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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)

PLACING OF EXISTING SHARES AND ISSUE OF HK\$1,344,000,000 ZERO COUPON CONVERTIBLE BONDS DUE 2011 AND RESUMPTION OF TRADING

THE PLACING
The Placing and Underwriting Agreement was entered into on 3 April 2006 pursuant to which the Placing Agents agreed to place, on a fully underwritten basis, 100,000,000 existing Shares held by the Vendor. The Placing will be made to independent professional, institutional and other investors at the Placing Price of HK\$5.60 per Placing Share.
As at the date of this announcement, the Vendor holds approximately 35.02% of the existing issued capital of the Company. Upon completion of the Placing, the Vendor will hold approximately 30.79% of the issued share capital of the Company.

THE CONVERTIBLE BONDS
The Subscription Agreement was entered into on 3 April 2006 pursuant to which the Managers agreed to fully underwrite the Convertible Bonds in an aggregate principal amount of HK\$1,344,000,000. Assuming full conversion of the Convertible Bonds at the Conversion Price, the Convertible Bonds will be convertible into 200,000,000 Shares (subject to adjustment), representing approximately 8.46% of the issued share capital of the Company as at the date of this announcement and approximately 7.80% of the issued share capital of the Company as enlarged by the conversion of the Convertible Bonds and the allotment and issue of the Conversion Shares.
The Bondholders will have the right to convert their Convertible Bonds into Conversion Shares at the initial Conversion Price at any time on or after 15 May 2006 up to the close of business on 28 April 2011. The initial Conversion Price is HK\$6.72, being a premium of approximately 10.16% to the closing price of HK\$6.10 per Share quoted on the Stock Exchange on 31 March 2006, being the latest trading day prior to the suspension of trading in the Shares on the Stock Exchange. Unless previously purchased and cancelled, redeemed or converted, each Convertible Bond will be redeemed at 128.01% of its principal amount on the Maturity Date.
Completion of the Subscription Agreement is conditional upon the granting of the listing of, and permission to deal in, both the Convertible Bonds and the Conversion Shares by the Stock Exchange and other conditions precedent therein. The Subscription Agreement may be terminated in certain circumstances. Please refer to the section headed "The Convertible Bonds" below for further information.
The estimated net proceeds from the issue of the Convertible Bonds amount to approximately HK\$1,305,400,000. The Company intends to use the net proceeds from the issue of the Convertible Bonds as to 80% for expanding existing or establishing new production bases (including but not limited to the production bases in the Jilin and Hunan Provinces) in line with the Group's development strategy and related capital investment and as to 20% for general working capital. A further announcement will be made by the Company if the use of such proceeds has been changed.
The Directors consider that the terms of Subscription Agreement and the Terms and Conditions are favourable and the issue of the Convertible Bonds provides an opportunity to raise extra funds for the Company.
Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Convertible Bonds and the Conversion Shares.
The Placing and Underwriting Agreement and the Subscription Agreement are not inter conditional upon each other.

SHAREHOLDING OF THE VENDOR IN THE COMPANY
Upon completion of the Placing and assuming full conversion of the Convertible Bonds into Conversion Shares, the Vendor will hold approximately 28.39% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

WARNING
Completion of the issue of the Convertible Bonds is subject to the satisfaction of certain conditions in the Subscription and Underwriting Agreement. As the issue of the Convertible Bonds 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.

SUSPENSION AND RESUMPTION OF TRADING IN SHARES
At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:42 a.m. on 3 April 2006 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 6 April 2006.

THE PLACING
Date of the Placing and Underwriting Agreement: 3 April 2006
the Vendor: Kailey Investment Ltd., a company incorporated in the British Virgin Islands and the controlling shareholder of the Company which is owned as to 100% by Mr. Kwok Ho, Chairman of the Company and a Director. The Vendor currently holds 828,240,000 Shares, representing approximately 35.02% of the existing issued share capital of the Company.
Basis of the Placing: The Placing Agents will place, severally and not jointly, the Placing Shares on a fully underwritten basis.
Number of Placing Shares: 100,000,000 existing Shares held by the Vendor, representing approximately 4.23% of the existing issued share capital of the Company.
Placing Price: HK\$5.60 per Share, representing a discount of approximately 8.20% to the closing price of HK\$6.10 per Share quoted on the Stock Exchange on 31 March 2006, being the latest trading day prior to the suspension of trading in the Shares on the Stock Exchange and a premium of approximately 3.13% to the average closing price of the Shares of approximately HK\$5.43 per Share over the last 10 consecutive trading days up to and including 31 March 2006. The Placing Price represents a premium of approximately 105% to the net asset value per Share of HK\$2.73 as at 31 December 2005.
The Placing Price is determined after arm's length negotiations between the Vendor and the Placing Agents and taking into account the general market conditions.
Undertaking: The Vendor has undertaken to the Placing Agents that (except for the sale of the Placing Shares pursuant to the Placing and Underwriting Agreement) for a period commencing from the date of the Placing and Underwriting Agreement to the date 365 days from the Placing Closing Date (the "Restricted Period"), without the prior written consent of the Placing Agents (such consent not to be unreasonably withheld), it will not pledge, sell, contract to sell, sell any contract to purchase, purchase any option to sell, grant any option, right or warrant to subscribe, otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any securities which are convertible into or exercisable or exchangeable for or otherwise carrying rights to acquire Shares or enter into any agreement or arrangement whereby any such securities or interests may be issued during the Restricted Period or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Shares or publicly announce any such sale or disposal of any Shares.
the Placing Agents: JPMSL and CS, both are not connected with the directors, chief executive or substantial shareholders (as defined in the Listing Rules) of the Company or any of its subsidiaries or any of their respective associates.
Places: The Placing Shares will be placed to places to be determined solely by the Placing Agents, subject to the requirements of the Listing Rules and the Placing Shares, as far as the Placing Agents are aware, will not be placed to any connected person (as defined in the Listing Rules) of the Company. The Placing Shares will be placed by the Placing Agents to not less than six investors who are independent of and not connected with the directors, chief executive or substantial shareholders (as defined in the Listing Rules) of the Company or its subsidiaries or any of their respective associates.
Termination: The Placing Agents may terminate the Subscription and Underwriting Agreement at any time prior to 4:00 p.m. (Hong Kong) time on the Placing Closing Date upon the occurrence of certain events which include, inter alia, any significant change (whether or not permanent) in local, national or international economic, financial, political or military conditions which in the opinion of the Placing Agents is or would be materially adverse to the success of the Placing.
Completion of Placing: Subject to the termination provision above, completion of the Placing is expected to take place on or before 7 April 2006.

EFFECT OF THE PLACING

The shareholding structure of the Company immediately before and after the Placing will be as follows:

	Existing		Immediately after completion of the Placing	
	Number of Shares	%	Number of Shares	%
the Vendor	828,240,000	35.02	728,240,000	30.79
Places	—	—	100,000,000	4.23
Others	1,536,762,250	64.98	1,536,762,250	64.98
Total	2,365,002,250	100	2,365,002,250	100

To the knowledge of the Directors, no Placee will become a substantial shareholder (as defined in the Listing Rules) pursuant to the Placing.

THE CONVERTIBLE BONDS

Date of the Subscription Agreement: 3 April 2006
Issuer: the Company
Sole bookrunner: JPMSL
Managers: JPMSL and CS, both are not connected with the directors, chief executive or substantial shareholders (as defined in the Listing Rules) of the Company or any of its subsidiaries or any of their respective associates.
Subscription: The Managers have, severally but not jointly, agreed to fully underwrite the Convertible Bonds in an aggregate principal amount of HK\$1,344,000,000, subject to the Subscription Agreement.
The Convertible Bonds will only be offered to not less than six investors who are independent of and not connected with any director, chief executive or substantial shareholders (as defined in the Listing Rules) of the Company or its subsidiaries or any of their respective associates.
The Convertible Bonds will be offered and sold to persons whose ordinary business involves buying, selling or investing in securities outside the United States in reliance upon Regulation S of the US Securities Act. None of the Convertible Bonds will be offered to the public in Hong Kong.
Conditions precedent: The obligations of the Managers to subscribe and pay for the Convertible Bonds are subject to the following conditions precedent:
(i) the trust deed and the paying and conversion agency agreement, each in a form reasonably satisfactory to the Managers and the Company, shall have been executed by all parties thereto on or prior to the Closing Date;
(ii) the Stock Exchange shall have agreed, subject to any conditions reasonably satisfactory to the Managers, to the issue of the Convertible Bonds and to list the Convertible Bonds and the Stock Exchange shall have agreed to list the Conversion Shares upon conversion of the Convertible Bonds (or, in each case, the Managers being reasonably satisfied that such listing will be granted);
(iii) upon the publication date, and the Closing Date, there shall have been delivered to the Managers comfort letters, dated the applicable date, from Baker Tilly Hong Kong Limited and CCIF CPA Limited, Certified Public Accountants to the Issuer, in a form reasonably satisfactory to the Managers;
(iv) on or prior to the Closing Date, there shall have been delivered to the Managers each in a form reasonably satisfactory to the Managers such legal opinions stated in the Subscription Agreement and such other resolutions, consents, authorities and documents relating to the issue of the Convertible Bonds, as the Managers may reasonably require;
(v) on or prior to the Closing Date, the Vendor, shall have executed a lock-up agreement, substantially in the form as set out in the Subscription Agreement, whereby it undertakes not to sell any Shares or enter into other transactions with a similar effect for a period of 365 days from the Closing Date;
(vi) at the Closing Date (i) the representations and warranties of the Company contained in the Subscription Agreement shall be accurate and correct in all material respects at, and as if made on, the Closing Date; (ii) the Company shall have performed all of its obligations hereunder expressed to be performed on or before the Closing Date; and (iii) there shall have been delivered to the Managers a certificate in the form set out in the Subscription Agreement, dated as of the Closing Date, of a duly authorised officer of the Company to such effect;
(vii) at the Closing Date there shall not have occurred any change, or any development or event reasonably likely to involve a prospective change, in the financial condition, operations, business or properties of the Company and its subsidiaries as a whole, which, in the opinion of the Managers, is material and adverse and which makes it, in the opinion of the Managers, impracticable to market the Convertible Bonds on the terms and in the manner contemplated herein;
(viii) on or before the Closing Date, the intercreditor agreement, in a form reasonably satisfactory to the Managers, shall have been executed by the parties thereto;
(ix) on or before the Closing Date, the security in respect of Timor Enterprise Limited, a direct wholly-owned subsidiary of the Company, and Chaoda Vegetable & Fruits Limited, an indirect wholly-owned subsidiary of the Company, shall have been perfected in a manner acceptable to the Managers;
(x) on or before the Closing Date, the Subsidiary Guarantees (as defined in the Indenture dated 7 February 2005 relating to the 2010 Senior Notes), in a form reasonably satisfactory to the Managers, shall have been executed by each Subsidiary Guarantors (as defined in the Indenture dated 7 February 2005 relating to the 2010 Senior Notes);
(xi) on issue of the Convertible Bonds, there will not be any Event of Default pursuant to the 2010 Senior Notes; and
(xii) the Managers shall have been satisfied with the results of its due diligence investigations on the Company and its subsidiaries for the purposes of the preparation of the offering circular and the offering circular shall have been prepared in form and content satisfactory to the Managers and the Stock Exchange.
In the event that the conditions are not fulfilled or waived by the Closing Date, the Managers shall be released and discharged from their obligations relating to the Convertible Bonds.

Undertaking: The Company has undertaken and covenanted with the Managers that neither the Company nor any of its subsidiaries or other affiliates over which it exercises management or voting control, nor any person acting on its or their behalf will, for a period of 120 days after the Closing Date, without the prior written consent of the Managers (such consent not to be unreasonably withheld), issue, offer, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal) securities issued by the Company and having a maturity of more than one year from the date of issue, any Shares of the Company or securities convertible or exchangeable into or exercisable for Shares of the Company or warrants or other rights to purchase Shares of the Company or any security or financial product whose value is determined directly or indirectly by reference to the price of the Shares, including equity swaps, forward sales and options representing the right to receive any Shares save for Shares issued pursuant to the conversion provisions of the Convertible Bonds.
Termination: The Managers may terminate the Subscription Agreement at any time prior to the payment of the net subscription monies for the Convertible Bonds upon the occurrence of certain events which include, inter alia, any change, or any development involving a prospective change, in national or international monetary, financial, political or economic conditions or currency exchange rates or foreign exchange controls which would in the Managers' view be likely to prejudice materially the success of the offering and distribution of the Convertible Bonds or dealings in the Convertible Bonds in the secondary market.

Completion: Subject to the above conditions precedents and the above termination provisions, completion of the Subscription Agreement is expected to take place on the Closing Date.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

The principal terms and conditions of the Convertible Bonds to be contained in the trust deed which shall be substantially consistent with the term sheet relating to the Convertible Bonds dated 3 April 2006 and signed by the Company and the Managers are summarised below:

Principal amount: HK\$1,344,000,000
Interest: Non-interest bearing
Yield to maturity: 5.00% per annum, calculated on a semi-annual basis
Conversion period: Bondholder(s) may exercise conversion rights at any time on or after 15 May 2006 up to the close of business on 28 April 2011.
Conversion price: Initially HK\$6.72 per Conversion Share subject to adjustment in accordance with the Terms and Conditions. The initial Conversion Price represents a premium of approximately 146% to the net asset value per Share of HK\$2.73 as at 31 December 2005.
The Conversion Price will be subject to adjustment for, among other things, subdivision or conversion of Shares, rights issues, capital distribution, stock dividends, and other events which may have a diluting effect on Bondholders. The Conversion Price shall not be adjusted to fall below the par value of the Shares. It is currently contemplated that the shares to be issued upon exercise of the right of conversion of the Bondholders will be covered by the general share issue mandate granted to the Directors pursuant to the resolutions passed by the shareholders of the Company at the annual general meeting of the Company held on 25 November 2005.

Conversion Price Reset: Automatic resets to parity after the 18th and 30th months, subject to a 80% floor

Conversion ratio: 1,488.095 Shares per Convertible Bond, which represents the number of new Shares issuable by the Company per Convertible Bond
Guarantees: The Convertible Bonds are currently expected to be guaranteed on a senior basis by certain subsidiaries of the Company on the same basis as the guarantees in the existing 2010 Senior Notes.
Collateral: The Convertible Bonds are currently expected to be secured by a first priority lien and share equally and ratably on all existing security currently existing for the benefit of the existing 2010 Senior Notes.
Cash Settlement Option: The Company may, at its option, satisfy its obligation to deliver Conversion Shares pursuant to the exercise of the right of conversion of a Bondholder by paying to the relevant Bondholder or trustee an amount of cash in order to satisfy such right of conversion, the amount of Hong Kong dollars to be paid by the Company being equal to the product of (i) the number of Shares otherwise deliverable upon exercise of the right of conversion in respect of the Convertible Bonds to which the conversion notice applies and (ii) the arithmetic average of the closing price of Shares on the Stock Exchange for each day during the ten trading days immediately after the date of the cash settlement notice date.
Ranking of Conversion Shares: Conversion Shares will rank pari passu in all respects with the Shares then in issue on the date on which the holder of the Conversion Shares is registered in the Company's register of members.
Early Redemption: The Company may redeem the Convertible Bonds at any time on or after 8 May 2009 but not less than 7 business days prior to the Maturity Date, in whole but not in part, at the Early Redemption Amount, if the closing price of the Shares for each of any 20 trading days immediately prior to the redemption notice date was at least 130% of the applicable Early Redemption Amount divided by the conversion ratio of 1,488.095 Shares per Convertible Bond.
The Company may redeem the Convertible Bonds at any time prior to the maturity of the Convertible Bonds, in whole but not in part, if the principal amount of the Convertible Bonds outstanding is less than 10% of the aggregate principal amount originally issued, at the Early Redemption Amount.
Redemption at option of the Bondholders: The Convertible Bonds may in certain circumstances be redeemed at the Early Redemption Amount at the option of any Bondholder.
Maturity: Unless previously redeemed, converted or purchased and cancelled, each Convertible Bond shall be redeemed by the Company at 128.01% of its principal amount on 8 May 2011, the Maturity Date. Assuming no Convertible Bonds are previously redeemed, converted or purchased and cancelled, the total amount payable by the Company for redemption of the Convertible Bonds at maturity will amount to approximately HK\$1,720,454,400.
Listing: Application will be made by the Company to the Stock Exchange for the granting of the listing of, and permission to deal in, the Convertible Bonds and the Conversion Shares on the Stock Exchange.
Form of the Convertible Bonds: Registered
Denomination: HK\$10,000

EFFECT OF THE ISSUE OF THE CONVERSION SHARES

The shareholding structure of the Company before and after full conversion of the Convertible Bonds into Conversion Shares at the initial Conversion Price of HK\$6.72 per Conversion Share will be as follows:

	Existing		Upon full conversion of the Convertible Bonds into Conversion Shares	
	Number of Shares	%	Number of Shares	%
the Vendor	828,240,000	35.02	828,240,000	32.29
Bondholders	—	—	200,000,000	7.80
Others	1,536,762,250	64.98	1,536,762,250	59.91
Total	2,365,002,250	100	2,565,002,250	100

REASONS FOR THE ISSUE OF THE CONVERTIBLE BONDS AND USE OF PROCEEDS

The estimated net proceeds from the issue of the Convertible Bonds amount to approximately HK\$1,305,400,000. The Company intends to use the net proceeds from the issue of the Convertible Bonds as to 80% for expanding existing or establishing new production bases (including but not limited to in the Jilin and Hunan Provinces) in line with the Group's development strategy and related capital investment and as to 20% for general working capital. A further announcement will be made by the Company if the use of such proceeds has been changed.

The Directors consider that the terms of Subscription Agreement and the Convertible Bonds are favourable and the issue of the Convertible Bonds provides an opportunity to raise extra funds for the Company.

MANDATE TO ISSUE THE CONVERSION SHARES

The Conversion Shares will be allotted and issued under the general mandate to issue Shares granted to the Directors pursuant to the resolutions passed by the shareholders of the Company at the annual general meeting of the Company held on 25 November 2005. No Shares have been issued by the Company under this general share issue mandate as at the date of this announcement.

EFFECT OF THE PLACING AND THE ISSUE OF THE CONVERTIBLE BONDS

The shareholding structure of the Company before and after the Placing and the full conversion of the Convertible Bonds into Conversion Shares (assuming the initial Conversion Price of HK\$6.72 per Conversion Share) will be as follows:

	Existing		Immediately after completion of the Placing and upon full conversion of the Convertible Bonds into Conversion Shares	
	Number of Shares	%	Number of Shares	%
the Vendor	828,240,000	35.02	728,240,000	28.39
Places	—	—	100,000,000	3.90
Bondholders	—	—	200,000,000	7.80
Others	1,536,762,250	64.98	1,536,762,250	59.91
Total	2,365,002,250	100	2,565,002,250	100

To the knowledge of the Directors, no placee will become a substantial shareholder (as defined in the Listing Rules) of the Company immediately after completion of the Placing and assuming full conversion of the Convertible Bonds into Conversion Shares as at the date of this announcement.

SUSPENSION AND RESUMPTION OF TRADING IN SHARES

As the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:42 a.m. on 3 April 2006 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in Shares with effect from 9:30 a.m. on 6 April 2006.

GENERAL

Completion of the Placing and Underwriting Agreement and the Subscription Agreement is not inter conditional upon each other.

Completion of the issue of the Convertible Bonds is subject to the satisfaction of certain conditions in the Subscription and Underwriting Agreement. As the issue of the Convertible Bonds 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. Further announcement will be made by the Company if the conditions precedent of the Subscription Agreement cannot be fulfilled.

As at the date of this announcement, the Board comprises seven executive directors, namely, Mr Kwok Ho, Mr Ip Chi Ming, Dr Lee Yan, Ms Wong Hip Ying, Mr Fong Jao, Mr Chen Jun Hua, Mr Chan Chi Po and four independent non-executive directors namely, Mr Fung Chi Kin, Mr Tam Ching Ho, Professor Lin Shun Quan and Ms Luan Yue Wen.

DEFINITIONS

"2010 Senior Notes" US\$225 million aggregate principal amount of 7.75% Guaranteed Senior Notes due 2010 issued by the Company, details of which were set out in the announcement dated 2 February 2005 issued by the Company
"associate" as such term is defined in the Listing Rules
"Bondholders" holder(s) of the Convertible Bonds from time to time
"Closing Date" at 10:00 am (Hong Kong time) on 8 May 2006 (or such other time or date on or before 22 May 2006 as the Company and the Managers shall agree)
"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
"Convertible Bonds" convertible bonds in an aggregate principal amount of HK\$1,344,000,000 to be issued by the Company pursuant to the Subscription Agreement
"Conversion Price" initially HK\$6.72 per Conversion Share (subject to adjustment)
"Conversion Shares" new Shares to be allotted and issued by the Company upon conversion of the Convertible Bonds
"CS" Credit Suisse (Hong Kong) Limited
"Director(s)" the directors of the Company
"Early Redemption Amount" an amount equal to 100% of the principal amount plus a premium such that the total amount represents, to the Bondholders who would have bought the Convertible Bonds at par on the Closing Date, a gross yield of 5.00% per annum, calculated on a semi-annual basis
"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
"JPMSL" J.P. Morgan Securities Ltd
"Listing Rules" the Rules Governing the Listing of Securities on the Stock Exchange
"Managers" JPMSL and CS
"Maturity Date" the date falling 5 years from (and inclusive of) the Closing Date
"Placing" the placing of the Placing Shares by the Placing Agents on a fully underwritten basis, on behalf of the Vendor pursuant to the Placing and Underwriting Agreement
"Placing Agents" JPMSL and CS
"Placing and Underwriting Agreement" the placing and underwriting agreement entered into on 3 April 2006 between the Vendor and the Placing Agents in relation to the Placing
"Placing Closing Date" two business days after the date on which the sale of the Placing Shares is reported as a cross-trade to the Stock Exchange which shall be (i) 7 April 2006 or, (ii) if dealings in the Shares on the Stock Exchange are suspended at all times on 7 April 2006, the first day on which dealings resume and the cross-trade can be reported to the Stock Exchange in accordance with its rules, or such other date as the Vendor and the Placing Agents may agree in writing
"Placing Price" HK\$5.60 per Placing Share
"Placing Shares" 100,000,000 Shares to be placed under the Placing and Underwriting Agreement
"Securities Act" the U.S. Securities Act of 1933, as amended
"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 Agreement" the subscription agreement entered into on 3 April 2006 between the Company and the Managers in relation to the issue and distribution of the Convertible Bonds
"US" the United States of America, its territories and possessions, any state of the United States, and the District of Columbia
"Vendor" Kailey Investment Ltd., a company incorporated in the British Virgin Islands with limited liability and the controlling shareholder of the Company and which is owned as to 100% by Mr. Kwok Ho, Chairman of the Company and a Director

Hong Kong, 4 April 2006

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

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