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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)**

### **CONTINUING CONNECTED TRANSACTIONS**

At the extraordinary general meeting of the Company held on 2 August 2006, the Independent Shareholders' approved, among other things, the 2006 Agreement, the Existing Transactions and the annual caps for the Existing Transactions for the three financial years ended 30 June 2007 and 2008 and for the financial year ending 30 June 2009. The 2006 Agreement will expire on 3 August 2009. The Company will convene the EGM pursuant to Rule 14A.35 of the Listing Rules for the purpose of obtaining the Independent Shareholders' approval for the continuation of the Proposed Transactions between Fuzhou Chaoda, a wholly owned subsidiary of the Company and Fujian Chaoda Trading, a company ultimately controlled by Mr. Kwok who is the Chairman and a substantial shareholder of the Company for another period of three years.

On 15 May 2009, Fuzhou Chaoda and Fujian Chaoda Trading entered into the 2009 Agreement for a period of three years from the Commencement Date and ending on the day immediately after the third anniversary of the Commencement Date. The 2009 Agreement is conditional upon the approval of the 2009 Agreement, the Proposed Transactions and the Proposed Annual Caps by the Independent Shareholders in the EGM. If the above condition precedent is not fulfilled on or before 31 August 2009 (or such later date as the parties may agree in writing), the 2009 Agreement shall forthwith be terminated and neither party shall have any claim against the other. The 2006 Agreement, if not expired prior to the Commencement Date of the 2009 Agreement, will be terminated on the Commencement Date.

Fujian Chaoda Trading is a 95% owned subsidiary of Fujian Chaoda Group which is owned as to 95% by Mr. Kwok who is the Chairman and a substantial 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 Proposed Transactions will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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

Mr. Kwok and his associate, Kailey, will abstain from voting at the EGM to be convened for the approval of the 2009 Agreement, the Proposed Transactions and the Proposed Annual Caps by the Independent Shareholders.

The Independent Board Committee comprising independent non-executive Directors has been formed to advise the Independent Shareholders and the independent financial adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the 2009 Agreements, the Proposed Transactions and the Proposed Annual Caps.

A circular containing, among other things, details of the 2009 Agreement and the Proposed Transactions, a letter from each of the Independent Board Committee and the independent financial adviser, together with a notice convening the EGM to consider, and if thought fit, to approve the 2009 Agreement, the Proposed Transactions and the Proposed Annual Caps will be despatched to the Shareholders as soon as practicable.

## **THE 2009 AGREEMENT**

### **Date**

15 May 2009

### **Parties**

**Buyer:** 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.

**Seller:** Fujian Chaoda Trading, a 95% owned subsidiary of Fujian Chaoda Group which is owned as to 95% by Mr. Kwok, the Chairman and a substantial 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 and Settlement**

The price shall be agreed between the parties at the time when a purchase order is placed by Fuzhou Chaoda with Fujian Chaoda Trading provided that it shall not exceed the ex-factory price (net of delivery costs) at which the same type of organic fertilizers is supplied by Fujian Chaoda Trading to independent third parties at the time when the purchase order is placed. Unless the parties shall otherwise agree in writing, the sales to be made pursuant to the 2009 Agreement shall be settled in RMB and within 60 days of the date of the invoices issued by the Fujian Chaoda Trading to Fuzhou Chaoda.

### **Term**

A fixed term of 3 years commencing on the Commencement Date and ending on the day immediately after the third anniversary of the Commencement Date, during which the 2009 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 2009 Agreement by written notice upon the occurrence of certain events such as material breach of obligations by the other party.

### **Condition Precedent**

The 2009 Agreement is conditional upon the approval of the 2009 Agreement, the Proposed Transactions and the Proposed Annual Caps by the Independent Shareholders having been obtained in compliance with Rule 14A.35 of the Listing Rules.

If the above condition precedent is not fulfilled on or before 31 August 2009 (or such later date as the parties may agree in writing), the 2009 Agreement shall forthwith be terminated and neither party shall have any claim against the other. The 2006 Agreement, if not expired prior to the Commencement Date of the 2009 Agreement, will be terminated on the Commencement Date.

### **PROPOSED ANNUAL CAPS FOR THE CONTINUING CONNECTED TRANSACTIONS UNDER THE 2009 AGREEMENT**

The following table sets out the approximate total value of purchases of organic fertilizers made by the Group under the 2006 Agreement for the two financial years ended 30 June 2007 and 2008 and the six months ended 31 December 2008:

	<b>For the financial year ended 30 June</b>		<b>For the six months</b>
	<b>2007 (audited)</b>	<b>2008 (audited)</b>	<b>ended 31 December</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>2008 (unaudited)</b>
			<b>RMB'000</b>
Purchase of organic fertilizers from Fujian Chaoda Trading	376,336	530,310	268,077

In respect of the Proposed 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 2009 Agreement in each of the three financial years ending 30 June 2010, 2011 and 2012 as set out below:

	<b>For the financial year ending 30 June</b>		
	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Proposed Annual Caps	870,000	1,080,000	1,350,000

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 2010, 2011 and 2012, which is in turn calculated with reference to (i) the expected 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 of the Group's crops products for each of the three financial years ending 30 June 2010, 2011 and 2012 and (ii) the volume of organic fertilizers (in tonnes) required to be used by the Group for the production of each unit tonne of its crops products under its normal production operation.

## **REASONS FOR AND BENEFITS OF THE PROPOSED TRANSACTIONS**

Fuzhou Chaoda is principally engaged in the cultivation and sale of crops, and the breeding and sale of livestock in the PRC. The 2009 Agreement was entered into between the Group (through Fuzhou Chaoda) and Fujian Chaoda Trading, subject to the fulfillment of the conditions precedent contained therein, and setting out the terms and conditions governing the Group's future purchases of organic fertilizers from Fujian Chaoda Trading for the three financial years ending 30 June 2012. While the Group can purchase organic fertilizers from other independent suppliers in the PRC, the Directors are of the view that Fujian Chaoda Trading has, in its past dealings with the Group, proven itself to be a stable and reliable supplier and the Group will continue to benefit from the well-established business relationship between the Group and Fujian Chaoda Trading through the 2009 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 consider that the Proposed Transactions to be carried out under the 2009 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 whose views will be given after considering the advice of the independent financial adviser) are also of the views that the terms of the 2009 Agreement and the Proposed Transactions are fair and reasonable and in the interest of the Company and its shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

Fujian Chaoda Trading is a 95% owned subsidiary of Fujian Chaoda Group which is owned as to 95% by Mr. Kwok who is the Chairman and a substantial 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 Proposed Transactions will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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

## **GENERAL**

The Company is an investment holding company. The Group is principally engaged in the agricultural produce and livestock businesses in the PRC. The principal business of Fujian Chaoda Trading is the supply of agricultural raw materials in the PRC.

The Independent Board Committee has been formed to review and consider the 2009 Agreement, the Proposed Transactions and the Proposed Annual Caps. An independent financial adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders regarding the 2009 Agreement, the Proposed Transactions and the Proposed Annual Caps.

## **EGM**

An EGM will be convened at which ordinary resolutions will be proposed to consider and, if thought fit, approve the 2009 Agreement, the Proposed Transactions and the Proposed Annual Caps by the Independent Shareholders. Pursuant to the Listing Rules, all the resolutions put to the vote at the EGM will be taken by way of poll and Mr. Kwok and his associate, Kailey, will abstain from voting at the EGM.

A circular containing, among other things, details of the 2009 Agreement and the Proposed Transactions, a letter from each of the Independent Board Committee and the independent financial adviser, together with a notice convening the EGM to consider, and if thought fit, to approve the 2009 Agreement, the Proposed Transactions and the Proposed Annual Caps will be despatched to the Shareholders as soon as practicable.

## DEFINITIONS

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

“2006 Agreement”	the organic fertilizers supply agreement dated 16 June 2006 and made between Fuzhou Chaoda and Fujian Chaoda Trading which was approved by the Independent Shareholders at the extraordinary general meeting held on 2 August 2006
“2009 Agreement”	the organic fertilizers supply agreement dated 15 May 2009 and made between Fuzhou Chaoda and Fujian Chaoda Trading which is conditional upon the approval by the Independent Shareholders at the EGM
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Commencement Date”	the later of the date on which the Independent Shareholders’ approval is obtained or 1 July 2009
“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
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the 2009 Agreement, the Proposed Transactions and the Proposed Annual Caps by the Independent Shareholders
“Existing Transactions”	the purchases of the organic fertilizers made by the Group pursuant to the 2006 Agreement
“Fujian Chaoda Group”	Fujian Chaoda Group Limited( 福建超大大集團有限公司 ), a limited liability company established in the PRC which is 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
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board established by the Board for the purpose of advising the Independent Shareholders in relation to the 2009 Agreement, the Proposed Transactions and the Proposed Annual Caps
“Independent Shareholders”	Shareholders other than Mr. Kwok and his associate, Kailey
“Kailey”	Kailey Investment Ltd., a company incorporated with limited liability in the British Virgin Islands which holds approximately 24.36% 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
“Mr. Kwok”	Mr. Kwok Ho, the Chairman and a substantial shareholder of the Company holding, through Kailey and his personal interests, approximately 24.40% of the issued share capital of the Company as at the date of this announcement
“Percentage Ratio”	the percentage ratios (other than the profits ratio) under Rule 14.07 of the Listing Rules
“PRC”	People’s Republic of China
“Proposed Annual Caps”	the proposed maximum annual aggregate values of RMB870,000,000, RMB1,080,000,000 and RMB1,350,000,000 for the Proposed Transactions to be made by the Group under the 2009 Agreement for the three financial years ending 30 June 2010, 2011 and 2012 respectively

“Proposed Transactions”	the purchases of organic fertilizers to be made by the Group pursuant to the 2009 Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“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
“substantial shareholder”	has the meaning ascribed thereto in the Listing Rules
“%”	per cent

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

Hong Kong, 15 May 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 (Lee Yan), Ms. Huang Xie Ying (Wong Hip Ying), Mr. Kuang Qiao (Fong Jao), 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*