

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement is not an offer to sell or a solicitation of an offer to buy any securities and neither this announcement nor anything herein forms the basis for any contract or commitment whatsoever. Neither this announcement nor any copy thereof may be taken into or distributed in the United States. Securities may not be offered or sold in the United States absent registration or an exemption from registration under the Securities Act. The Company does not intend to register any part of the proposed offering in the United States. The securities described herein will be sold in accordance with all applicable laws and regulations.



CHAODA MODERN AGRICULTURE (HOLDINGS) LIMITED

(Incorporated with limited liability under the laws of the Cayman Islands)

(Stock Code: 682)

DISCLOSURE PURSUANT TO RULE 13.09 OF THE LISTING RULES PROPOSED NOTES ISSUE DUE 2010

Further to the announcement made by the Company on 19 January 2005, the Company and the Initial Purchasers entered into the Purchase Agreement pursuant to which the Initial Purchasers have conditionally agreed to purchase the Notes in the aggregate principal amount of US\$225 million (approximately equivalent to HK\$1,755 million), which are unconditionally and irrevocably guaranteed by the initial Subsidiary Guarantors, each a wholly-owned subsidiary of the Company. The Company and a Subsidiary Guarantor Pledgor have agreed to pledge the Collateral to secure the Notes and the Subsidiary Guarantees.

The Company intends to use the net proceeds arising from the Notes Issue to finance capital expenditures, including the expansion of its production bases, and for general corporate purposes.

Completion of the Notes Issue is subject to the satisfaction of certain conditions in the Purchase Agreement.

As the Notes Issue may or may not complete, shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

The Notes have been assigned a rating of “Ba3” by Moody’s and “BB” by S&P. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation.

Approval in-principle has been obtained by the Company for the listing and quotation of the Notes on the Singapore Stock Exchange. Such approval and the admission of the Notes to the Official List of the Singapore Stock Exchange is not to be taken as an indication of the merits of the Company or the Notes. Listing of the Notes on the Singapore Stock Exchange is expected to take place on or about 8 February 2005. No application will be made for the listing of, or permission to deal in, the Notes on the Hong Kong Stock Exchange.

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act. The Notes sold to qualified institutional buyers as defined in the Securities Act are expected to be eligible for trading in PORTAL.

Trading in the shares of the Company on the Hong Kong Stock Exchange was suspended at the request of the Company with effect from 9:38 a.m. on 2 February 2005 pending the release of this announcement. Application has been made by the Company for the resumption of trading in the shares of the Company on the Hong Kong Stock Exchange with effect from 9:30 a.m. on 3 February 2005.

NOTES ISSUE

On 1 February 2005, the Company and the Initial Purchasers entered into the Purchase Agreement pursuant to which the Initial Purchasers have conditionally agreed to purchase the Notes in the aggregate principal amount of US\$225 million (approximately equivalent to HK\$1,755 million), which are unconditionally and irrevocably guaranteed by the initial Subsidiary Guarantors, each a wholly-owned subsidiary of the Company. The Company and a Subsidiary Guarantor Pledgor have agreed to pledge the Collateral to secure the Notes and the Subsidiary Guarantees.

PURCHASE AGREEMENT

Date: 1 February 2005

Issuer: the Company

Purchasers: the Initial Purchasers

Guarantors: the initial Subsidiary Guarantors

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act. The Notes will be offered only to “qualified institutional buyers” (as defined in Rule 144A under the Securities Act) and to certain non-US persons (as defined in Regulation S under the Securities Act) in transactions outside the United States in reliance of Regulation S. Each of the Initial Purchasers has severally and not jointly represented and agreed that it has not offered or sold and will not sell in Hong Kong, by means of any document, any Notes other than (i) to “professional investors” as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance or which do not constitute an offer to public with the meaning of the Companies Ordinance.

To the knowledge of the Directors, the Initial Purchasers are independent of and not connected with any connected persons (as defined in the Listing Rules) of the Company. None of the Notes are expected to be placed to any connected persons (as defined in the Listing Rules) of the Company.

CONDITIONS PRECEDENT OF THE PURCHASE AGREEMENT

The obligation of the Initial Purchasers to purchase the Notes under the Purchase Agreement is conditional on the fulfillment of certain conditions precedent, including, but not limited to:

- (a) a certificate dated as of the Closing Date from the Company having been received by the Initial Purchasers to the effect that (i) there has been no material adverse change in the condition, financial or otherwise, or in the business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, since the date of the Purchase Agreement or since the respective dates as of which information is given in the Offering Memorandum; (ii) the representations and warranties contained in the Purchase Agreement are true and correct with the same force and effect as though expressly made at and as of the Closing Date; and (iii) the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied at or prior to the Closing Date;
- (b) letters dated the Closing Date from Moody's and S&P respectively, or other evidence satisfactory to the Initial Purchasers, having been delivered by the Company to the Initial Purchasers, confirming that the Notes have been rated at least "Ba3" by Moody's and "BB" by S&P; and since the date of the Purchase Agreement, no downgrading has occurred in the respective ratings assigned to the Notes or any of the Company's other debt securities by any "nationally recognized statistical rating agency", as that term is defined by the US Securities and Exchange Commission for purposes of Rule 436(g)(2) under the Securities Act, and no such securities rating agency shall have publicly announced that it has under surveillance or review, with possible negative implications, its rating of the Notes or any of the Company's other debt securities;
- (c) approval in-principle for listing and quotation of the Notes on the Singapore Stock Exchange having been received by the Company at the Closing Date;
- (d) at the Closing Date, the Notes having been designated for trading in PORTAL and the Notes being eligible for clearance and settlement through The Depository Trust Company (and its successors), Euroclear and Clearstream; and
- (e) the Indenture having been duly executed and delivered by the parties thereto.

Subject to the foregoing, the Notes Issue is expected to be completed and the Notes to be issued on or around 7 February 2005.

PRINCIPAL TERMS OF THE NOTES

The principal terms of the Notes, which are constituted by the Indenture, are summarised as follows:

Issuer:	The Company.
the Notes:	US\$225 million aggregate principal amount of 7.75% Guaranteed Senior Notes due 2010.
Issue price:	98.985% of the principal amount of the Notes.
Term:	Five years from the date of issue of the Notes.
Maturity date:	8 February 2010
Interest:	The Notes will bear interest from and including 7 February 2005 at the rate of 7.75% per annum, payable semi-annually in arrears.
Denomination:	The Notes will be issued in fully registered form, without coupons, in denominations of US\$1,000 of principal amount and integral multiples of US\$1,000 in excess thereof.
Ranking:	<p>The Notes are (i) general obligations of the Company; (ii) senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes; (iii) at least pari passu in right of payment with all other unsecured, unsubordinated Indebtedness (as defined in the Indenture) of the Company (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law); and (iv) guaranteed by the Subsidiary Guarantors on a senior basis, subject to certain limitations prescribed under the Indenture.</p> <p>After the pledge of the Collateral by the Company and the Subsidiary Guarantor Pledgors and subject to certain limitations as prescribed in the Indenture, the Notes will (i) be entitled to a first priority lien on the Collateral (subject to any Permitted Liens (as defined in the Indenture)); and (ii) rank effectively senior in right of payment to unsecured obligations of the Company with respect to the value of the Collateral pledged by the Company securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).</p>
Subsidiary Guarantees:	Each of the Subsidiary Guarantors will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes. The initial Subsidiary Guarantors will be limited to subsidiaries of the Company that do not have significant operations, some of which also do not have significant assets. The initial Subsidiary Guarantors will consist of Timor Enterprise

Limited, Chaoda Vegetable & Fruits Limited, Chaoda Vegetable & Fruits Trading Limited, Worthy Year Investments Limited, Great Challenge Developments Limited and Insight Decision Limited, each a wholly-owned subsidiary of the Company.

None of the Company's significant current operating or other subsidiaries organised under the laws of the PRC will provide a Subsidiary Guarantee upon issuance of the Notes or at any time in the future. In addition, no future Restricted Subsidiary organised under the laws of the PRC will provide a Subsidiary Guarantee in the future.

Any further Restricted Subsidiary (other than subsidiaries organised under the laws of the PRC) will provide a guarantee of the Notes immediately upon becoming a Restricted Subsidiary.

Ranking of Subsidiary
Guarantees:

The Subsidiary Guarantee of each Subsidiary Guarantor (i) is a general obligation of such Subsidiary Guarantor; (ii) is effectively subordinated to secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor; (iii) is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee; and (iv) ranks at least pari passu with all other unsecured, unsubordinated Indebtedness (as defined in the Indenture) of such Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness (as defined in the Indenture) pursuant to applicable law).

After the pledge of the Collateral by the Company and the Subsidiary Guarantor Pledgors and subject to certain limitations in the Indenture, the Subsidiary Guarantee of each Subsidiary Guarantor Pledgor (i) will be entitled to a first ranking security interest in the Collateral pledged by such Subsidiary Guarantor Pledgor (subject to any Permitted Liens (as defined in the Indenture)); and (ii) will rank effectively senior in right of payment to the unsecured obligations of such Subsidiary Guarantor Pledgor with respect to the value of the Collateral securing such Subsidiary Guarantee (subject to any priority rights of such unsecured obligations pursuant to applicable law).

Security to be granted:

The Company has agreed, for the benefit of the holders of the Notes, to pledge, or cause the initial Subsidiary Guarantor Pledgor to pledge, as the case may be, the Collateral no later than 30 April 2005 in order to secure the obligations of the Company under the Notes and the Indenture and of such initial Subsidiary Guarantor Pledgor under its Subsidiary Guarantee.

The initial Subsidiary Guarantor Pledgor will be Timor Enterprise Limited, a wholly-owned subsidiary of the Company.

None of the capital stock of the Company's significant current operating or other PRC Subsidiaries (as defined in the Indenture) will be pledged upon the issuance of the Notes or at any time in the future. In addition, none of the capital stock of any future Restricted Subsidiary organised under the laws of the PRC will be pledged at any time in the future.

The Collateral securing the Notes and the Subsidiary Guarantees may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each Subsidiary Guarantor Pledgor may incur Permitted Pari Passu Secured Indebtedness (as defined in the Indenture) which would be secured by the Collateral on a pari passu basis with the Notes and the Subsidiary Guarantees.

Optional redemption:

At any time prior to 7 February 2008, the Company may redeem up to 35% of the principal amount of the Notes with the net cash proceeds of one or more sales of its common stock, or options, warrants or rights with respect to such common stock, in one or more equity offerings at a redemption price of 107.75% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to the date of redemption.

Redemption for taxation reasons:

Subject to certain exceptions prescribed under the Indenture, the Company may redeem the Notes, as a whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Company for redemption, if the Company or a Subsidiary Guarantor would become obliged to pay certain additional amounts as a result of certain changes in specified tax law or certain other circumstances.

Repurchase of Notes upon a change of control triggering event:

Upon the occurrence of a Change of Control Triggering Event (as defined in the Indenture), the Company will make an offer to repurchase all Notes then outstanding at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to the redemption date.

Covenants:

The Notes, the Indenture and the Subsidiary Guarantees will, subject to certain qualifications and exceptions, limit the Company's ability and the ability of its Restricted Subsidiaries to, among other things, (i) incur additional indebtedness and issue disqualified or preferred stock; (ii) declare dividends on capital stock or purchase or redeem capital stock; (iii) make investments or other specified restricted payments; (iv) issue or sell capital stock of Restricted Subsidiaries; (v) guarantee Indebtedness (as defined in the Indenture); (vi) sell assets; (vii) create any Liens (as defined in the Indenture); (viii) enter into sale and leaseback transactions; (ix) enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans; (x) enter into transactions with equity holders or affiliates; or (xi) effect a consolidation or merger.

Suspension of certain covenants:	Under the Indenture, if on any date following the date of the Indenture, the Notes receive an Investment Grade (as defined in the Indenture) from both of the Rating Agencies (as defined in the Indenture) and no event of default under the Indenture is continuing, then, beginning on that day and continuing until such time, if any, at which the Notes cease to have an Investment Grade Rating from either of the Rating Agencies, certain of the covenants under the Indenture will cease to apply to the Company and the Restricted Subsidiaries.
Events of default:	The following, among others, will constitute an event of default: (i) default in the payment of principal, interest or additional amounts of the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise; (ii) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes and such default or breach continues for a period of 30 consecutive days after written notice by the trustee or the holders of the Notes of 25% or more in aggregate principal amount of the Notes; and (iii) any Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or, except as permitted by the Indenture, any Subsidiary Guarantor is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect.
Transfer restrictions:	The Notes will not be registered under the Securities Act or under any state securities laws of the United States, and will be subject to customary restrictions on transfer and resale.
Further issues:	The Company may from time to time, subject to the terms of the Indenture, without the consent of the holders of the Notes, create and issue further securities having the same terms and conditions as the Notes in all respects. Any further issue will be consolidated with, and for all purposes will form a single class with, the Notes sold in the Notes Issue.
Listings:	The Notes will be designated for trading in PORTAL. Approval in-principle has been obtained by the Company for the listing and quotation of the Notes on the Singapore Stock Exchange. The Notes will be traded on the Singapore Stock Exchange in a minimum board lot size of US\$200,000 for so long as the Notes are listed on the Singapore Stock Exchange.
Governing law:	Each of the Notes and the Indenture will be governed by, and construed in accordance with, the laws of the State of New York.

“Closing Date”	the fourth business day in the City of New York after the date of the Purchase Agreement (that is, 7 February 2005), or such other date not later than ten business days after such date as shall be agreed upon by the Initial Purchasers and the Company
“Collateral”	all collateral securing, or purported to be securing, directly or indirectly, the Notes or any Subsidiary Guarantee pursuant to the Security Documents, and shall initially consist of the capital stock of the initial Subsidiary Guarantors, namely Timor Enterprise Limited, Worthy Year Investments Limited, Great Challenge Developments Limited, Chaoda Vegetable & Fruits Trading Limited, Insight Decision Limited and Chaoda Vegetable & Fruits Limited
“Company”	Chaoda Modern Agriculture (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Hong Kong Stock Exchange
“Companies Ordinance”	Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Euroclear”	Euroclear Bank S.A./N.V., as operator of the Euroclear System
“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 People’s Republic of China
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Indenture”	the indenture to be entered into by the Company, the initial Subsidiary Guarantors and the trustee of the Notes on or around the Closing Date
“Initial Purchasers”	Credit Suisse First Boston (Europe) Limited, Deutsche Bank Securities Inc., Merrill Lynch International and BOCI Asia Limited, and any other initial purchaser substituted in accordance with the Purchase Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Moody’s”	Moody’s Investors Service and its affiliates
“Notes”	US\$225 million aggregate principal amount of 7.75% Guaranteed Senior Notes due 2010, to be issued by the Company under the Notes Issue

“Notes Issue”	the issue of the Notes under the Indenture pursuant to the terms and conditions of the Purchase Agreement
“Offering Memorandum”	the preliminary offering memorandum dated 19 January 2005 issued by the Company or a final offering memorandum to be issued by the Company on or around the date of the Purchase Agreement both in connection with the Notes Issue, whichever is the most recent as at the relevant time
“PORTAL”	The PORTAL Market [®] , a market operated by the Nasdaq Stock Exchange Market, Inc.
“PRC”	the People’s Republic of China
“Purchase Agreement”	the conditional purchase agreement dated 1 February 2005 entered into by the Company, the initial Subsidiary Guarantors and the Initial Purchasers relating to the purchase of the Notes
“Regulation S”	Regulation S under the Securities Act
“Restricted Subsidiary”	any subsidiary of the Company other than an Unrestricted Subsidiary
“S&P”	Standard & Poor’s Ratings Services and its affiliates
“Securities Act”	the US Securities Act of 1933, as amended
“Security Documents”	collectively, the pledge agreements and any other agreements or instruments that may evidence or create any security interest in favour of the trustee of the Notes and/or any holder of the Notes in any or all of the Collateral
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Singapore Stock Exchange”	The Singapore Exchange Securities Trading Limited
“Subsidiary Guarantee(s)”	any guarantee of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor
“Subsidiary Guarantor(s)”	any of Timor Enterprise Limited, Worthy Year Investments Limited, Great Challenge Developments Limited, Chaoda Vegetable & Fruits Trading Limited, Insight Decision Limited and Chaoda Vegetable & Fruits Limited, being the initial Subsidiary Guarantors, and any other Restricted Subsidiary that guarantees the payment of the Notes pursuant to the Indenture and the Notes provided that the Subsidiary Guarantor will not include any person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes

“Subsidiary Guarantor Pledgor(s)”	Timor Enterprise Limited, an initial Subsidiary Guarantor Pledgor, and any other Subsidiary Guarantor which is required to pledge the Collateral to secure the obligations of the Company under the Notes and the Indenture and of such Subsidiary Guarantor Pledgor under its Subsidiary Guarantee provided that a Subsidiary Guarantor Pledgor will not include any person whose pledge under the Security Documents has been released in accordance with the Security Documents, the Notes and the Indenture
“United States”	the United States of America
“Unrestricted Subsidiary”	Huge Market Investments Ltd, New Horizon Technology Limited and Fuzhou Chaoda Jiahe Tea Co., Ltd. (福州超大嘉和茶業有限公司), any subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board in the manner provided under the Indenture and any subsidiary of an Unrestricted Subsidiary
“US\$”	United States dollars, the lawful currency of the United States

By order of the Board
Kwok Ho
Chairman

Hong Kong 2 February 2005

For the purpose of this announcement, exchange rate of HK\$7.80 to US\$1.00 has been used for currency translations, where applicable for illustration only. No representation is made that any amounts in US\$ or HK\$ could have been or can be converted at the above rate or any other rates at all.

Please also refer to the published version of this announcement in South China Morning Post, and Hong Kong Economic Times.