
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Chaoda Modern Agriculture (Holdings) Limited, you should at once hand this circular, together with the enclosed form of proxy to the purchaser or transferee or to the bank or stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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
AND
PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION

Independent financial adviser
to the Independent Board Committee and the Independent Shareholders



SOMERLEY LIMITED

A notice convening an extraordinary general meeting of Chaoda Modern Agriculture (Holdings) Limited to be held at Room 2705, 27th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Wednesday, 2 August 2006 at 10:00 a.m. is set out on pages 28 to 32 of this circular. Whether or not you are able to attend the extraordinary general meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude shareholders from attending and voting in person at the meeting should they so desire.

A letter from the Board is set out on pages 4 to 11 of this circular. A letter from the Independent Board Committee is set out on page 12 of this circular.

A letter from Somerley Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 13 to 19 of this circular.

10 July 2006

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	4
Letter from the Independent Board Committee	12
Letter from Somerley	13
Appendix — General Information	20
Notice of extraordinary general meeting	28

DEFINITIONS

In this circular, unless the context requires otherwise, the following expressions have the following meanings:

“2000 Agreement”	the organic fertilizers supply agreement dated 1 December 2000 and made between Fuzhou Chaoda and Fujian Chaoda Trading
“Agreement”	the organic fertilizers supply agreement dated 16 June 2006 and made between Fuzhou Chaoda and Fujian Chaoda Trading
“Announcement”	the announcement dated 16 June 2006 issued by the Company containing, among others, details of the Agreement, the Transactions, the Proposed Annual Caps and the proposed amendments to the Articles of Association
“Articles of Association”	the existing Articles of Association of the Company
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“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
“controlling shareholder”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held to consider and, where appropriate, approve (i) the Agreement, the Transactions and the Proposed Annual Caps by the Independent Shareholders and (ii) the proposed amendments to the Articles of Association by the Shareholders
“Fujian Chaoda Group”	Fujian Chaoda Group Limited (福建超大集團有限公司), a limited liability company established in the PRC owned as to 95% by Mr Kwok
“Fujian Chaoda Trading”	Fujian Chaoda Agricultural Produce Trading Company Limited (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

DEFINITIONS

“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
“Independent Board Committee”	an independent committee of the Board comprising the independent non-executive Directors established by the Board for the purpose of advising the Independent Shareholders in relation to the Transactions and the Proposed Annual Caps
“Independent Shareholders”	Shareholders other than Mr Kwok and his associate, Kailey Investment
“Kailey Investment”	Kailey Investment Ltd, a company incorporated with limited liability in the British Virgin Islands which holds approximately 30.77% of the issued share capital of the Company as at the Latest Practicable Date and which is wholly-owned by Mr Kwok
“Latest Practicable Date”	7 July 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended on 31 March 2004) currently in force
“Mr Kwok”	Mr Kwok Ho, the Chairman and controlling shareholder of the Company
“Percentage Ratio”	the percentage ratios (other than the profits ratio) under Rule 14.07 of the Listing Rules
“PRC”	People’s Republic of China
“Previous Listing Rules”	the then Rules Governing the Listing of Securities on the Stock Exchange before they were amended on 31 March 2004
“Proposed Annual Caps”	the proposed maximum annual aggregate values of RMB443,000,000, RMB585,000,000 and RMB772,000,000 for the Transactions to be made by the Group under the Agreement for the three financial years ending 30 June 2007, 2008 and 2009 respectively

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Somerley”	Somerley Limited, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in connection with the Agreement, the Transactions and the Proposed Annual Caps, a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed thereto in the Listing Rules
“Transactions”	the purchases of organic fertilizers to be made by the Group pursuant to the Agreement
“2004 Waiver”	the waiver granted to the Company by the Stock Exchange on 27 January 2004 in respect of various connected transactions between the Group and associates of Mr Kwok (including connected transactions pursuant to the 2000 Agreement) from strict compliance with the requirements of disclosure by press notice and circular to Shareholders and Independent Shareholders’ approval under Chapter 14 of the Previous Listing Rules
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

If there is any inconsistency between the Chinese names of the PRC entities mentioned in this circular and their English translations, the Chinese versions shall prevail.

LETTER FROM THE BOARD



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)

Executive Directors:

Kwok Ho (*Chairman*)
Ip Chi Ming
Lee Yan
Wong Hip Ying
Fong Jao
Chen Jun Hua
Chan Chi Po, Andy

Registered Office:

P.O. Box 309, Uglan House
South Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

Independent non-executive Directors:

Fung Chi Kin
Tam Ching Ho
Lin Shun Quan
Luan Yue Wen

Principal Office in Hong Kong:

Room 2705, 27th Floor
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

10 July 2006

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
AND
PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION**

INTRODUCTION

Reference is made to the announcement dated 16 June 2006 made by the Company regarding the Agreement, the Transactions, the Proposed Annual Caps and certain proposed amendments to the Articles of Association.

The purpose of this circular is to (i) provide you with further details of the Agreement, the Transactions and the Proposed Annual Caps, and to set out the recommendation of the Independent Board Committee and the opinion of Somerley as the independent financial

LETTER FROM THE BOARD

adviser regarding the same; (ii) provide you with further details of the proposed amendments to the Articles of Association; and (iii) give notice convening the EGM to consider, and if thought fit, to approve the Agreement, the Transactions, the Proposed Annual Caps and the proposed amendments to the Articles of Association.

Continuing connected transactions

On 1 December 2000, Fuzhou Chaoda, a wholly-owned subsidiary of the Company, entered into the 2000 Agreement with Fujian Chaoda Trading, a company ultimately controlled by Mr Kwok who is the Chairman and controlling shareholder of the Company, in relation to the supply of organic fertilizers by Fujian Chaoda Trading to Fuzhou Chaoda. The transactions pursuant to the 2000 Agreement constitute continuing connected transactions of the Company under the Previous Listing Rules. The Company applied for and was granted the 2004 Waiver from the Stock Exchange on 27 January 2004 in respect of, among others, the continuing connected transactions under the 2000 Agreement. The 2004 Waiver will expire on 30 June 2006.

The 2000 Agreement has an initial term of twenty years commencing from 1 December 2000. The Group expects to continue to purchase organic fertilizers from Fujian Chaoda Trading in the ordinary and usual course of its business. In compliance with Rule 14A.35 of the Listing Rules which provides that the term of written agreement(s) in relation to continuing connected transactions of listed issuers must be fixed and, except in special circumstances, must not exceed three years, Fuzhou Chaoda and Fujian Chaoda Trading entered into the Agreement which will, subject to the fulfilment of the condition precedent specified therein, replace the 2000 Agreement and which sets out the terms and conditions governing the purchase of organic fertilizers by Fuzhou Chaoda from Fujian Chaoda Trading following the termination of the 2000 Agreement.

The Agreement is conditional upon the approval of the Agreement, the Transactions and the Proposed Annual Caps from the Independent Shareholders having been obtained. If the above condition precedent is not fulfilled on or before 30 September 2006 (or such later date as the parties may agree in writing), the Agreement shall forthwith terminate and neither party shall have any claim against the other.

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

LETTER FROM THE BOARD

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

The Independent Board Committee has been formed to review and consider the Agreement, the Transactions and the Proposed Annual Caps. Somerley has been appointed to advise the Independent Board Committee and the Independent Shareholders regarding the Agreement, the Transactions and the Proposed Annual Caps.

Proposed amendments to the Articles of Association

The Directors propose to amend the Articles of Association: (i) to provide for the removal of the Directors by way of ordinary resolution(s) of the Shareholders at the general meetings of the Company, in order to bring the Articles of Association in line with the amendments to Appendices 3 and 13 of the Listing Rules which came into effect on 1 March 2006 to enable the removal of directors of a listed issuer by an ordinary resolution passed in a general meeting of the shareholders of the listed issuer; (ii) to allow a proxy appointed by any individual Shareholder to vote in general meetings of the Company on a show of hands as well as on a poll; and (iii) to provide for the retirement by rotation of directors at least once every three years in compliance with A.4.2 of Appendix 14 of the Listing Rules.

THE AGREEMENT

Date	: 16 June 2006
Purchaser	: 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
Supplier	: Fujian Chaoda Trading, a 95%-owned subsidiary of Fujian Chaoda Group which is owned as to 95% by Mr Kwok, the Chairman and controlling 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)

LETTER FROM THE BOARD

- Pricing : to be agreed between the parties at the time when a purchase order is placed by Fuzhou Chaoda with Fujian Chaoda Trading, such price to be acceptable to Fujian Chaoda Trading provided that it shall not exceed the average ex-factory price (net of delivery costs) at which the same type of organic fertilizers were sold by Fujian Chaoda Trading to independent third parties during the calendar month preceding the date on which the purchase order is placed by Fuzhou Chaoda
- Term : a fixed term of 3 years commencing on the later of 1 July 2006 and the date of the Independent Shareholders' Approval (the "**Commencement Date**") and ending on the day immediately after the third anniversary of the Commencement Date, during which the 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 Agreement without notice upon the occurrence of certain events such as material breach of obligations by the other party
- Condition precedent : the Agreement is conditional upon the approval of the Agreement, the Transactions and the Proposed Annual Caps from the Independent Shareholders having been obtained in compliance with Rule 14A.35 of the Listing Rules

The Agreement provides that, subject to the fulfilment of the condition precedent of the Agreement as set out above, the 2000 Agreement shall be terminated with effect from the later of 1 July 2006 and the date on which the Independent Shareholders' Approval is obtained.

If the above condition precedent is not fulfilled on or before 30 September 2006 (or such later date as the parties may agree in writing), the Agreement shall forthwith terminate and neither party shall have any claim against the other.

CONTINUING CONNECTED TRANSACTIONS

Since Fujian Chaoda Trading is a connected person of the Company, the Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Since the annual aggregate value of the Transactions is expected to be more than HK\$10,000,000 and the Percentage Ratio in respect of the annual aggregate value of the Transactions is expected to exceed 2.5%, the Transactions will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.35 of the Listing Rules. Details of the Transactions and the Proposed Annual Caps will be included in the annual report and accounts of the Company for the three financial years ending 30 June 2007, 2008 and 2009 in accordance with Rules 14A.45 and 14A.46 of the Listing Rules.

LETTER FROM THE BOARD

PROPOSED ANNUAL CAPS FOR THE CONTINUING CONNECTED TRANSACTIONS UNDER THE AGREEMENT

The following table sets out the approximate total value of purchases of organic fertilizers made by the Group under the Agreement for the two financial years ended 30 June 2004 and 2005 and the six months ended 31 December 2005:

	For the year ended 30 June		For the six months ended 31 December
	2004	2005	2005
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(unaudited)
Purchase of organic fertilizers from			
Fujian Chaoda Trading	175,109	214,741	117,473

In respect of the 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 Agreement in each of the three financial years ending 30 June 2007, 2008 and 2009 as set out below:

	For the year ending 30 June		
	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Proposed Annual Caps	443,000	585,000	772,000

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 2007, 2008 and 2009, which is in turn calculated with reference to (i) the 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 and sales volume of the Group's crops products for the three financial years ending 30 June 2007, 2008 and 2009 and (ii) the volume of organic fertilizers (in tonnes) required to be used by the Group for the production of each unit tonnes of its crops products under its normal production operation.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

Fuzhou Chaoda, a wholly-owned subsidiary of the Company, is principally engaged in the cultivation and sale of crops, and the breeding and sale of livestock in the PRC. The Agreement was entered into between the Group (through Fuzhou Chaoda) and Fujian Chaoda Trading, subject to the fulfillment of the conditions precedent contained therein, terminate the 2000 Agreement and setting out the terms and conditions governing the Group's future purchases of organic fertilizers from Fujian Chaoda Trading following the termination of the 2000 Agreement in compliance with the Listing Rules as described above. While the Group can purchase organic fertilizers from other independent suppliers in the PRC, the Directors are of the view that the Group will continue to benefit from the well-established business relationship between the Group and Fujian Chaoda Trading through the Agreement following the termination of the 2000 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 are of the view that the Transactions to be carried out pursuant to the Agreement are in the ordinary and usual course of the Group's business and are on normal commercial terms.

The Directors (including the independent non-executive Directors) are also of the view that the terms of the Agreement and the Transactions are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Directors propose to amend the Articles of Association: (i) to provide for the removal of the Directors by way of ordinary resolution(s) of the Shareholders at the general meetings of the Company, in order to bring the Articles of Association in line with the amendments to Appendices 3 and 13 of the Listing Rules which came into effect on 1 March 2006 to enable the removal of directors of a listed issuer by an ordinary resolution passed in a general meeting of the shareholders of the listed issuer; (ii) to allow a proxy appointed by any individual Shareholder to vote in general meetings of the Company on a show of hands as well as on a poll; and (iii) to provide for the retirement by rotation of directors at least once every three years in compliance with Rule A.4.2 of Appendix 14 of the Listing Rules.

EGM

There is set out on pages 28 to 32 of this circular a notice convening the EGM to be held at Room 2705, 27th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, on Wednesday, 2 August 2006 at 10:00 a.m., Hong Kong. An ordinary resolution will be proposed at the EGM to approve the Agreement, the Transactions and the Proposed Annual Caps and voting will be by way of poll.

LETTER FROM THE BOARD

Pursuant to Rule 14A.54 of the Listing Rules, (i) Mr Kwok, the Chairman and controlling shareholder of the Company holding 30.77% of the issued share capital of the Company through Kailey Investment and (ii) Mr Kwok's associate, Kailey Investment, which holds approximately 30.77% of the issued share capital of the Company as at the Latest Practicable Date and which is wholly-owned by Mr Kwok, will abstain from voting in relation to the ordinary resolution to be put forward at the EGM for approving the Agreement, the Transactions and the Proposed Annual Caps.

A special resolution will be proposed at the EGM for considering, and where appropriate, approving the proposed amendments to the Articles of Association, details of which are set out in the paragraph headed "Proposed Amendments to the Articles of Association" above.

You will find enclosed a form of proxy for use at the EGM. Whether or not you are able to attend the EGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM. Delivery of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so desire.

Pursuant to Article 80 of the Articles of Association, a resolution put to the vote of a general meeting of the Company shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded or is required under the Listing Rules. A poll may be demanded by:

- (i) the chairman of the meeting; or
- (ii) at least five Shareholders present in person or, in the case of a corporation, by its duly authorised representative or by proxy and entitled to vote; or
- (iii) any Shareholder or Shareholders present in person or, in the case of a corporation, by its duly authorised representative or by proxy and representing in aggregate not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (iv) any Shareholder or Shareholders present in person or, in the case of a corporation, by its duly authorised representative or by proxy and holding Shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

LETTER FROM THE BOARD

RECOMMENDATION

The Independent Board Committee, comprising the independent non-executive Directors, having taken into account the advice of Somerley, considers the terms of the Agreement, the Transactions and the Proposed Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution set out in the notice of the EGM for approving the Agreement, the Transactions and the Proposed Annual Caps.

The Directors consider that the proposed amendments to the Articles of Association, details of which were set out in the paragraph headed “Proposed Amendments to the Articles of Association” above, are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the special resolution set out in the notice of the EGM for approving the proposed amendments to the Articles of Association mentioned therein.

Your attention is drawn to the letter from the Independent Board Committee set out on page 12, and the letter from Somerley to the Independent Board Committee and the Independent Shareholders set out on pages 13 and 19, of this circular.

GENERAL INFORMATION

The Company is an investment holding company. The Group is principally engaged in the agricultural produce and livestock businesses in the PRC.

Your attention is also drawn to the additional information set out in the Appendix.

Yours faithfully,

For and on behalf of

Chaoda Modern Agriculture (Holdings) Limited

Kwok Ho

Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

To the Independent Shareholders

10 July 2006

Dear Sir and Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular to the shareholders of Chaoda Modern Agriculture (Holdings) Limited dated 10 July 2006 (the “Circular”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context requires otherwise.

We have been appointed by the Board to consider the Agreement, the Transactions and the Proposed Annual Caps and to advise the Independent Shareholders as to whether, in our opinion, the terms of the Agreement, the Transactions and the Proposed Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Somerley Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders regarding the terms of the Agreement, the Transactions and the Proposed Annual Caps as to whether the Agreement, the Transactions and the Proposed Annual Caps are on normal commercial terms, in the ordinary and usual course of business of the Company, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Details regarding the Agreement, the Transactions and the Proposed Annual Caps are set out in the “Letter from the Board” on pages 4 to 11 of the Circular.

Having taken into account the advice and recommendation of Somerley Limited contained in its letter set out on pages 13 to 19 of the Circular, we consider the terms of the Agreement, the Transactions and the Proposed Annual Caps to be fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM for approving the Agreement, the Transactions and the Proposed Annual Caps.

Yours faithfully,

The Independent Board Committee

Fung Chi Kin
Director

Tam Ching Ho
Director

Lin Shun Quan
Director

Luan Yue Wen
Director

LETTER FROM SOMERLEY

The following is the letter of advice from Somerley to the Independent Board Committee and Independent Shareholders prepared for the purpose of inclusion in this circular:



SOMERLEY LIMITED

Suite 2201, 22nd Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

10 July 2006

*To: the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and Independent Shareholders as regards the on-going purchases by Fuzhou Chaoda, a wholly owned subsidiary of the Company, of organic fertilisers from Fujian Chaoda Trading pursuant to the Agreement. The Transactions constitute continuing connected transactions of the Company under the Listing Rules as Fujian Chaoda Trading is a 95% owned subsidiary of Fujian Chaoda Group which in turn is owned as to 95% by Mr. Kwok, a Director and the Chairman and controlling shareholder of the Company. Details of the Transactions and the Proposed Annual Caps are set out in the circular of the Company dated 10 July 2006 (the “Circular”) of which this letter forms part. Unless otherwise defined, capitalised terms used in this letter shall have the same meaning as defined in the Circular.

The Company has obtained the 2004 Waiver from the Stock Exchange in respect of the continuing connected transactions conducted with Fujian Chaoda Trading for the three financial years ended 30 June 2006. As the Group intends to continue to purchase organic fertilisers from Fujian Chaoda Trading, the Company has on 16 June 2006 entered into the Agreement which governs the Transactions to be conducted in the three financial years ending 30 June 2009. Since the annual aggregate value of the Transactions for each of the three financial years ending 30 June 2009 is expected to be more than HK\$10,000,000 and 2.5% in terms of the Percentage Ratio, the Transactions to be conducted in the three financial years ending 30 June 2009 will be subject to the reporting, announcement and Independent Shareholders’ approval requirements under the Listing Rules. The Independent Board Committee has been

LETTER FROM SOMERLEY

established to make a recommendation to the Independent Shareholders on whether the terms of the Transactions under the Agreement and the Proposed Annual Caps are fair and reasonable in so far as the Independent Shareholders are concerned. We have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the executive Directors and management of the Company and have assumed that the information, facts and opinion made to us are true, accurate and complete in all material aspects at the time they were made and remain true, accurate and complete up to the time of the EGM. We have also sought and received confirmation from the executive Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view and have no reason to believe that any material information has been withheld, nor doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Group or Fujian Chaoda Trading.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation on the terms of the Transactions, we have taken into account the principal factors and reasons set out below:

1. Background to and reason for the Transactions

The Group is principally engaged in agricultural produce and livestock businesses in the PRC. Accordingly, it is in the Group's ordinary and usual course of business to purchase organic fertilisers for crop cultivation, either from independent third party suppliers or Fujian Chaoda Trading.

The Company entered into the 2000 Agreement on 1 December 2000 to govern the purchase of organic fertilisers by Fuzhou Chaoda from Fujian Chaoda Trading for a term of twenty years. Upon applications by the Company, the Stock Exchange has in 2000 and 2004 granted, subject to certain conditions, waiver from strict compliance with the disclosure and approval requirements as stipulated under the Listing Rules for the financial years up to 30 June 2006.

In view of the expiry of the 2004 Waiver and taking into consideration the stable and reliable supply of quality organic fertilisers from Fujian Chaoda Trading in the past years, the Group intends to continue to purchase organic fertilisers from Fujian Chaoda Trading. In order to comply with the new requirements of the Listing Rules, the Agreement was entered into on 16 June 2006 to govern the Transactions to be conducted during the three financial years ending 30 June 2009. Since the value of the Transactions

LETTER FROM SOMERLEY

for each of the three years ending 30 June 2009 is expected to exceed HK\$10,000,000 and 2.5% in terms of the Percentage Ratio, the Transactions to be conducted in the three financial years ending 30 June 2009 will be subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

Fujian Chaoda Trading is the sole supplier of organic fertilisers to the Group. As testing and selection of suitable organic fertilisers involve a prolonged and intricate process and the use of new organic fertilisers always involve risk, the Directors are of the view that it is not commercially sensible to change into other new organic fertilisers. Having considered that organic fertilisers are vital for crop cultivation and in view of the proven records of the Group's cultivation business in using the organic fertilisers provided by Fujian Chaoda Trading, we agree with the Directors that it would be in the interest of the Company and the Shareholders to continue the Transactions. The Agreement gives Fuzhou Chaoda a right but not an obligation to purchase organic fertilisers from Fujian Chaoda Trading on normal commercial terms and no less favourable to Fuzhou Chaoda than terms available from other independent suppliers. Fuzhou Chaoda has the right to source from other independent suppliers in the market.

2. Principal terms of the Transactions

Under the Agreement, the price for the organic fertilisers will be agreed between Fuzhou Chaoda and Fujian Chaoda Trading at the time the purchase order is made, but will not exceed the average ex-factory price (net of delivery costs) at which the same type of organic fertilisers was sold by Fujian Chaoda Trading to independent third parties during the calendar month preceding the date on which the relevant purchase order is placed by Fuzhou Chaoda.

We have reviewed six sets of sample sales receipts selected on a random basis for similar organic fertilisers transactions conducted between Fujian Chaoda Trading and the Group on the one hand and Fujian Chaoda Trading and other independent third parties on the other hand for each of the three financial years ended 30 June 2006. We note that the terms offered by Fujian Chaoda Trading to the Group are no less favourable to that offered to the independent third parties.

We consider that the pricing mechanism whereby the organic fertilisers will be sold to the Group at a price not more than the average ex-factory price (net of delivery costs) charged to independent third parties as detailed above will set a ceiling price to the Group and will ensure that the price paid by the Group for the organic fertilisers will be comparable to that offered by Fujian Chaoda Trading to independent third parties. In this respect, we are of the view that the terms of the Transactions under the Agreement are on normal commercial terms, fair and reasonable, and in the interest of the Company.

LETTER FROM SOMERLEY

3. Proposed Annual Caps

The Transactions will be subject to the Proposed Annual Caps in the amount of RMB443,000,000, RMB585,000,000 and RMB772,000,000 for the three years ending 30 June 2007, 2008 and 2009 respectively.

In assessing the reasonableness of the Proposed Annual Caps, we have discussed with the management of the Company the basis and underlying assumptions for projection of the growth in demand for organic fertilisers for the three years ending 30 June 2009 and reviewed the consumption patterns of organic fertilisers in the past. The following table sets out the Group's sales of crops and purchases of organic fertilisers from Fujian Chaoda Trading in the two years ended 30 June 2005 and six months ended 31 December 2005:

	Year ended 30 June		Six months ended 31 December
	2004	2005	2005
Sales of crops (tonnes) (a)	712,000	892,000	511,000
% increase in sales of crops*	19%	25%	25%
Total agricultural production areas (mu)	156,439	188,509	219,656
% increase in agricultural production areas*	20%	21%	28%
Purchase of organic fertilisers (tonnes) (b)	116,740	143,161	78,316
Organic fertilisers to crops ratio (b/a)	16%	16%	15%

* The comparison was made with the last corresponding period

According to the Directors, the Group's output of crops largely hinges on the size of agricultural areas available for cultivation. Sales of crops increased by approximately 19%, 25% and 25% in the years ended 30 June 2004, 2005 and six months ended 31 December 2005 respectively, which increases are largely in line with the respective 20%, 21% and 28% increase in agricultural production areas. The usage of organic fertilisers bears a direct positive relationship to the amount of agricultural produces cultivate, which is about 16% based on past patterns.

The Directors expect that consumption of organic fertilisers by the Group will continue to grow in the three years ending 30 June 2009 as the Group has planned to increase crop cultivation by expanding its agricultural production areas. The Company has raised a total of approximately HK\$3.1 billion through the issue of US\$225 million guaranteed

LETTER FROM SOMERLEY

note in February 2005 and HK\$1,344 million convertible bonds in May 2006, which proceeds are said to be for the purposes of, inter alia, expansion of the Group's existing production bases or establishment of new production bases. As of 31 March 2006, the Group has used approximately HK\$1.5 billion for prepayments of long-term rentals of agricultural land areas and related farming facilities. The agricultural land reserves of the Group as at 31 March 2006 were approximately 180,000 mu, which land are currently in preparation stage and will be ready to put into production in the coming financial years.

With the Group's existing land reserves and its continual efforts to increase agricultural land areas, the Directors expect that the Group's agricultural production areas will increase by approximately 32% in each of the three years ending 30 June 2009. Based on its experiences, the Group's output of crops is also expected to increase correspondingly by approximately 32% in each of the three years ending 30 June 2009. As such, in estimating the annual cap for 2007, the Directors apply the past organic fertilisers to crops ratio of approximately 16% and build in a 32% growth on purchase of organic fertilisers. After accounting for a 32% growth on the Group's forecasted purchase of fertilisers for the year ended 30 June 2006 of approximately 200,000 tonnes, the estimated purchase for 2007 would be approximately 265,000 tonnes. In addition, the Directors provide a general buffer of about 10% for possible fluctuations in demand for organic fertilisers and price adjustments. We are advised by the Directors that for the eleven-month period ended 31 May 2006, the Group's actual purchase of fertilisers from Fujian Chaoda Trading was approximately 180,000 tonnes, representing about 90% of the forecasted total purchase of fertilisers for the year ended 30 June 2006. We are also confirmed by the Directors that the agricultural business is subject to a seasonal factor and consumption of fertilisers in the second half of each financial year is much higher than that in the first half. On the above basis, the Directors come up with the following Annual Caps:

	For the year ending 30 June		
	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Proposed Annual Caps	443,000	585,000	772,000

In view of the fact that the Group is able to achieve a 28% increase in agricultural production areas for the six months ended 31 December 2005 and taking into consideration the 180,000 mu of available agricultural land reserves (which represent approximately 82% of the total agricultural production areas of 219,656 mu as at 31 December 2005) and the Group's continual efforts to increase agricultural land areas, we are of the view that the projected 32% increase in agricultural production areas is reasonable. Having considered the basis on which the Proposed Annual Caps are determined as described above, we are of the view that the Proposed Annual Caps being sought are fair and reasonable.

LETTER FROM SOMERLEY

4. Conditions of the Transactions

In compliance with the Listing Rules, the conduct of the Transactions will be subject to a number of conditions which include, among other things:

- (i) the Proposed Annual Caps for each of the three financial years ending 30 June 2007, 2008 and 2009 will not be exceeded;
- (ii) the independent non-executive Directors must, in accordance with Rule 14A.37 of the Listing Rules, review annually the Transactions and confirm in the Company's annual report and accounts that the Transactions have been entered into (a) in the ordinary and usual course of business of the Company; (b) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole;
- (iii) the auditors of the Company will, in accordance with Rule 14A.38 of the Listing Rules, review annually the Transactions and confirm the same in a letter to the Directors (a copy of which letter will be provided to the Stock Exchange at least ten business days prior to the bulk printing of the annual report of the Company) in respect of each relevant financial year during which the Transactions have been conducted;
- (iv) the Company will allow and will procure that the relevant counterparties to the Transactions will allow the auditors of the Company sufficient access to the relevant records of the Transactions for the purpose of the auditors' review as referred to in paragraph (iii) above. The Board must state in the annual report whether its auditors have confirmed the matters stated in Rule 14A.38 of the Listing Rules; and
- (v) the Company will comply with the applicable provisions of the Listing Rules governing connected transactions in the event that the total amount of the Transactions exceeds the Proposed Annual Caps, or that there is any material amendment to the terms of the relevant agreements governing the Transactions.

LETTER FROM SOMERLEY

In light of the conditions attached to the Transactions, in particular, (i) the restriction of the value of the Transactions by way of the Proposed Annual Caps; (ii) the ongoing review by the independent non-executive Directors and auditors of the Company of the terms of the Transactions; and (iii) the continuing review by the auditors of the Company confirming the Proposed Annual Caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the Transactions and safeguard the interests of the Independent Shareholders.

OPINION

Taking into account the above principal factors, we consider that the Transactions are on normal commercial terms and in the ordinary and usual course of business of the Group, and that the Transactions (including the Proposed Annual Caps) are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Transactions (including the Proposed Annual Caps).

Yours faithfully,
For and on behalf of
Somerley Limited
Mei H. Leung
Deputy Chairman

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this circular misleading.

DISCLOSURE OF INTERESTS

- (a) As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which are required to be and have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive of the Company are taken or deemed to have under such provisions of the SFO) or which are required to be and are recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise required and notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies in the Listing Rules were as follows:

(i) **Interests and short positions in the shares, underlying shares and debentures of the Company**

Long positions in the Shares

Name of Director	Note	Capacity/Nature of interest	Number of Shares held	Approximately % of shareholding
Mr Kwok Ho	(a)	Interest of controlled corporation	728,240,000	30.77%
Ms Wong Hip Ying		Personal interest	1,000,000	0.04%
Mr Chan Chi Po, Andy		Personal interest	451,500	0.02%

Note:

- (a) 728,240,000 Shares are held by Kailey Investment. By virtue of his 100% shareholding in Kailey Investment, Mr Kwok is deemed or taken to be interested in the 728,240,000 Shares owned by Kailey Investment.

Long positions in the underlying Shares

Name of Director	Capacity/ Nature of interests	Share options granted under the share option scheme of the Company adopted on 19 June 2002			Number of Shares in respect of share options outstanding as at the Latest Practicable Date <i>(Note a)</i>			
		Date of grant	Exercise price after adjustment <i>(HK\$)</i>	Exercise period				
Mr Kwok Ho	Beneficial owner	28/01/2003	1.58	01/07/2003 — 27/01/2013	21,000,000			
				01/01/2004 — 27/01/2013	21,000,000			
				01/01/2005 — 27/01/2013	21,000,000			
Mr Ip Chi Ming	Beneficial owner	17/08/2005	3.09	17/08/2006 — 16/08/2015	600,000			
				17/08/2007 — 16/08/2015	600,000			
				17/08/2008 — 16/08/2015	600,000			
				17/08/2009 — 16/08/2015	600,000			
Dr Lee Yan	Beneficial owner	28/01/2003	1.58	01/07/2003 — 27/01/2013	2,100,000			
				Beneficial owner	24/06/2003	1.09	01/07/2003 — 23/06/2013	1,075,000
							Beneficial owner	04/11/2005
	04/11/2006 — 03/11/2015	400,000						
	04/11/2007 — 03/11/2015	400,000						
	04/11/2008 — 03/11/2015	400,000						
	Ms Wong Hip Ying	Beneficial owner	28/01/2003	1.58	01/07/2003 — 27/01/2013	575,000		
					19/06/2003	1.08	01/07/2003 — 18/06/2013	1,100,000
			04/11/2005	2.965			04/11/2005 — 03/11/2015	400,000
04/11/2006 — 03/11/2015					400,000			
04/11/2007 — 03/11/2015					400,000			
04/11/2008 — 03/11/2015					400,000			
		04/11/2009 — 03/11/2015	400,000					

Name of Director	Capacity/ Nature of interests	Share options granted under the share option scheme of the Company adopted on 19 June 2002			Number of Shares in respect of share options outstanding as at the Latest Practicable Date <i>(Note a)</i>
		Date of grant	Exercise price after adjustment <i>(HK\$)</i>	Exercise period	
Mr Fong Jao	Beneficial owner	28/01/2003	1.58	01/07/2003 — 27/01/2013	1,600,000
		19/06/2003	1.08	01/07/2003 — 18/06/2013	1,600,000
		04/11/2005	2.965	04/11/2005 — 03/11/2015	400,000
				04/11/2006 — 03/11/2015	400,000
				04/11/2007 — 03/11/2015	400,000
				04/11/2008 — 03/11/2015	400,000
	04/11/2009 — 03/11/2015		400,000		
Mr Chen Jun Hua	Beneficial owner	19/06/2003	1.08	01/07/2003 — 18/06/2013	39,900
		28/05/2004	2.40	01/01/2005 — 27/05/2014	2,000,000
		17/08/2005	3.09	17/08/2005 — 16/08/2015	600,000
				17/08/2006 — 16/08/2015	600,000
				17/08/2007 — 16/08/2015	600,000
				17/08/2008 — 16/08/2015	600,000
	17/08/2009 — 16/08/2015		600,000		
Mr Chan Chi Po, Andy	Beneficial owner	28/05/2004	2.40	01/07/2005 — 27/05/2014	500,000
				01/07/2006 — 27/05/2014	500,000
		17/08/2005	3.09	17/08/2005 — 16/08/2015	600,000
				17/08/2006 — 16/08/2015	600,000
				17/08/2007 — 16/08/2015	600,000
				17/08/2008 — 16/08/2015	600,000
17/08/2009 — 16/08/2015	600,000				

Notes:

- (a) The number of Shares comprised in the share options granted and outstanding as at the Latest Practicable Date and the exercise price per Share under the share option scheme have been adjusted as a result of a bonus issue of Shares approved at the annual general meeting of the Company held on 19 December 2003.

- (b) Save as disclosed herein, none of the Directors is materially interested in any contract or arrangement with any member of the Group subsisting at the date of this circular which is significant in relation to the business of the Group.
- (c) Save as disclosed herein, since 30 June 2005 (being the date to which the latest published audited consolidated accounts of the Group were made up), none of the Directors has any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to or by any member of the Group, or which are proposed to be acquired or disposed of or leased to or by any member of the Group.
- (d) Save as disclosed herein, as at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Company, other than the business of the Company.

SUBSTANTIAL SHAREHOLDER

As at the Latest Practicable Date, so far as is known to any Directors or chief executive of the Company, other than the interests and short positions of the Directors or chief executive of the Company as disclosed above, the following persons had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital:

Name	Capacity/Nature of interest	Number of Shares	Approximate % of shareholding
Kailey Investment Ltd	Beneficial owner	728,240,000	30.77%
Mr Kwok Ho	Beneficial owner	728,240,000	30.77%
			<i>(Note (a))</i>
Value Partners Limited <i>(Note (b))</i>	Investment manager	146,500,400	6.19%
Mr Cheah Cheng Hye	<i>Notes (b) and (c)</i>	147,854,400	6.25%

Notes:

- (a) 728,240,000 Shares are held by Kailey Investment. By virtue of his 100% shareholding in Kailey Investment, Mr Kwok is deemed or taken to be interested in the 728,240,000 Shares owned by Kailey Investment.
- (b) Value Partners Limited is a company incorporated in the British Virgin Islands with limited liability which is owned as to 32.77% by Mr Cheah Cheng Hye.
- (c) Among the 147,854,400 Shares, 146,500,400 Shares were owned by Value Partners Limited, 1,249,000 Shares were personally owned by Mr Cheah Cheng Hye and 105,000 Shares were owned by a family member of Mr Cheah Cheng Hye.

Save as disclosed above, as at the Latest Practicable Date, to the knowledge of the Company, no persons or companies (not being a Director or chief executive of the Company) had or was deemed to have any interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 30 June 2005, the date to which the latest published audited consolidated accounts of the Group were made up.

SERVICE CONTRACTS

(a) Executive Directors

Each of the following executive Directors entered into a service agreement with the Company for the term set opposite his/her name below:

Name of Director	Initial term	<i>Notes</i>
Mr Kwok Ho	9 years	(a)
Mr Ip Chi Ming	5 years	(a)
Dr Lee Yan	no fixed term	(b)
Ms Wong Hip Ying	3 years	(c)
Mr Fong Jao	3 years	(c)
Mr Chen Jun Hua	no fixed term	(d)
Mr Chan Chi Po, Andy	no fixed term	(d)

Notes:

- (a) The term of the service agreement commenced on 1 December 2000 and shall continue thereafter unless and until terminated by either party to the service agreement giving to the other not less than three months' notice in writing.
- (b) The term of the service agreement commenced on 31 August 2005 and shall continue thereafter unless and until terminated by either party to the service agreement giving to the other not less than three months' notice in writing.
- (c) The term of the service agreement commenced on 1 September 2003 and shall continue thereafter unless and until terminated by either party to the service agreement giving to the other not less than three months' notice in writing.

- (d) The term of the service agreement commenced on 17 August 2005 and shall continue thereafter unless and until terminated by either party to the service agreement giving to the other not less than three months' notice in writing.

(b) Independent non-executive Directors

Each of the following independent non-executive Directors entered into a letter of appointment with the Company for the term set opposite his/her name below:

Name of Director	Term
Mr Fung Chi Kin	1 year expiring on 31 August 2006
Mr Tam Ching Ho	2 years expiring on 31 August 2007
Professor Lin Shun Quan	2 years expiring on 30 November 2006
Ms Luan Yue Wen	2 years expiring on 19 September 2006

Under the services contracts entered into between the Company and each of the Directors, each Director of the Company is entitled to an annual emolument, which ranged from RMB24,000 to RMB1,389,000 for the year ended 30 June 2005. The emoluments do not include the value of share options granted to and executed by certain Directors.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors has entered into or is proposing to enter into any service contract with any member of the Group other than contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and so far as the Directors are aware, no litigation or claims of material importance are pending or threatened by or against the Company or any of its subsidiaries.

QUALIFICATIONS

The qualification of the expert who has given opinion in this circular and whose name is included in this circular is as follows:

Name	Qualification
Somerley Limited	a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

CONSENT

Somerley has given and has not withdrawn its written consent to the issue of this circular with its letter and the references to its name included herein in the form and context in which they are respectively included.

As at the Latest Practicable Date, Somerley does not have any shareholding interest in any member of the Group nor any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group and did not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 30 June 2005 (being the date to which the latest published audited consolidated accounts of the Group was made up).

MISCELLANEOUS

- (a) The head office and principal place of business of the Company in Hong Kong is at Room 2705, 27th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong. The registered office of the Company is at P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies and the share registrars and transfer office of the Company is Abacus Share Registrars Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (b) The secretary of the Company is Ms Ching Che Man, Susanna, a fellow member of the Association of Chartered Certified Accountant and an associate member of the Hong Kong Institute of Certified Public Accountants.
- (c) The qualified accountant of the Company is Mr Chan Chi Po, Andy. Mr Chan is a fellow member of the Association of Chartered Certified Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the head office and principle place of business of the Company in Hong Kong at Room 2705, 27th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong up to and including 2 August 2006:

- (a) the Agreement;
- (b) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 12 of this circular;

- (c) the letter of advice from Somerley to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 13 to 19 of this circular;
- (d) the written consent referred to in the paragraph headed “Consent” in this appendix;
- (e) the service agreements between the Company and each of the executive Directors and the letters of appointment between the Company and each of the independent non-executive Directors disclosed in the section headed “Service Contracts” in this appendix; and
- (f) the memorandum and articles of association of the Company.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Chaoda Modern Agriculture (Holdings) Limited (the “Company”) will be held at Room 2705, 27th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Wednesday, 2 August 2006 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments the following resolutions:

ORDINARY RESOLUTION

“THAT:

- (1) the Organic Fertilizers Supply Agreement dated 16 June 2006 made between Fuzhou Chaoda Modern Agriculture Development Company Limited (福州超大現代農業發展有限公司) and Fujian Chaoda Agriculture Produce Trading Company Limited (福建超大農業產品銷售有限公司) (a copy of which is marked “A” and has been produced to the meeting and signed by the Chairman of the meeting for the purpose of identification) be and is hereby approved;
- (2) the Transactions (as defined and more particularly described in the circular of the Company to its shareholders dated 10 July 2006 (the “Circular”, a copy of which is marked “B” and has been produced to the meeting and signed by the Chairman of the meeting for the purpose of identification)) be and are hereby approved subject to the Proposed Annual Caps (as defined and more particularly described in the Circular);
- (3) the Proposed Annual Caps (as defined and more particularly described in the Circular) be and are hereby approved and confirmed;
- (4) the directors of the Company (the “Directors”) be and are hereby authorised from time to time to approve and/or to enter into, on behalf of the Company, any matter or transactions at any time relating to or under the Agreement subject to the Proposed Annual Caps (as defined and more particularly described in the Circular); and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (5) each of the Directors be and is hereby authorized to sign, seal, execute, perfect and deliver all such documents, undertakings and deeds or to do anything on behalf of the Company which he or she may consider necessary, desirable or expedient for the purposes of, or in connection with, the implementation of the Agreement, the Transactions and/or the Proposed Annual Caps and any matters relating thereto.”

SPECIAL RESOLUTION

“**THAT** the articles of association of the Company be and are hereby amended as follows:

- (1) by deleting the existing article 106(vii) in its entirety and replacing it with the following new article 106(vii):

App 13 Part B r.5(1) “(vii) if he shall be removed from office by an ordinary resolution of the members of the Company under Article 122(a)”;

- (2) by deleting the existing article 122(a) in its entirety and replacing it with the following new article 122(a) headed “Power to remove Director by ordinary resolution”:

App 13 Part B r.5(1) “122. (a) The Company may by ordinary resolution at any time
App 3 r.4(3) remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in these Articles or in any agreement between the Company and such Director and may by ordinary resolution elect another person in his stead. Any person so elected shall hold office during such time only as the Director in whose place he is elected would have held the same if he had not been removed.”;

- (3) by deleting the existing article 73(c) in its entirety and replacing it with the following new article 73(c):

“(c) There shall appear with reasonable prominence in every notice of general meetings of the Company a statement that a member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him and that a proxy need not be a member of the Company.”;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (4) by deleting the existing article 85A in its entirety and replacing it with the following new article 85A headed “Votes of members”:

“85A Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a show of hands every member who is present in person (or, in the case of a member being a corporation by its duly authorised representative) or by proxy (in the case of a member who is an individual, the Appointed Proxy (as defined in Article 90)) shall have one vote, and on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register. On a poll a member who is present in person (or, in the case of a member being a corporation by its duly authorised representative) or his proxy/proxies present in person entitled to more than one vote is under no obligation to cast all his votes in the same way.”;

- (5) by deleting the existing article 88 in its entirety and replacing it with the following new article 88 headed “Votes of member of unsound mind”:

“88 A member in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote, whether on a show of hands or on a poll, by any one person (who must be an individual) authorised in such circumstances to do so, and such person may vote on a poll or show of hands by proxy (who must be an individual). On a show of hands such person or his proxy shall have one vote whereas on a poll, such person or his proxy shall have one vote for each share registered in the name of the member of which he represents. Where more than one proxy is appointed by such person, only one of the appointed proxies as designated by such person shall have the right to cast one vote on a show of hands.”;

- (6) by deleting the existing article 90 in its entirety and replacing it with the following new article 90 headed “Proxies”:

“90 Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person (who must be an individual) as his proxy (the “Appointed Proxy”) to attend and vote (whether on a show of hands or on poll) instead of him and the Appointed Proxy so appointed shall have the same right as the member to speak at the meeting. Whether on a show of hands or on a poll, votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may, in addition to the Appointed Proxy, appoint further number of proxies (who must be individuals) to attend and vote on poll (but not on a show of hands) in his stead at any one general meeting (or at any one class meeting).”;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (7) by deleting the existing article 116 in its entirety and replacing it with the following new article 116 headed “Rotation and retirement of Directors”:

“116 At each annual general meeting, one-third of the Directors (other than the Managing Director or Joint Managing Director) for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not exceeding, one-third, shall retire from office by rotation. Except for those retired under Article 116(A), the Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot. A retiring Director shall retain office until the close of the meeting at which he retires, and shall be eligible for re-election thereat. For the purpose of this Article, the Director(s) to retire at the annual general meeting pursuant to Article 116(A) shall be taken into account in determining the one-third of the Directors required to retire from office by rotation under this Article 116.”; and

- (8) by inserting the following new article 116A after the above new article 116:

App 14 r.A.4.2 “116A. Notwithstanding Article 116, every Director shall retire from office at an annual general meeting by rotation at least once for every three consecutive annual general meetings. A retiring Director under this Article shall retain office until the close of the meeting at which he retires, and shall be eligible for re-election thereat.””

By Order of the Board
Ching Che Man, Susanna
Company Secretary

Hong Kong, 10 July 2006

Notes:

- (1) Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his stead. A proxy need not be a member of the Company. A form of proxy for use at the meeting is enclosed herewith.
- (2) Where there are joint registered holders of any share of the Company, any one of such persons may vote at any meeting, either personally or by its duly authorised representative or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present whose name stands first in the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (3) To be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy thereof, must be deposited at the Company's principal office in Hong Kong at Room 2705, 27th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the meeting or any adjourned meeting. Delivery of the form of proxy will not preclude a member from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (4) Mr Kwok Ho, the Chairman and controlling shareholder of the Company, and Kailey Investment Ltd, his associate (within the meaning of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) will abstain from voting in relation to the ordinary resolution to be put forward at this meeting.

Registered Office:

P.O. Box 309, Uglan House
South Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

Principal Office in Hong Kong:

Room 2705, 27th Floor
China Resources Building
26 Harbour Road
Wanchai, Hong Kong

As at the date hereof, the board of directors of the Company 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 and Mr Chan Chi Po, Andy and four independent non-executive directors, namely, Mr Fung Chi Kin, Mr Tam Ching Ho, Professor Lin Shun Quan and Ms Luan Yue Wen.



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)

FORM OF PROXY FOR EXTRAORDINARY GENERAL MEETING
TO BE HELD ON 2 AUGUST 2006

(or any adjournment thereof)

I/We¹, _____
of _____
being the registered holder(s) of² _____ share(s) of HK\$0.10 each in the capital of Chaoda Modern Agriculture (Holdings) Limited (the “Company”), **HEREBY APPOINT³** the Chairman of the Extraordinary General Meeting (the “Meeting”), or _____
of _____ as my/our proxy to attend the Meeting (or any adjournment thereof) of the Company to be held at Room 2705, 27th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Wednesday, 2 August 2006 at 10:00 a.m. and vote for me/us and on my/our behalf in respect of the resolutions set out in the notice of the Meeting as indicated below.

Ordinary Resolution	For ⁴	Against ⁴
To approve the Agreement, the Transactions and/or the Proposed Annual Caps and to authorize the Directors of the Company to execute all documents and do all acts necessary in relation thereto		

Special Resolution	For ⁴	Against ⁴
To amend the existing Articles of Association of the Company		

Signature⁷: _____

Dated this _____ day of _____ 2006.

Notes:

1. Full name(s) and address(es) to be inserted in **BLOCK CAPITALS**.
2. Please insert the number of shares of HK\$0.10 each in the Company registered in your name(s). If no number is inserted, this form of proxy will be deemed to relate to all the shares in the Company registered in your name(s).
3. If any proxy other than the Chairman of the Meeting is preferred, strike out “the Chairman of the Extraordinary General Meeting (the “Meeting”), or” and insert the name and address of the proxy desired in the space provided. **ANY ALTERATION MADE TO THIS FORM OF PROXY MUST BE INITIALED BY THE PERSON(S) WHO SIGN(S) IT.**
4. Please indicate with a “✓” in the spaces opposite to the resolution how you wish the proxy to vote on your behalf. In the absence of any such indication the proxy may vote for or against the resolution or may abstain at his discretion. Your proxy will also be entitled to vote at his discretion on any resolution properly put to the Meeting other than those referred to in the notice convening the Meeting.
5. To be valid, you are requested to lodge this form, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, at the Company’s principal office in Hong Kong at Room 2705, 27th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the Meeting or any adjourned Meeting.
6. In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder(s), and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company.
7. This form of proxy must be signed by you or your attorney duly authorised in writing or, in the case of a corporation, must be either under its common seal or under the hand of any officer or attorney or other person duly authorised.
8. The proxy need not be a member of the Company but must attend the Meeting in person to represent you.