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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)

NOTIFIABLE TRANSACTION

The Board is pleased to announce that on 24 December 2009, Great Challenge, a wholly-owned subsidiary of the Company, and Elite Champion entered into the Agreement pursuant to which Great Challenge conditionally agreed to purchase from Elite Champion the Sale Shares, representing 70% of the issued share capital of Keen Spirit as at the date of this announcement, at a consideration of HK\$450,000,000, which will be satisfied in full by the allotment and issue of the Consideration Shares to Elite Champion (or its nominees) at the Issue Price.

The Consideration Shares represent (i) approximately 1.93% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 1.90% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares immediately upon Completion (assuming that there is no change in the issued share capital of the Company from the date of this announcement to the Completion Date save for the issue of the Consideration Shares).

The Agreement constitutes a share transaction for the Company under Chapter 14 of the Listing Rules.

As completion of the Agreement is subject to the fulfillment of a number of conditions precedent, the transactions thereunder may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

THE AGREEMENT

Date

24 December 2009

Parties

Purchaser: Great Challenge

Vendor: Elite Champion

Vendor Guarantors: Mr. Ng and Professor Lam

Each of Mr. Ng and Professor Lam has unconditionally and irrevocably agreed to guarantee the due performance of Elite Champion's obligations under the Agreement.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, Elite Champion, Mr. Ng, Professor Lam and the ultimate beneficial owners of Elite Champion and their respective associates are not connected persons of the Company within the meanings of the Listing Rules and are thus considered to be independent of the Company and the connected persons of the Company.

Asset to be acquired

Great Challenge, a wholly-owned subsidiary of the Company, agreed to purchase from Elite Champion the Sale Shares, representing 70% of the issued share capital of Keen Spirit as at the date of this announcement. Keen Spirit is an investment holding company, which in turn holds 100% interest in each of VaxGene and Keen Spirit HK. Keen Spirit HK holds 100% interest in Beijing Jiezhi. VaxGene is principally engaged in the research and development of organism technologies. Keen Spirit HK is an investment holding company and Beijing Jiezhi is principally engaged in the research and development of organism technologies. VaxGene currently holds the Patent Application Rights.

Consideration

The consideration for the Agreement shall be HK\$450,000,000, which will be satisfied in full by the allotment and issue of the Consideration Shares by the Company to Elite Champion (or its nominees) at the Issue Price.

The consideration for the Agreement being HK\$450,000,000 was determined after arm's length negotiation between the parties to the Agreement with reference to, among other things, the potential prospect of advancing new products by making use of the Patents in organism technologies to develop edible vaccines derived from plants such as vegetables, fruits and seeds against viruses and bacteria.

Consideration Shares

The Consideration Shares will be issued at the Issue Price which was determined after arm's length negotiation between the parties to the Agreement with reference to the average closing price per Share of HK\$7.65 as quoted on the Stock Exchange for the last twenty-two consecutive trading days immediately before the Last Trading Day, from 24 November 2009 to 23 December 2009. The Consideration Shares represent (i) approximately 1.93% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 1.90% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares immediately upon Completion (assuming that there is no change in its issued share capital from the date of this announcement to the Completion Date save for the issue of the Consideration Shares).

The Consideration Shares shall be issued as fully paid and shall rank *pari passu* in all respects with the Shares then in issue. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The Consideration Shares are to be issued by the Company under the general mandate granted to the Directors on 27 November 2009 (the “**General Mandate**”) to allot, issue and deal with up to 607,653,414 Shares, being 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the annual general meeting of the Company held on 27 November 2009. As of the date of this announcement, the General Mandate has not been utilised.

The Issue Price represents:

- (i) a discount of approximately 9.7% to the closing price of HK\$8.47 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 6.3% to the average closing price per Share of approximately HK\$8.16 as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and
- (iii) a discount of approximately 6.1% to the average closing price per Share of approximately HK\$8.15 as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day.

Conditions precedent

Completion of the Agreement shall be conditional upon the fulfilment of the following conditions:

- (a) Great Challenge being satisfied with the results of the due diligence review on the assets, operations, financial positions, prospects and other affairs of the Target Group, including but not limited to (i) the receipt of a legal opinion (in such form and substance to the satisfaction of Great Challenge) issued by lawyers on British Virgin Islands laws covering matters on, among other things, the due incorporation and subsistence of Keen Spirit and VaxGene, and legal title and transferability of the Sale Shares; (ii) the receipt of a legal opinion (in such form and substance to the satisfaction of Great Challenge) issued by the PRC lawyers covering matters on, among other things, the due establishment and subsistence, the legality of ownership of assets and business operations of Beijing Jiezhi; (iii) the receipt of the audited accounts of each of the members of the Target Group for the last three years or such other period of time as approved by Great Challenge in such form and substance to the satisfaction of Great Challenge; and (iv) the receipt of a legal opinion issued by lawyers on United States laws covering matters on, among other things, that Professor Lam is the inventor of the Patents and the Patents have been registered and protected in accordance with the relevant patents regulations in the United States;
- (b) Beijing Jiezhi having obtained a certificate of approval and a business licence (the scope of business of which shall be to the satisfaction of Great Challenge) with Keen Spirit HK named as the sole shareholder of Beijing Jiezhi, and all contributions of the shareholders of Beijing Jiezhi being fully paid up by Keen Spirit HK;
- (c) if required by the Listing Rules, the passing by the Shareholders who are permitted to vote under the Listing Rules at a general meeting of the Company of resolutions to approve the Agreement, the issue of the Consideration Shares and other transactions contemplated under the Agreement;
- (d) all the ownership or use rights of the land, properties and other assets owned by the Target Group having been legally registered under the name of the relevant members of the Target Group;

- (e) all the licences required for the operation of the Target Group having been obtained and all the relevant fees or expenses having been paid on time and/or fully paid, and all licences relating to the operation of the business of the Target Group having been legally registered under the name of the Target Group and such licences being validly subsisting after Completion;
- (f) all the intellectual property rights relating to the operation of the business of the Target Group or used by the Target Group being legally and validly registered under the name of the relevant member of the Target Group;
- (g) all the representations and warranties (including the warranties given by the Vendor Guarantors) contained in the Agreement at any time remain true, accurate and not misleading in all respects;
- (h) the Company not having discovered or come to its knowledge that from 30 June 2009 (or, as the case may be, the date of incorporation), there being any abnormal operations or any material adverse change in the business, positions (including assets, financial and legal status), operations, performance or assets, or any undisclosed material potential risks in respect of any members of the Target Group;
- (i) the listing of, and permission to deal in, the Consideration Shares having been granted by the Stock Exchange; and
- (j) there having been no breach of any representations and warranties by Elite Champion and the Vendor Guarantors under the Agreement prior to Completion.

If any of the above conditions (excluding conditions (c), (h) and (i)) have not been fulfilled (or as the case may be, waived by Great Challenge) before 30 January 2010 or such other date as agreed among the parties to the Agreement, Great Challenge shall have the right to extend the Completion Date to a later date or declare that the Agreement shall be of no further effect.

The Guarantees and Undertakings given by Elite Champion and the Vendor Guarantors

Elite Champion and the Vendor Guarantors undertake to guarantee jointly and severally to Great Challenge the following obligations, including but not limited to: (i) after the signing of the Agreement, Great Challenge is entitled to register the Patents in any other countries (including but not limited to the PRC) and Elite Champion and the Vendor Guarantors shall endeavour their efforts to assist Great Challenge to register the Patents, including but not limited to provide and/or to execute any necessary documents in relation thereto; (ii) any subsequent development or upgrading of the Patents, or any exclusive technology of improvement or new inventions of patents in relation to plant-based vaccines within 5 years from the date of the Agreement shall be transferred unconditionally to VaxGene; and (iii) Elite Champion and the Vendor Guarantors shall be responsible for all of the claims, proceedings and disputes etc. in relation to the transfer of the Patents within 3 years after the date of the Agreement, Great Challenge shall appoint a lawyer in such circumstances and Elite Champion and the Vendor Guarantors shall be responsible for all of the related costs.

Completion

Completion of the Agreement shall take place on the Completion Date.

CHANGES TO THE SHAREHOLDING IN THE COMPANY AS A RESULT OF COMPLETION OF THE AGREEMENT

The following table sets out the shareholding structure of the Company (based on the best knowledge of the Directors) immediately before and after the issue of the Consideration Shares:

	Immediately Before Completion		Immediately After Completion	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Kailey Investment Limited (Note)	642,064,644	21.10	642,064,644	20.69
Mr. Kwok Ho	1,028,000	0.03	1,028,000	0.03
Mr. Chan Chi Po Andy	316,128	0.01	316,128	0.01
Janus Capital Management LLC	315,630,485	10.37	315,630,485	10.17
Blackrock Inc.	171,643,409	5.64	171,643,409	5.53
Elite Champion	—	—	58,823,500	1.90
Other public Shareholders	1,913,184,485	62.85	1,913,184,485	61.67
Total	3,043,867,151	100.00	3,102,690,651	100.00

Note:

Kailey Investment Limited is wholly and beneficially owned by Mr. Kwok Ho, an executive Director and a Substantial Shareholder.

INFORMATION ON THE TARGET GROUP

Keen Spirit

Keen Spirit is owned as to 80% by Elite Champion and as to 20% by VisionTech International Limited, an independent third party of the Company and its connected persons, as at the date of this announcement. It was incorporated in the British Virgin Islands with limited liability on 25 June 2009. The principal business of Keen Spirit is investment holding. The principal assets held by Keen Spirit are its 100% interest in each of VaxGene and Keen Spirit HK. Keen Spirit HK holds 100% interest in Beijing Jiezhi. As Keen Spirit was incorporated on 25 June 2009, no audited accounts have been prepared since its incorporation.

VaxGene

VaxGene is wholly-owned by Keen Spirit. It was incorporated in the British Virgin Islands with limited liability on 2 July 2009. VaxGene is principally engaged in the research and development of organism technologies and holds the Patent Application Rights. The Company intends to use the organism technologies under the Patent Application Rights to develop edible vaccines derived from plants such as vegetables, fruits and seeds against viruses and bacteria.

Keen Spirit HK

Keen Spirit HK is a wholly-owned subsidiary of Keen Spirit. It was incorporated in Hong Kong with limited liability on 18 August 2009. The principal business of Keen Spirit HK is investment holding. The principal assets held by Keen Spirit HK are its 100% interest in Beijing Jiezhi.

Beijing Jiezhi

Beijing Jiezhi is a wholly-owned subsidiary of Keen Spirit HK. It was established in the PRC with limited liability on 21 September 2009. Beijing Jiezhi is principally engaged in the research and development of organism technologies.

Professor Lam

Professor Lam, one of the Vendor Guarantors, is the inventor for both of the Patents. Professor Lam and Professor Torsten N. Wiesel, the Nobel Prize winner in Physiology or Medicine in 1981, have agreed to act as the chief scientific consultant and senior scientific consultant of the Group with effect from 24 December 2009 to assist the Group in advancing new products by making use of the Patents in organism technologies to develop edible vaccines derived from plants such as vegetables, fruits and seeds against viruses and bacteria.

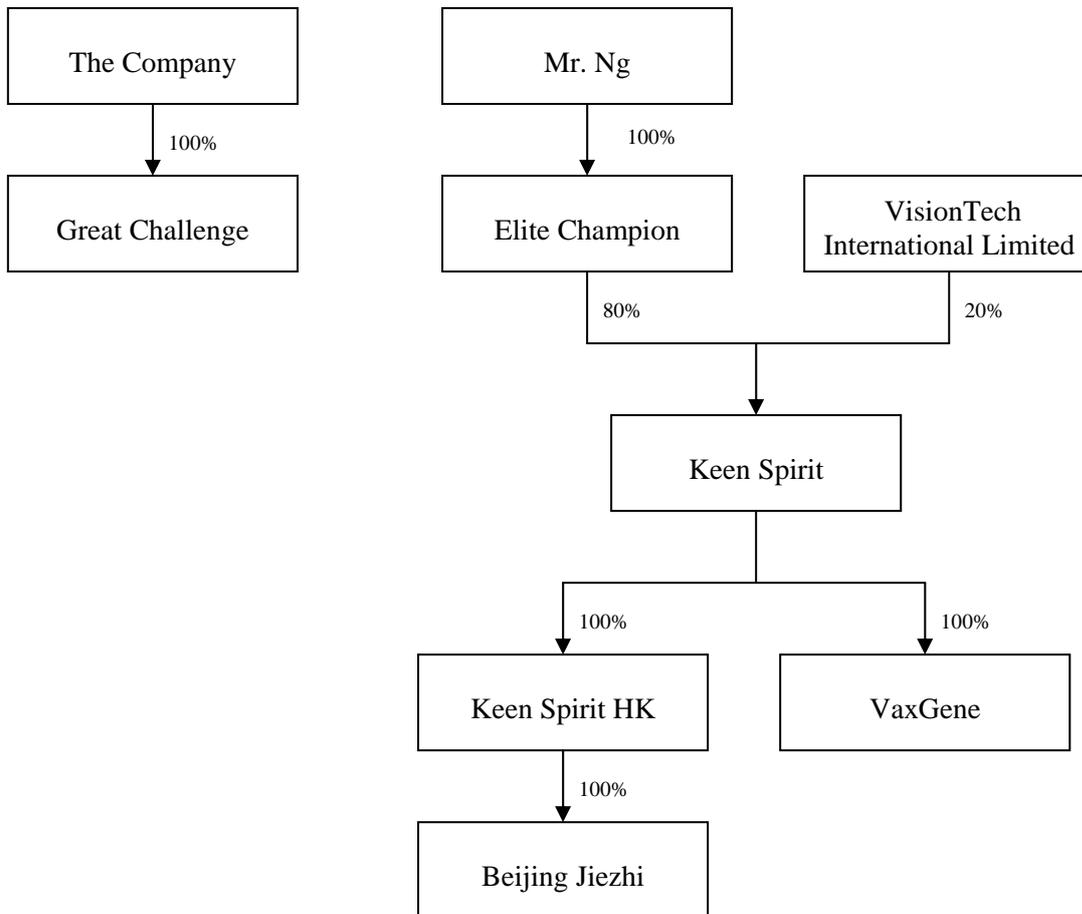
The profiles of Professors Lam and Wiesel are provided by a separate announcement immediately after this announcement.

Financial information of the Target Group

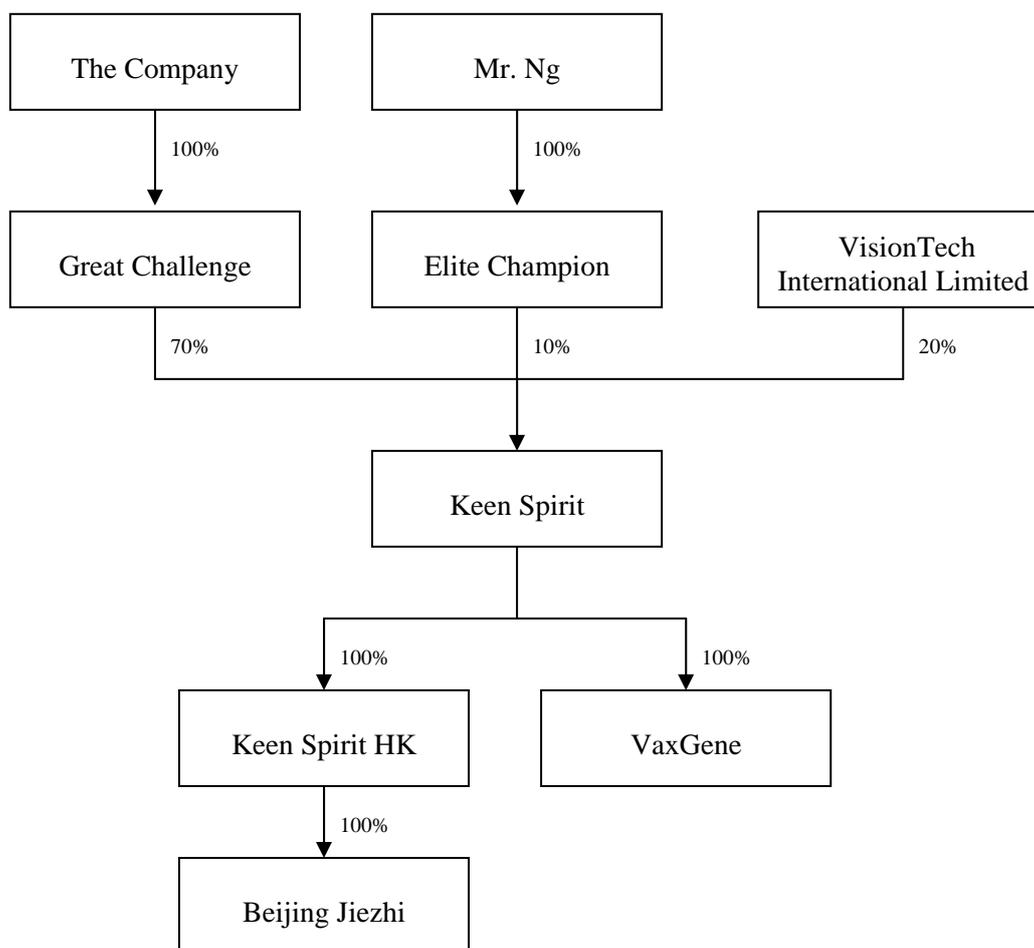
Set out below is the summary of the unaudited financial information of Keen Spirit, VaxGene, Keen Spirit HK and Beijing Jiezhi for the period from their respective dates of incorporation up to 30 November 2009:

	Keen Spirit	VaxGene	Keen Spirit HK	Beijing Jiezhi
Date of Incorporation	<i>25 June 2009</i>	<i>2 July 2009</i>	<i>18 August 2009</i>	<i>21 September 2009</i>
	HK\$	HK\$	HK\$	RMB
Revenue	—	—	—	—
(Loss) before taxation	(8,000)	(8,000)	(9,490)	(370, 129)
Net liabilities	20,007,221		2,010,049	
Total Equity		382,000		1,391,671

The shareholding structure of the Company before completion of the Agreement



The shareholding structure of the Company after completion of the Agreement



REASONS FOR THE TRANSACTION

The Group is a leading modern agricultural enterprise in the PRC engaged in the growing and sale of crops and the breeding and sales of livestock in the PRC, with substantially all of its assets and operations in the PRC. The Board believes that the transactions under the Agreement are in the interest of the Shareholders as they serve to diversify the product portfolio and further contribute to the development of the Company’s corporate strategy to enhance its existing sales of crops by using the organism technologies in its products. The investment in the Target Group will also allow the Company to advance new products by making use of the Patents in organism technologies to develop edible vaccines derived from plants, which are expected to have positive prospects in the agricultural industry. The Directors consider the issue of Consideration Shares as the consideration for the acquisition under the Agreement is fair and reasonable and in the best interest of the Shareholders as a whole.

The Directors consider that the terms and conditions of the Agreement are on normal commercial terms and are fair and reasonable as far as the Shareholders as a whole are concerned and in the interests of the Shareholders as a whole.

LISTING RULES IMPLICATIONS

The Agreement constitutes a share transaction for the Company under Chapter 14 of the Listing Rules.

As completion of the Agreement is subject to the fulfillment of a number of conditions precedent, the transactions thereunder may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

GENERAL

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

DEFINITIONS

“Agreement”	the agreement dated 24 December 2009 entered into between Great Challenge and Elite Champion in relation to the acquisition of the Sale Shares by Great Challenge from Elite Champion
“associate”	has the meaning ascribed to in the Listing Rules
“Beijing Jiezhì”	北京傑志環球生物科技有限公司, a company established in the PRC with limited liability and is a wholly-owned subsidiary of Keen Spirit HK
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday, Sunday, a public holiday or a day on which typhoon signal no. 8 or above or a “black” rainstorm warning is hoisted in Hong Kong) on which banks in Hong Kong are open for business
“Company”	Chaoda Modern Agriculture (Holdings) Limited (stock code: 682), an exempted company incorporated in the Cayman Islands with limited liabilities whose Shares are listed on the main board of the Stock Exchange
“Completion”	completion of the acquisition of the Sale Shares pursuant to the Agreement
“Completion Date”	the third Business Day after the day on which the last condition precedent is fulfilled or waived or such other date as Great Challenge and Elite Champion may agree
“connected person”	has the meaning ascribed to it in the Listing Rules

“Consideration Shares”	58,823,500 new Shares to be allotted and issued by the Company under the Agreement
“Directors”	the directors of the Company
“Elite Champion”	Elite Champion Management Limited, a company incorporated in the British Virgin Islands with limited liability and is beneficially and wholly owned by Mr. Ng
“Great Challenge”	Great Challenge Developments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Issue Price”	an issue price of HK\$7.65 per Consideration Share
“Keen Spirit”	Keen Spirit Global Limited (傑志環球有限公司), a company incorporated in the British Virgin Islands with limited liability and is owned as to 80% by Elite Champion and as to 20% by VisionTech International Limited, independent third parties of the Company and its connected persons, prior to Completion
“Keen Spirit HK”	Keen Spirit Global Biotechnology (Hong Kong) Limited (傑志環球生物科技(香港)有限公司), a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of Keen Spirit
“Last Trading Day”	24 December 2009, being the last trading day immediately before the release of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Ng”	Mr. Ng Hoi, a guarantor to guarantee the due performance of Elite Champion’s obligations under the Agreement
“Patents”	novel vaccine compositions and methods of vaccine preparation for veterinary and human diseases; and oral vaccines produced and administered using edible micro-organism
“Patent Application Rights”	the patent applications number U.S. Serial No. 61/263,215 and number U.S. Serial No. 61/224,973 in relation to the Patents respectively made to the United States Patent and Trademark Office
“PRC”	the People’s Republic of China

“Professor Lam”	Professor Lam Man Kit, Dominic, a guarantor to guarantee the due performance of Elite Champion’s obligations under the Agreement
“Sale Shares”	70 shares of US\$1.00 each in the capital of Keen Spirit, representing 70% issued share capital of Keen Spirit
“Share(s)”	existing ordinary shares of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder”	has the meaning ascribed to it under the Listing Rules
“Target Group”	Keen Spirit and its subsidiaries
“VaxGene”	VaxGene Corporation, a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of Keen Spirit
“Vendor Guarantors”	Mr. Ng and Professor Lam
“%”	per cent

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

Hong Kong, 25 December 2009

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

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

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