONYMOUS REPORT

The full version of the Anonymous Report can be accessed via the following link: (<http://zh.scribd.com/doc/66708096/Chaoda-Anonymous-Analytics-26-Sep-2011>).

The Board considers that the Allegations contained in the Anonymous Report are **untrue, unsubstantiated** and **libelous**. The motive of the author of the Anonymous Report (who chose to maintain its anonymity and quote information selectively and out of context) is highly questionable.

Set out in each of the **headed paragraphs** below is what the Board considers to be the gist of the various attacks contained in the Anonymous Report to which the Board would address each of them in turn as follows:

- **Previous changes of directors, officers and auditors of the Company were for reasons other than those stated in the Company's announcements**

All previous announcements of the Company on changes to its directors, officers and auditors were based on information provided by those who resigned, were believed to be true and correct, and the former directors, officers and auditors had all confirmed in writing to the Company that they had no disagreement with the Company or, in the case of former auditors, were not aware of any significant matters that ought to be brought to the attention of their successors. They complied fully with the then applicable requirements of the Listing Rules.

The Board has no information from the persons or firms who or which resigned their positions, or from any other persons, that suggests that any of the previously announced changes of directors, officers or auditors were for reasons other than those stated.

- **The Group's capital expenditures were overstated and higher than its peer as a cover to divert money out of the Group**

The Group's capital expenditures on its property, plant and equipment (the **PPE**) as at the end of each financial year is recorded in the Group's audited consolidated financial statement for the relevant financial year.

For each of those financial statements that were released by the Company, they had been audited by external independent auditors of the Company, and clean audit opinions had consistently been issued.

For instance, as stated in the Company's announcement dated 3 June 2011, the Group had, as at 30 June 2010, expended a cumulative total of some RMB9,103 million on all its PPE, as noted in Note 16 to the Group's audited consolidated financial statements for the financial year ended 30 June 2010.

As part of the Group's internal processes, the Group commissioned asset appraisal reports (the *2011 Valuation Reports*) in September 2011 from Tianjin Xiong Fei Real Estate Appraisal Limited (天津市雄飛房地產評估有限公司), an independent firm of registered valuers in the People's Republic of China (the *PRC*), in respect of selected farmland infrastructures comprised in the Group's PPE. These reports cover farmland infrastructures at four of the biggest sites of the Group at Changchun (Jilin Province), Jiangdu of Yangzhou and Taizhou (Jiangsu Province) and Zhaoan (Fujian Province), and include detailed lists, and the appraised ages of the farmland infrastructures, as well as their values as at 13 September 2011. These four sites cover a total site area of about 181,940 mu, and made up of about 24% of the Group's total cultivated area as at 30 June 2011.

Based on the 2011 Valuation Reports, the fair value of the farmland infrastructures of the four sites amounted to about RMB2,656 million as at 13 September 2011 (compared with their unaudited net book value of RMB2,663 million as at 30 June 2011).

The amount of about RMB2,663 million as described above of the four sites represented about 29% of the consolidated net book value of all farmland infrastructures under the Group's PPE of RMB9,141 million as shown in the unaudited consolidated statements of financial position of the Group as at 30 June 2011. Accordingly, it is expected that no impairment loss on these farmland infrastructures will be recognized in the financial statements of the Group for the financial year ended 30 June 2011.

The Company expressly refutes the allegations in the Anonymous Report that it has overstated its capital expenditures in its financial statements.

The Company believes that capital expenditures vary from company to company and are dependent on various factors, including but not limited to, the size, locations and business model of the companies involved.

● **Proceeds raised were deployed for uses other than as announced and cash and cash equivalents balance were inflated**

All uses of proceeds previously announced by the Company had been deployed as stated. The Company's audited financial statements for prior years include a consolidated cash flow statement and there has been no qualification in the Company's former auditors' reports on those financial statements. All the bank balances of the Group are confirmed by bank statements.

Additionally, the Company would also like to refer to its announcements of 15 February and 3 April 2012, in which it was announced that the Company paid some US\$203 million for the full redemption of the US\$200 million 3.7% secured convertible bonds due 2015, plus payment of the amount of interest payable. Shareholders may wish to note that these bonds were redeemed at their full face value, and the amount of interest accrued was also paid in full, despite the fact that trading in the Company's shares was at the times of the announcements, suspended. Allegations on the Anonymous Report that the Company did not have the cash recorded in its financial statements are without basis.

● **Related party transactions were conducted in anomalous manner and the counterparty has no business operation: purchases of organic fertilisers**

The Group's purchases of organic fertilisers from Fujian Chaoda Agricultural Produce Trading Company Limited (*Fujian Chaoda*) (in which the Company's chairman, Mr. Kwok Ho, has a controlling beneficial shareholding), which also fall under the definition of continuing connected transactions under the Listing Rules, had been conducted in accordance with the terms of the agreement dated 15 May 2009 entered into by the Group (the *2009 Agreement*) during its subsistence.

The principal terms, the reasons and benefits for these purchases, the letter of recommendation of the independent board committee, and the letter of advice from the independent financial advisers to the independent board committee, were set out in the circular of the Company to its shareholders dated 4 June 2009, and the 2009 Agreement was approved by the independent shareholders of the Company on 26 June 2009.

All purchases of organic fertilisers from Fujian Chaoda since the date of the 2009 Agreement have been conducted in accordance with its terms.

Prior to their resignation, the Company's former auditors have, in accordance with the requirements of Chapter 14A of the Listing Rules and in response to the Company's request for a review of the Group's purchases of fertilisers for the financial years ended 30 June 2009 and 30 June 2010, issued letters to the Board (copied to the Stock Exchange) in which they have confirmed that these purchases:

- (i) have been approved by the Board;
- (ii) have been entered into in accordance with the terms of the agreements governing the transactions or if there are no such agreements, the transactions have been entered into on normal commercial terms in the normal course of business of the Group; and
- (iii) have not exceeded the annual caps of RMB772 million and RMB870 million for the financial years ended 30 June 2009 and 30 June 2010 as stated in the circulars of the Company dated 10 July 2006 and 4 June 2009, respectively.

The Company has been purchasing fertilisers from Fujian Chaoda since before its listing on the Stock Exchange in December 2000. The contract at the time of the Company's listing was for a term of 20 years, which was replaced with a contract for three-year term in June 2006 (as required by the then Listing Rules) and the purchases were conducted pursuant to its terms and in compliance with the then Listing Rules. When the 2006 contract expired, it was replaced by the 2009 Agreement.

A copy of Fujian Chaoda's financial statements for the financial year ended 31 December 2010 with a stamp indicating that the document was copied from the enterprise files kept at the Fuzhou City bureau of State Administration of Industry and Commerce (*SAIC*) has been provided to the Board by Fujian Chaoda.

The Company has reviewed the financial statements of Fujian Chaoda for the financial year ended 31 December 2010 and noted that it had a turnover and net profit after tax of about RMB990 million and RMB40 million, respectively.

As part of its due diligence procedures, the Company engaged a PRC law firm, Fujian Sanshan Law Firm (福建三山律師事務所) to obtain, in person, a copy of the business licence and copies of the financial statements of Fujian Chaoda and to make enquiries with the Fuzhou City bureau of SAIC, being the SAIC bureau with which Fujian Chaoda files its industry and commerce documents, including its annual financial statements.

The PRC law firm has issued a report to the Company to confirm that the copies of financial statements of Fujian Chaoda provided to the Company were the same as those filed with and kept at the Fuzhou City bureau of SAIC.

The PRC legal firm had further confirmed to the Company that the copies of Fujian Chaoda's financial statements obtained by it are the complete and only filings made by Fujian Chaoda with the Fuzhou City bureau of SAIC.

The same PRC law firm, Fujian Sanshan Law Firm, has also undertaken a similar exercise in respect of the financial statements of Fujian Chaoda for the financial year ended 31 December 2009. Based on the copies of financial statements obtained from Fuzhou City bureau of SAIC, Fujian Chaoda's turnover and net profit after tax for the financial year ended 31 December 2009 were about RMB970 million and RMB30 million, respectively.

Based upon these financial statements together with the report issued by the PRC law firm on Fujian Chaoda, the Board considers that the allegation of Fujian Chaoda has no business operations is unfounded and has no knowledge of the author's purported source of or information as quoted in the allegation.

- **Investment in risky project: Asian Citrus**

The Group invested in Asian Citrus Holdings Limited (*Asian Citrus*) (Stock Exchange stock code: 73) back in 2001. Since then (in August 2005), Asian Citrus has become listed on the Alternative Investment Market of the London Stock Exchange (AIM code: ACHL) and, in November 2009, Asian Citrus also became listed on the main board of the Stock Exchange.

The Group's initial investment into Asian Citrus was for RMB107.2 million. The Company's initial shareholding in Asian Citrus was 49%. Since the 2001 investment, the Company had not made any further investment into Asian Citrus. Total dividends and the net proceeds of sale of shares in Asian Citrus have thus far yielded a total of some HK\$515 million to the Group from the period from 2006 to July 2010. Additionally, the Company had elected to receive dividends for the financial year ended 30 June 2011 in scrip in lieu of cash, and interim and special dividend for the six months ended 31 December 2011 of about HK\$4.3 million has been paid to the Company.

As announced by the Company on 23 November 2011, the Company had placed 100 million Asian Citrus shares at a placing price of HK\$4.66. The placing has since been completed and the Company has received the net proceeds of the placing of about HK\$461 million.

The realized returns from dividends received and the net proceeds of sale of part of the Company's investment in Asian Citrus is over some 900% of the Company's initial investment. The Company remains a holder of some 6% of Asian Citrus's issued capital. This 6% shareholding interest carried a value of some HK\$200 million as at close of business on 11 July 2013. In view of the returns realised thus far, and the value of the Company's remaining shareholding in Asian Citrus, the Board considers as groundless the assertion in the Anonymous Report that the Company's investment in Asian Citrus was a risky one.

- **World Brand Lab report – ranking of the Group on the list is a mystery**

World Brand Lab's top 500 brands include a great number of famous brands in PRC, all of which are completely unrelated to the Group. The Group has never made any payment to World Brand Lab or any of its associates in return of its inclusion on the list of top 500, nor does the Group or any of its directors have any association with World Brand Lab. Neither the Group nor any of its directors is aware of the identity of, or acquainted with the owner(s) of World Brand Lab.

The Board believes that the Group is a leading agricultural enterprise in the PRC. In this connection, the Board notes that the Company was listed in the "China's Top 500 Companies List" by the Chinese edition of *Fortune* magazine in 2010, and again in July 2011. Additionally, in February 2013, a subsidiary of the Company, Fuzhou Chaoda Modern Agriculture Development Company Limited, continued to achieve prestigious recognition and was honoured to be named, once again, the "National Level Dragon-head Leading Agricultural Enterprise (農業產業化國家重點龍頭企業)" by eight ministries including the Ministry of Agriculture of the PRC and the China Securities and Regulatory Commission.

The Board confirms that neither the Company nor its directors have any association with *Fortune* magazine, or made any payment for the accolades given to it by the magazine or the ministries involved in naming a subsidiary of the Company the National Level Dragon-head Leading Agricultural Enterprise in the PRC. As requested by the Stock Exchange, the Board further confirms that the World Brand Lab, the publishers of *Fortune* magazine, and all of the ministries of the PRC government are independent of the Company and its connected persons.

OTHER RESUMPTION CONDITIONS

Following the appointment of Crowe Horwath (HK) CPA Limited (the *Auditors*) as the new auditors of the Company on 1 February 2013, the Board has been working closely with the Auditors (which are carrying out their audit engagement with the Company and have commenced the field audit since April 2013) with a view to expediting the publication of all outstanding financial results and reports of the Group. In planning their audit procedures, the Auditors have taken into consideration of and made evaluation of their audit risk relating to the Allegations contained in the Anonymous Report.

The Board is also taking steps to identify an independent professional adviser to conduct a review of the adequacy of the internal control systems of the Group.

TENTATIVE TIMETABLE FOR RESUMPTION

Events		Estimated time required
1.	Performing field audit by the Auditors	April to September 2013
2.	Finalising work papers and internal clearance by the Auditors	On or before 31 October 2013
3.	Circulation of draft audit reports by the Auditors for review and (if required) further discussion with the audit committee and the management of the Company	On or before 30 November 2013
4.	Publication of announcement(s) on audited annual results for the financial years ended 30 June 2011, 2012 and 2013/interim results for the six months ended 31 December 2011 and 2012	On or before 28 February 2014
5.	Publication and despatch of the audited reports for the financial years ended 30 June 2011, 2012 and 2013/interim reports for the six months ended 31 December 2011 and 2012	On or before mid of March 2014
6.	Resumption of trading	April of 2014

Shareholders and potential investors should note that the tentative timetable tends to be conservative. The dates specified for the events set out in the tentative timetable above are indicative only and may be varied depending on the circumstances.

The Stock Exchange has requested the Company to substantiate whether it has taken adequate action to keep the duration of its trading suspension the shortest possible period. The Company is in the course of addressing the Exchange's comments on the tentative timetable and the same is, accordingly, subject to further changes.

GENERAL

The Company would like to assure its shareholders that the Company will by all means render full cooperation and assistance to the Auditors and other professional parties to facilitate the completion of the audit procedures and the internal control review. The Company aims to resume Resumption as early as practicable and will make every effort within its bounds to satisfy the Resumption Conditions expeditiously.

The Board would like to express its appreciation for the unwavering support and patience of all shareholders, employees and business partners during the adverse period of time.

The Company will make further announcement(s) if and when there is any significant development pertaining to the Resumption.

SUSPENSION OF TRADING

Trading in the Company's shares on the Stock Exchange will remain suspended pending the fulfilment of the Resumption Conditions.

By Order of the Board
Chaoda Modern Agriculture (Holdings) Limited
Kwok Ho
Chairman

Hong Kong, 19 July 2013

As of the date hereof, the board of directors of the Company comprises:

Executive directors : *Mr. Kwok Ho, Dr. Li Yan, Ms. Huang Xie Ying, Mr. Kuang Qiao, Mr. Chen Jun Hua and Mr. Chan Chi Po Andy*

Non-executive director : *Mr. Ip Chi Ming*

Independent non-executive directors : *Mr. Fung Chi Kin, Mr. Tam Ching Ho, Professor Lin Shun Quan and Ms. Luan Yue Wen*