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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)

PLACING OF EXISTING SHARES AND SUBSCRIPTION FOR NEW SHARES

Placing Agent



The Placing Agreement was entered into on 7 November 2001 pursuant to which the Placing Agent has agreed to place, on a best endeavours basis, 223,000,000 existing Shares (and subject to the exercise of the Tranche 2 Option, a maximum of 97,000,000 additional existing Shares) held by the Vendor. The Placing will be made to not less than six independent professional, institutional and other investors at the Placing Price of HK\$2.30 per Share. The Placing Price is determined after arms length negotiations amongst the Vendor, the Company and the Placing Agent. The Placing Agent has indicated that it intends to exercise the Tranche 2 Option.

On the same date, the Subscription Agreement was also entered into pursuant to which the Vendor will subscribe for such number of new Shares as is equivalent to the number of existing Shares placed under the Tranche 1 Placing (up to a maximum of 223,000,000 new Shares) together with such number of new Shares as is equivalent to the additional number of existing Shares placed under the Tranche 2 Placing upon the exercise of the Tranche 2 Option (up to a maximum of 97,000,000 new Shares), in both cases, at the Subscription Price of HK\$2.30 per Share. The Subscription is conditional upon the granting of the listing of, and permission to deal in, the Subscription Shares by the Listing Committee of the Stock Exchange and completion of the Placing. Application will be made to the Listing Committee of the Stock Exchange for the granting

of listing of, and permission to deal in, the Subscription Shares.

As at the date of this announcement, the Vendor holds approximately 60.375% of the existing issued capital of the Company. Assuming the Tranche 1 Placing is completed in full and the Tranche 2 Option is not exercised, the Vendor will hold approximately 52.990% of the issued share capital of the Company as enlarged by the completion of the Subscription. Assuming the Tranche 1 Placing is completed in full and the Tranche 2 Option is exercised in full, the Vendor will hold approximately 50.313% of the issued share capital of the Company as enlarged by the completion of the Subscription.

Assuming the Tranche 1 Placing is completed in full and the Tranche 2 Option is not exercised, the net proceeds from the Subscription are estimated to be approximately HK\$500 million. Assuming the Tranche 1 Placing is completed in full and the Tranche 2 Option is exercised in full, the additional net proceeds from the Subscription are estimated to be approximately HK\$218 million. It is the intention of the Directors to use such net proceeds from the Subscription in the manner as set out in the paragraph headed "Reasons for the Placing and the Subscription and use of proceeds" below.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended at 10:00 a.m. on 7 November 2001 pending the release of this announcement. Application will be made by the Company to the Stock Exchange for trading in the Shares to resume with effect from 10:00 a.m. on 8 November 2001.

THE PLACING

Date of the Placing Agreement: 7 November 2001

Vendor: Kailey Investment Limited, the controlling shareholder of the Company and a limited liability company which is beneficially owned as to 90% by Mr. Kwok Ho and as to 10% by Madam Chiu Na Lai (Mr. Kwok Ho's spouse) as to 10%. Mr. Kwok Ho and Madam Chiu Na Lai are both executive Directors. Kailey Investment Limited currently holds 966,000,000 existing Shares, representing approximately 60.375% of the existing issued share capital of the Company. Number of Placing Shares:

<u>Tranche</u>	<u>1</u>	<u>Placing</u>
The Placing Agent has agreed to place, on a best endeavours basis, 223,000,000 existing Shares held by the Vendor, representing approximately 13.937% of the existing issued share capital of the Company or approximately 12.233% of the issued share capital of the Company as enlarged by the Subscription (assuming the Tranche 2 Option is not exercised).		

The Vendor has granted the Tranche 2 Option to the Placing Agent, exercisable from the date of the Placing Agreement up to 5:00 p.m. on 16 November 2001, pursuant to which the Placing Agent may require the Vendor to sell, at a maximum, an additional 97,000,000 existing Shares at the Placing Price in one or more transactions by way of placement with the placees. If the Tranche 2 Option is exercised in full, the total of 320,000,000 Placing Shares will represent approximately 20% of the existing issued share capital of the Company or approximately 16.667% of the issued share capital of the Company as enlarged by the Subscription. The Placing Agent has indicated that it intends to exercise the Tranche 2 Option. A further announcement will be made if the Tranche 2 Option is exercised.

Placing Price:	HK\$2.30 per Share, which represents a discount of approximately 10.68% to the closing price of HK\$2.575 per Share quoted on the Stock Exchange on 6 November 2001, the latest trading day prior to the suspension of trading in the Shares on the Stock Exchange on 7 November 2001 and a discount of approximately 6.41% to the average closing price of the Shares of approximately HK\$2.4575 per Share over the last ten consecutive trading days up to and including 6 November 2001. The Placing Price is determined after arms length negotiations amongst the Vendor, the Company and the Placing Agent.
Rights:	The Placing Shares will be sold free of any third party rights. The placees will receive all dividends and distributions declared, made or paid after completion of the Placing (including the final dividend of HK\$0.073 per Share proposed by the Directors for the year ended 30 June 2001).
Placees:	Not less than six independent placees (which will be professional, institutional and other investors)
Placing Agent:	ICEA
Independence of places and Placing Agent:	The placees and the Placing Agent are independent of and not connected or acting in concert with the Company, any of the directors, chief executive, substantial shareholders of the Company or any of its subsidiaries, or any of their respective associates (as defined in the Listing Rules).
Conditions of Placing:	The placing is unconditional.

Completion of Placing: Completion of the Tranche 1 Placing is expected to take place on or before 12 November 2001. If the Tranche 2 Option is exercised, completion of the Tranche 2 Placing is expected to take place within 14 days from the date of the Placing Agreement.

THE SUBSCRIPTION

Date of the 7 November 2001
Subscription
Agreement:

Subscriber: Kailey Investment Limited

Number of Subscription Shares: Such number of new Shares as is equivalent to the number of Shares placed under the Tranche 1 Placing (up to a maximum of 223,000,000 new Shares), and such number of new Shares as is equivalent to the additional number of Shares placed under the Tranche 2 Placing upon the exercise of the Tranche 2 Option (up to a maximum of 97,000,000 additional new Shares).

Assuming the Tranche 1 Placing is completed in full and the Tranche 2 Option is not exercised, the Vendor will subscribe for 223,000,000 new Shares, representing approximately 13.937% of the existing issued share capital of the Company and approximately 12.233% of the issued share capital of the Company as enlarged by the Subscription.

Assuming the Tranche 1 Placing is completed in full and the Tranche 2 Option is exercised in full, the Vendor will be required to subscribe for an additional 97,000,000 new Shares and hence, a total of 320,000,000 new Shares, representing approximately 20% of the existing issued share capital of the Company and approximately 16.667% of the issued share capital of the Company as enlarged by the Subscription.

Subscription Price: HK\$2.30 per Share, which is equivalent to the Placing Price. The Company will pay the costs and expenses relating to the Subscription.

General mandate to issue new Shares: The Subscription Shares will be issued under the general mandate granted to the Directors pursuant to a resolution passed by the shareholders of the Company on 23 November 2000.

Ranking: The Subscription Shares, when fully paid, will rank equally in all respects among themselves and with all the existing Shares of the Company in issue as at the date of the allotment and issue of the Subscription Shares.

Conditions of Subscription: and The Subscription by the Vendor of up to 223,000,000 Subscription Shares (to be subscribed for in conjunction with the Tranche 1 Placing) is conditional upon:

- (i) completion of the Tranche 1 Placing; and
- (ii) the granting of the listing of, and permission to deal in, such Subscription Shares by the Listing Committee of the Stock Exchange.

The Subscription of up to 97,000,000 additional Subscription Shares (to be subscribed for in conjunction with the Tranche 2 Placing upon the exercise of the Tranche 2 Option) is conditional upon:

- (i) completion of the Tranche 2 Placing; and
- (ii) the granting of the listing of, and permission to deal in, such Subscription Shares by the Listing Committee of the Stock Exchange.

In any event, the above conditions must be satisfied within 14 days from the date of the Placing Agreement, or such other date as the parties may agree. If any portion of the Subscription is not completed within 14 days from the date of the Placing Agreement, the Company is required to comply with the relevant connected transaction requirements of the Listing Rules.

Application for listing: Application will be made to the Listing Committee for the granting of the listing of, and permission to deal in, the Subscription Shares.

EFFECT OF THE PLACING AND THE SUBSCRIPTION

Effects on the shareholding structure of the Company pursuant to the Placing and the Subscription are as follows:

	Existing		Immediately after completion of the Tranche 1 Placing in full but with no exercise of the Tranche 2 Option and prior to the completion of the relevant Subscription		Immediately after completion of the Tranche 1 Placing in full but with no exercise of Tranche 2 Option, and completion of the relevant Subscription		Immediately after completion of the Tranche 1 Placing in full and exercise in full of the Tranche 2 Option but prior to the completion of the relevant Subscription		Immediately after completion of the Tranche 1 Placing in full and exercise in full of the Tranche 2 Option, and completion of the relevant Subscription	
	Number of Shares		Number of Shares		Number of Shares		Number of Shares		Number of Shares	
	('000)	%	('000)	%	('000)	%	('000)	%	('000)	%
Vendor	966,000	60.375	743,000	46.438	966,000	52.989	646,000	40.375	966,000	50.312
Places	--	--	223,000	13.937	223,000	12.233	320,000	20.000	320,000	16.667
Public	634,000	39.625	634,000	39.625	634,000	34.778	634,000	39.625	634,000	33.021
Total	1,600,000	100.000	1,600,000	100.000	1,823,000	100.000	1,600,000	100.000	1,920,000	100.000

REASONS FOR THE PLACING AND THE SUBSCRIPTION AND USE OF PROCEEDS

The Directors consider that the Placing and the Subscription represent a good opportunity to raise equity capital for the future business development of the Company and its subsidiaries and to broaden the shareholder base and capital base of the Company.

Assuming the Tranche 1 Placing is completed in full and the Tranche 2 Option is not exercised, the net proceeds from the Subscription are estimated to be approximately HK\$500 million. It is the intention of the Directors to use such net proceeds in the manner set out below:

- as to approximately HK\$7 million for further investment in New Asia Global Limited;
- as to approximately HK\$193 million for the establishment of related irrigation and infrastructural facilities on the farmlands in Nanjing Municipality;
- as to approximately HK\$200 million for the establishment of retail green stalls selling organic and green vegetables and fruits and the expansion of retail network in Shanghai; and

- as to approximately HK\$100 million for the long-term lease of farmlands in Beijing Municipality and nearby regions, and the establishment of related irrigation and infrastructural facilities on those farmlands.

Assuming the Tranche 1 Placing is completed in full and the Tranche 2 Option is exercised in full (and hence, a maximum of 320,000,000 new Shares are subscribed for by the Vendor pursuant to the Subscription), the Company will receive additional net proceeds of HK\$218 million, and aggregate net proceeds from the Subscription estimated to be approximately HK\$718 million. It is the intention of the Directors to use such additional net proceeds from the Subscription in conjunction with the Tranche 2 Placing in the manner set out below:

- as to approximately HK\$158 million for further establishment of irrigation and infrastructure facilities on farmlands in Nanjing and Beijing Municipality;
- as to approximately HK\$60 million for further expansion of the retail network in Shanghai.

RESUMPTION OF TRADING IN SHARES

At the request of the Company, trading in the Shares on the Stock Exchange was suspended at 10:00 a.m. on 7 November 2001 pending the release of this announcement. Application will be made by the Company to the Stock Exchange for trading in the Shares to resume with effect from 10:00 a.m. on 8 November 2001.

DEFINITIONS

“Company” :	Chaoda Modern Agriculture (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Stock Exchange
“Director(s)” :	The directors of the Company
“Listing Committee” :	The Listing Committee of the Stock Exchange
“Listing Rules” :	The Rules Governing the Listing of Securities on the Stock Exchange
“Placing” :	The placing of the Placing Shares by the Placing Agent, on a best endeavours basis, on behalf of the Vendor pursuant to the Placing Agreement

“Placing Agent” :	ICEA Capital Limited, the placing agent of the Placing and a registered dealer under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong)
“Placing Agreement” :	The placing agreement entered into on 7 November 2001 between the Vendor, the Company and the Placing Agent in relation to the Placing
“Placing Price” :	HK\$2.30 per Placing Share
“Placing Shares” :	The Tranche 1 Placing Shares and the Tranche 2 Placing Shares
“Share(s)” :	Share(s) of nominal value HK\$0.10 each in the capital of the Company
“Stock Exchange” :	The Stock Exchange of Hong Kong Limited
“Subscription” :	The subscription for the Subscription Shares by the Vendor pursuant to the Subscription Agreement
“Subscription Agreement” :	The subscription agreement entered into on 7 November 2001 between the Company and the Vendor in relation to the Subscription
“Subscription Price” :	HK\$2.30 per Subscription Share
“Subscription Shares” :	New Shares to be subscribed for by the Vendor in such number as is equivalent to the number of Placing Shares sold under the Placing Agreement
“Tranche 2 Option” :	The option granted by the Vendor to the Placing Agent, exercisable from the date of the Placing Agreement up to 5:00 p.m. on 16 November 2001, pursuant to which the Placing Agent may require the Vendor to sell, at a maximum, an additional 97,000,000 existing Shares at the Placing Price in one or more transactions by way of placement with places
“Tranche 1 Placing” :	The placing of the Tranche 1 Placing Shares, on a best endeavours basis, under the Placing Agreement

- “Tranche 1 Placing Shares” : A maximum of 223,000,000 Shares to be placed under the Placing Agreement
- “Tranche 2 Placing” : Upon exercise of the Tranche 2 Option, the placing of the Tranche 2 Placing Shares, on a best endeavours basis, under the Placing Agreement
- “Tranche 2 Placing Shares” : A maximum of 97,000,000 to be placed under the Tranche 2 Placing
- “Vendor” : Kailey Investment Limited, the controlling shareholder of the Company and a limited liability company which is beneficially owned as to 90% by Mr. Kwok Ho and as to 10% by Madam Chiu Na Lai (Mr. Kwok Ho's spouse)

By order of the Board
Chaoda Modern Agriculture (Holdings) Limited
Kwok Ho
Chairman
Hong Kong, 7 November 2001

* *For identification purposes only*

This announcement is not an offer of securities for sale in the United States, the Shares may not be offered or sold in the United States absent registration or an exemption from registration, and if any public offering of Shares is made in the United States, such offer will be by means of a prospectus that may be obtained from the Company that will contain detailed information about the Company and management, as well as financial statements.

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