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Chaoda Modern Agriculture (Holdings) Limited

(Incorporated in Cayman Islands with limited liability)

ANNOUNCEMENT

The board of directors of the Company announces that the Group entered into the following transactions on 26th July, 2001:

The Acquisition

Huge Market, a wholly-owned subsidiary of the Company, entered into a share purchase agreement with Mr. Tong pursuant to which Huge Market has agreed to purchase a 49 per cent. shareholding in Newasia for a consideration of HK\$20,000,000 and RMB87,650,000 (approximately equivalent to HK\$81,157,000 at the exchange rate of HK\$1: RMB1.08). The Acquisition was completed on 26th July, 2001.

The Lease Agreements

Fuzhou Chaoda, a wholly-owned subsidiary of the Company, entered into 3 lease agreements with Nanjing Municipality Liu He County Heng Lang Town Government, Nanjing Municipality Liu He County Xiong Zhou Town Government, Nanjing Municipality Liu He County Gua Bu Town Government, respectively, pursuant to which Fuzhou Chaoda has agreed to lease a total of approximately 20,000 mu of farmland in Liu He County, Nanjing, PRC for a term of 30 years from the date of the delivery of the farmland by the landlords which shall be no later than 31st October, 2001. Fuzhou Chaoda will pay rent at the rate of RMB280 (approximately equivalent to HK\$259 at the exchange rate of HK\$1: RMB1.08) per mu per year. In addition, Fuzhou Chaoda will pay a further sum in the aggregate of RMB60,000,000 (approximately equivalent to HK\$55,555,000 at the exchange rate of HK\$1: RMB1.08) (calculated at RMB3,000 (approximately equivalent to

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HK\$2,777 at the exchange rate of HK\$1: RMB1.08) per mu) under the Lease Agreements upon demand from the landlords.

Reasons for the Acquisition and the Lease Agreements

The Directors consider the Acquisition and the Lease Agreements to be attractive investment opportunities on account of their growth and profitability potential and synergy with the Group's existing business and is complementary to the business objectives of the Group. The terms of the Acquisition and the Lease Agreements have been arrived at after arm's length negotiation and are based on normal commercial terms. The Directors are of the view that the terms of the Acquisition and the Lease Agreements are fair and reasonable and are in the interest of the Company and its shareholders.

1. THE ACQUISITION

Share Purchase Agreement dated 26th July, 2001

Parties

- (1) Mr. Tong (Vendor)
- (2) Huge Market (Purchaser)

Mr. Tong is an independent third party not connected with the directors, chief executive and substantial shareholders of the Company or its subsidiaries or any of their respective associates.

Hugh Market is a wholly-owned subsidiary of the Company.

The Acquisition

Huge Market has agreed to purchase a 49 per cent. shareholding in Newasia from Mr. Tong.

Newasia is an investment holding company whose sole asset is its 100 per cent. equity interest in Lucky Team. Prior to the Acquisition, Newasia is wholly-owned by Mr. Tong. It is the Company's understanding that Mr. Tong will continue to hold his 51 per cent. shareholding in Newasia after the Acquisition.

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Lucky Team is principally engaged in the processing, sales, research and development of fruits and vegetables plantation, Chinese herbal medicine and mushroom plantation; and the development, production and sale of organic fertilizers.

Newasia has, by way of various lease agreements all of which were entered into with the Guangxi Hepu County Government, leased in aggregate approximately 47,000 mu of farmland in Hepu, Beihai, Guangxi Province, PRC for a term of 50 years from 25th June, 2000 to 25th June, 2050. The lease agreements permit the use of the land by Lucky Team. The land has been used as a production base for oranges.

Consideration

The consideration payable by Huge Market in respect of the Acquisition is the sum of HK\$20,000,000 and RMB87,650,000 (approximately equivalent to HK\$81,157,000 at the exchange rate of HK\$1: RMB1.08), payable in the following manner:

- (i) HK\$20,000,000 was paid in cash on 26th July, 2001 following the signing of the Share Purchase Agreement;
- (ii) RMB80,000,000 (approximately equivalent to HK\$74,074,000 at the exchange rate of HK\$1: RMB1.08) will be paid by instalments in cash, the amount and the time of payment of each instalment will be determined by Mr. Tong and Huge Market, but in any event such sum will be fully paid on or before the expiry of three months after the completion of the Acquisition; and
- (iii) Huge Market and Mr. Tong have undertaken to invest further funds in the aggregate amount of RMB15,000,000 (approximately equivalent to HK\$13,889,000 at the exchange rate of HK\$1: RMB1.08) in Newasia by way of subscription for new shares in proportion to their respective shareholdings in Newasia on or before 30th June, 2002 and on such basis, RMB7,650,000 (approximately equivalent to HK\$7,083,000 at the exchange rate of HK\$1: RMB1.08) will be retained and applied by Huge Market towards payment of Mr. Tong's portion (based on his 51 per cent. shareholding in Newasia) of the RMB15,000,000 (approximately equivalent to HK\$13,889,000 at the exchange rate of HK\$1: RMB1.08) to be further invested.

The consideration was determined by commercial negotiations between Mr. Tong and Huge Market conducted on an arm's length basis taking into account the net asset value of Newasia, the future growth potential in the business and profitability of Newasia.

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Completion

The Acquisition was completed on 26th July, 2001 following the signing of the Share Purchase Agreement.

2. THE LEASE AGREEMENTS

Three Lease Agreements all dated 26th July, 2001

Parties

- (1) Nanjing Municipality Liu He County Heng Lang Town Government, Nanjing Municipality Liu He County Xiong Zhou Town Government, Nanjing Municipality Liu He County Gua Bu Town Government, respectively (in each case, as landlord)
- (2) Fuzhou Chaoda (as tenant)

Each of the landlords is an independent third party not connected with the directors, chief executive and substantial shareholders of the Company or its subsidiaries or any of their respective associates.

Fuzhou Chaoda is a wholly-owned subsidiary of the Company.

Term of the Lease Agreements

30 years commencing from the date of delivery of the farmland by the landlords which shall not be later than 31st October, 2001.

Leased properties under the Lease Agreements

An aggregate of approximately 20,000 mu of farmland in Liu He County, Nanjing, PRC.

Consideration

Fuzhou Chaoda will pay rent at the rate of RMB280 (approximately equivalent to HK\$259 at the exchange rate of HK\$1: RMB1.08) per mu per year. In addition, Fuzhou Chaoda agrees to pay, in

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aggregate, a further sum of RMB60,000,000 (approximately equivalent to HK\$55,555,000 at the exchange rate of HK\$1: RMB1.08) (calculated at RMB3,000 (approximately equivalent to HK\$2,777 at the exchange rate of HK\$1: RMB1.08) per mu) under the Lease Agreements upon demand from the landlords in consideration for the landlords agreeing not to increase the rent or demand payment of any other supplemental charges during the term of the Lease Agreements.

If, however, any of the Lease Agreements is terminated under any of the following circumstances, then the landlord under such Lease Agreements shall repay to Fuzhou Chaoda an amount calculated at RMB100 (approximately equivalent to HK\$92 at the exchange rate of HK\$1: RMB1.08) per mu for each year comprised in the then remaining unexpired term of the lease:

- (1) if the environmental conditions of the land do not meet with the standards required by Fuzhou Chaoda;
- (2) if as a result of changes in environmental conditions, the land becomes fallow or otherwise unsuitable for Fuzhou Chaoda to carry on cultivation activities;
- (3) resumption of the land by the government;
- (4) force majeure events; or
- (5) breach of the terms of the Lease Agreements by Fuzhou Chaoda.

Except for the foregoing circumstances, the landlord shall be entitled to retain for its benefit the entire amount of RMB60,000,000 (approximately equivalent to HK\$55,555,000 at the exchange rate of HK\$1: RMB1.08).

Use of the leased properties

The leased properties will be used as a production base for various types of agricultural produce.

3. REASONS FOR THE ACQUISITION AND THE LEASE AGREEMENTS

The Group is an integrated and modern agricultural enterprise and is principally engaged in the agricultural produce and livestock businesses in the PRC.

Since its listing in December 2000, the Company has continued to expand its land lease and production base due to strong demand for its produce in China and overseas markets. Most of the

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Company's farmlands are concentrated in the Fujian Province, PRC, resulting in relatively high transportation costs for sales to other provinces in the PRC. The entering into the Lease Agreements can significantly expand the size of its production base and the production base in Nanjing offers the Company favourable exposures to the coastal region in eastern China which is the major markets for vegetables and fruits. The acquisition of a 49 per cent. shareholding in Newasia also offers the Company an investment opportunity with growth and profitability potential in a modern orange farm in the Guangxi region, PRC, and to expand its farmland. The Directors are of the view that the terms of the Acquisition and the Lease Agreements are fair and reasonable and are in the interest of the Company and its shareholders. The Directors consider that the Acquisition and the Lease Agreements to be attractive investment opportunities on account of their growth and profitability potential and synergy with the Group's existing business and is complementary to the business objectives of the Group.

4. FUNDING FOR THE ACQUISITION AND THE LEASE AGREEMENTS

The consideration payable under the Share Purchase Agreement in respect of the Acquisition and under the Lease Agreements will be funded out of the internal resources of the Group.

5. GENERAL

Neither the Acquisition nor any of the Lease Agreements constitutes a notifiable transaction for the Company under the Listing Rules.

6. DEFINITIONS

“Acquisition”	the purchase by Huge Market of a 49 per cent. shareholding in Newasia from Mr. Tong;
“associate”	has the meaning as defined in the Listing Rules;
“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;
“Directors”	the directors of the Company;
“Fuzhou Chaoda”	Fuzhou Chaoda Modern Agriculture Development Company Limited, a wholly-foreign-owned enterprise

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	established in the PRC and is a wholly-owned subsidiary of the Company;
“Group”	the Company and its subsidiaries;
“Huge Market”	Huge Market Investments Limited, a company incorporated in the British Virgin Islands and is a wholly-owned subsidiary of the Company;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Lease Agreements”	(1) the lease agreement dated 26th July, 2001 between Fuzhou Chaoda and Nanjing Municipality Liu He County Heng Lang Town Government; (2) the lease agreement dated 26th July, 2001 between Fuzhou Chaoda and Nanjing Municipality Liu He County Xiong Zhou Town Government; and (3) the lease agreement dated 26th July, 2001 between Fuzhou Chaoda and Nanjing Municipality Liu He County Gua Bu Town Government in relation to the leasing of, in aggregate, approximately 20,000 mu of farmland in Liu He County, Nanjing, PRC;
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange;
“Lucky Team”	Lucky Team Biotech Development (Hepu) Ltd., a wholly-foreign-owned enterprise established in the PRC and is wholly-owned by Newasia;
“Mr. Tong”	Mr. Tong Wang Chow, an independent third party not connected with the directors, chief executive and substantial shareholders of the Company or its subsidiaries or any of their respective associates
“Newasia”	Newasia Global Limited, a company incorporated in the British Virgin Islands and is wholly-owned by Mr. Tong;

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“mu”	a measurement for the area of land commonly used in the PRC which is equivalent to about 0.0667 hectare;
“PRC” or “China”	the People's Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share Purchase Agreement”	the share purchase agreement dated 26th July, 2001 between Mr. Tong and Huge Market in relation to the sale and purchase of a 49 per cent. shareholding in Newasia;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

By Order of the Board
**CHAODA MODERN AGRICULTURE
(HOLDINGS) LIMITED**
Kwok Ho
Chairman
Hong Kong, 26th July, 2001.