
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 Cayman Islands with limited liability)

**ONGOING CONNECTED TRANSACTIONS AND
NEW WAIVER APPLICATION**

Independent financial adviser to the Independent Board Committee



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 Monday, 19 January, 2004 at 11:00 a.m. is set out on pages 30 to 31 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. Completion 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 5 to 14 of this circular. A letter from the Independent Board Committee is set out on page 15 of this circular.

A letter from Somerley, the independent financial adviser to the Independent Board Committee, containing its advice to the Independent Board Committee is set out on pages 16 to 23 of this circular.

31 December, 2003

CONTENTS

	<i>Pages</i>
Definitions	1-4
Letter from the Board	5-14
Letter from the Independent Board Committee	15
Letter from Somerley	16-23
Appendix — General Information	24-29
Notice of extraordinary general meeting	30-31

DEFINITIONS

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

“Agreements”	the Organic Fertilisers Supply Agreement and the Plant Growth Regulators Supply Agreement
“Announcement”	the announcement dated 11 December, 2003 issued by the Company containing, among others, details of the Transactions and the New Waiver
“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 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 at Room 2705, 27th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Monday, 19 January, 2004 at 11:00 a.m., notice of which is set out on pages 30 and 31 of this circular
“Expiry Date”	30 June, 2003, being the expiry date of the 2000 Waiver
“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 and 5% by Madam Chiu
“Fujian Chaoda Trading”	Fujian Chaoda Agricultural Produce Trading Company (福建超大農業產品銷售有限公司), a limited liability company established in the PRC and in which Fujian Chaoda Group holds a 60% equity interest
“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

DEFINITIONS

“Group”	the Company and its subsidiaries
“Independent Board Committee”	an independent committee of the Board comprising Fung Chi Kin, Tam Ching Ho and Lin Shun Quan, the independent non-executive Directors, appointed by the Board for the purpose of advising the Independent Shareholders in relation to the Transactions
“Independent Shareholders”	Shareholders other than Mr. Kwok and his associates
“Kailey Investment”	Kailey Investment Ltd, a company incorporated with limited liability in the British Virgin Islands which holds approximately 50.75% of the issued share capital of the Company as at the Latest Practicable Date and which is, itself, owned as to 80% by Mr. Kwok
“Latest Practicable Date”	31 December, 2003, 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
“Madam Chiu”	Madam Chiu Na Lai, a Director and an associate of Mr. Kwok
“Mr. Kwok”	Mr. Kwok Ho, the controlling shareholder of the Company and a Director
“New Waiver”	the waiver to be sought by the Company from the Stock Exchange in respect of the Transactions for the three financial years ending 30 June, 2006 from strict compliance with the requirements of disclosure by press notice and circular to Shareholders and Independent Shareholders’ approval under Chapter 14 of the Listing Rules
“Organic Fertilisers Supply Agreement”	the organic fertilisers supply agreement dated 1 December, 2000 and made between Fuzhou Chaoda and Fujian Chaoda Trading, the detailed terms of which are set out in the paragraph headed “Purchase of organic fertilisers” under the section headed “Connected Transactions” on pages 87 and 88 of the Prospectus

DEFINITIONS

“Plant Growth Regulators Supply Agreement”	the plant growth regulators supply agreement dated 1 December, 2000 and made between Fuzhou Chaoda and Fujian Chaoda Trading, the detailed terms of which are set out in the paragraph headed “Purchase of plant growth regulators” under the section headed “Connected transactions” on pages 88 and 89 of the Prospectus
“PRC”	People’s Republic of China
“Proposed Waiver Limits”	in relation to the New Waiver, the proposed limit on the total annual expenditure of the Group in respect of purchase of organic fertilisers and plant growth regulators (as the case may be) pursuant to Transactions to be entered into in each of the three financial years ending 30 June, 2006 by reference to the Group’s turnover and purchases of raw materials in such financial year, details of which are set out in paragraph (g) under the section headed “Applications for the New Waiver” on page 12 of this circular
“Prospectus”	the prospectus dated 5 December, 2000 issued by the Company in relation to the listing of the Shares on the Stock Exchange in December 2000
“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 in connection with the Transactions, a licensed corporation 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 ongoing transactions entered into by the Group from time to time pursuant to the Agreements after the Expiry Date

DEFINITIONS

“2000 Waiver”	the waiver granted to the Company by the Stock Exchange on 20 December, 2000 in respect of various connected transactions between the Group and associates of Mr. Kwok (including connected transactions pursuant to the Agreements) from strict compliance with the requirements of disclosure by press notice and circular to Shareholders and Independent Shareholders’ approval under Chapter 14 of the Listing Rules, details of which are set out on pages 91 to 93 of the Prospectus
“2002 NTA”	the unaudited consolidated net tangible assets of the Company of approximately Rmb2,444,259,000 as at 31 December, 2002
“2003 NTA”	the consolidated audited net tangible assets of the Company of approximately Rmb2,896,489,000 as at 30 June, 2003
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Rmb” or “Renminbi”	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 Cayman Islands with limited liability)

Executive Directors:

Kwok Ho (*Chairman*)
Ip Chi Ming
Chiu Na Lai
Lee Yan
Chan Hong
Wong Hip Ying
Fong Jao

Independent non-executive Directors:

Fung Chi Kin
Tam Ching Ho
Lin Shun Quan

Registered Office:

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

*Head Office and principal place of
business in Hong Kong:*

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

31 December, 2003

To the Shareholders

Dear Sir or Madam,

ONGOING CONNECTED TRANSACTIONS AND NEW WAIVER APPLICATIONS

INTRODUCTION

Reference is made to the announcement dated 11 December, 2003 made by the Company regarding the expiry of the 2000 Waiver and the application for the New Waiver.

Reference is also made to the paragraph headed “Connected Transactions” under the “Business” section of the Prospectus setting out details of the connected transactions regarding the purchase of organic fertilisers and plant growth regulators by the Group from Fujian Chaoda Trading.

LETTER FROM THE BOARD

Fuzhou Chaoda entered into the Organic Fertilisers Supply Agreement and the Plant Growth Regulators Supply Agreement with Fujian Chaoda Trading on 1 December, 2000. Fuzhou Chaoda is a wholly-owned subsidiary of the Company. Fujian Chaoda Trading is a company established in the PRC and in which Fujian Chaoda Group holds a 60% equity interest. The remaining 40% equity interest in Fujian Chaoda Trading is currently held by an independent third party of the Company who is independent of and not connected with any director, chief executive or substantial shareholder of the Company or any of its subsidiaries or any of their respective associates. Fujian Chaoda Group is a company established in the PRC and is owned as to 95% by Mr. Kwok, a Director and the controlling shareholder of the Company, and 5% by Madam Chiu, a Director and an associate of Mr. Kwok. Hence, Fujian Chaoda Trading is an associate of Mr. Kwok and a connected person in relation to the Company within the meaning of the Listing Rules. On such basis, the Organic Fertilisers Supply Agreement and the Plant Growth Regulators Supply Agreement both constitute connected transactions of the Company under the Listing Rules.

As disclosed in the Prospectus, the Company applied to the Stock Exchange for a general waiver from strict compliance with the requirements of disclosure by press notice and circular to Shareholders and approval by Independent Shareholders under Chapter 14 of the Listing Rules in respect of the Transactions under each of the Agreements. On 20 December, 2000, the Stock Exchange granted the 2000 Waiver. The 2000 Waiver was granted for the three financial years ended 30 June, 2003.

As stated in the Announcement, subject to the Independent Shareholders' approval, the Company has applied for a new general waiver from strict compliance with the requirements of disclosure by press notice and circular to Shareholders and approval by Independent Shareholders' under Chapter 14 of the Listing Rules in respect of the Transactions for the three financial years ending 30 June, 2006.

The Independent Board Committee has been formed to review and consider the Transactions. Somerley has been appointed to advise the Independent Board Committee regarding the Transactions and the New Waiver.

The purpose of this circular is to provide you with further details of the Transactions and the New Waiver, to set out the recommendation of the Independent Board Committee and the opinion of the Somerley regarding the same, to give notice convening the EGM to consider, and if thought fit, to approve the Transactions and the New Waiver.

THE ORGANIC FERTILISERS SUPPLY AGREEMENT

Date : 1 December, 2000

Purchaser : Fuzhou Chaoda

LETTER FROM THE BOARD

- Supplier : Fujian Chaoda Trading
- Products : biological organic fertilisers, high efficiency organic fertilisers (or such other types of organic fertilisers as may be agreed between the parties in writing from time to time)
- 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 fertilisers 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 : an initial term of twenty years commencing on 1 December, 2000, 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. After the end of the initial term, the agreement will remain in force unless and until terminated by either party giving the other not less than three months' written notice

The following table sets out the approximate total value of purchases of organic fertilisers made by the Group under The Organic Fertilisers Supply Agreement for the three financial years ended 30 June, 2003 and the three months ended 30 September, 2003:

	Year ended 30 June,			From 1 July to
	2001	2002	2003	30 September,
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
	(audited)	(audited)	(audited)	(unaudited)
Purchase of organic fertilisers from Fujian Chaoda Trading	52,097	105,585	136,311	47,767
As % of total purchases of the Group (<i>Note 1</i>)	43.32%	45.23%	32.61%	11.43%
As % of the total turnover of the Group (<i>Note 2</i>)	7.18%	9.16%	9.18%	3.2%
As % of the net tangible assets of the Group	4.6 %	4.5 %	4.7%	2.0%
				(<i>Note 3</i>)

LETTER FROM THE BOARD

Note 1: In accordance with the 2000 Waiver, the total annual expenditure in respect of organic fertilisers being purchased by the Group pursuant to the Organic Fertilisers Supply Agreement in any financial year is not to exceed 55% of the total purchases to be made by the Group in such financial year.

Note 2: In accordance with the 2000 Waiver, the total annual expenditure in respect of organic fertilisers being purchased by the Group pursuant to the Organic Fertilisers Supply Agreement in any financial year is not to exceed 12% of the Group's total turnover in such financial year.

Note 3: This percentage was calculated by reference to the 2002 NTA.

THE PLANT GROWTH REGULATORS AGREEMENT

Date : 1 December, 2000

Purchaser : Fuzhou Chaoda

Supplier : Fujian Chaoda Trading

Products : plant growth regulators used for the cultivation of vegetables, fruit trees, paddy rice and tea (or such other types of plant growth regulators as may be agreed between the parties in writing from time to time)

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 plant growth regulators 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 : an initial term of twenty years commencing on 1 December, 2000, 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. After the end of the initial term, the agreement will remain in force unless and until terminated by either party giving the other not less than three months' written notice

LETTER FROM THE BOARD

The following table sets out the approximate total value of purchases of plant growth regulators made by the Group under the Plant Growth Regulators Supply Agreement for the three financial years ended 30 June, 2003 and the three months ended 30 September, 2003:

	Year ended 30 June,			From 1 July to
	2001	2002	2003	30 September,
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
	(audited)	(audited)	(audited)	(unaudited)
Purchase of plant growth regulators from Fujian Chaoda Trading	1,343	3,004	2,557	945
As % of total purchases of the Group (<i>Note 1</i>)	1.1%	1.3%	0.6%	0.2%
As % of the total turnover of the Group (<i>Note 2</i>)	0.18%	0.26%	0.17%	0.06%
As % of the net tangible assets of the Group	0.12 %	0.13 %	0.09%	0.04%
				(<i>Note 3</i>)

Note 1: In accordance with the 2000 Waiver, the total annual expenditure in respect of plant growth regulators being purchased by the Group pursuant to the Plant Growth Regulators Supply Agreement in any financial year is not to exceed 3% of the total purchases to be made by the Group in such financial year.

Note 2: In accordance with the 2000 Waiver, the total annual expenditure in respect of plant growth regulators being purchased by the Group pursuant to the Plant Growth Regulators Supply Agreement in any financial year is not to exceed 0.5% of the Group's total turnover in such financial year.

Note 3: This percentage was calculated by reference to the 2002 NTA.

NEW WAIVER APPLICATION

Pursuant to the 2000 Waiver, the Company is, subject to certain conditions, exempted from strict compliance with the requirements of disclosure by press notice and circular to Shareholders and approval by Independent Shareholders under Chapter 14 of the Listing Rules in respect of the Transactions under each of the Organic Fertilisers Supply Agreement and the Plant Growth Regulators Supply Agreement for the three financial years ended 30 June, 2003. The 2000 Waiver expired on 30 June, 2003.

LETTER FROM THE BOARD

The Group has continued to purchase organic fertilisers and plant growth regulators from Fujian Chaoda Trading pursuant to the Agreements after the Expiry Date. The aggregate value of purchases made by the Group under the Organic Fertilisers Supply Agreement since the Expiry Date and up to 30 September, 2003 exceeded the threshold of the higher of HK\$1,000,000 and 0.03% of the 2002 NTA prescribed under Rule 14.24(5) of the Listing Rules. Due to an inadvertent oversight by the Company, the Company had not complied with the relevant provision(s) prescribed under Chapter 14 of the Listing Rules relating to connected transactions in respect of such purchases at the time when such threshold was exceeded. This constituted a breach of the Listing Rules. Disclosure of the aggregate value of purchases made by the Company pursuant to the Organic Fertilisers Supply Agreement had been made in the interim reports and annual reports of the Company in the past three financial years ended 30 June, 2003. The Stock Exchange has indicated that it reserves its rights to take any action pursuant to the Listing Rules against the Company and/or the Directors in respect of the breach of the Listing Rules by the Company as mentioned above.

The Company had recruited a new officer to act as the director of corporate communication department of the Group earlier this year whose primary responsibility is regulatory compliance by the Company. Since the new officer joined the Group in June 2003, a more comprehensive internal control procedure has been adopted by the Group to enable regular reporting by the operating subsidiaries of the Company to the head office of the Group in Hong Kong in respect of the transactions conducted under the Organic Fertilisers Supply Agreement and the Plant Growth Regulators Supply Agreement. The Company will continue to take steps to strengthen and improve internal control procedures to ensure compliance with the Listing Rules and other legal and regulatory provisions applicable to the Company.

The aggregate value of purchases made by the Group under the Plant Growth Regulators Supply Agreement since the Expiry Date and up to 31 October, 2003 amounted to approximately Rmb1,248,000, representing approximately 0.05% of the 2002 NTA.

During the remaining term of the Agreements, the Group expects that it will continue to enter into the Transactions in the ordinary and usual course of its business. The total annual value of such Transactions under each of the Agreements is expected to exceed the higher of HK\$10,000,000 and 3% of the 2003 NTA. The Transactions carried out pursuant to each of the Agreements will, therefore, be subject to the requirements of disclosure and approval by Independent Shareholders under the Listing Rules. As the Transactions are expected to be carried out on a recurring basis, the Directors consider that it will be unduly burdensome and impractical for the Company to make disclosure and seek Independent Shareholders' approval on each occasion a Transaction is entered into. Hence, subject to the Independent Shareholders'

LETTER FROM THE BOARD

approval at the EGM, the Company has applied for a new general waiver from strict compliance with the requirements of disclosure by press notice and circular to Shareholders and approval by Independent Shareholders' under Chapter 14 of the Listing Rules in respect of the Transactions for the three financial years ending 30 June, 2006 on the following conditions:—

- (a) the Transactions, and the arrangements governing those Transactions, will be entered into by the Group in the ordinary and usual course of business, and will either be (i) on normal commercial terms; or (ii) if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable than terms available to or from (as appropriate) independent third parties;
- (b) the Transactions will be in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (c) the Company will disclose details of the Transactions in each year in the Company's annual report and accounts for the relevant year, as set out in rule 14.25(1)(A) to (D) of the Listing Rules;
- (d) the Company's independent non-executive Directors will review annually the Transactions and confirm, in the Company's annual report and accounts, that the Transactions have been conducted in the manner stated in paragraphs (a), (b) and (g);
- (e) the Company's auditor will carry out review procedures annually on the Transactions and will provide a letter to the Board, with a copy of that letter to the Stock Exchange confirming that the Transactions:—
 - (i) have received the approval of Board;
 - (ii) have been entered into in accordance with the relevant agreement governing the Transactions or on normal commercial terms in the ordinary and usual course of the Group's business; and
 - (iii) have been entered into within the proposed limits stated in paragraph (g) below;
- (f) for the purpose of the review and reporting on the Transactions by the auditor mentioned in paragraph (e) above, the Company, Mr. Kwok and Fujian Chaoda Trading have undertaken to the Stock Exchange that the auditors will have sufficient access to the accounting records of Fujian Chaoda Trading in respect of the Transactions; and

LETTER FROM THE BOARD

- (g) the total annual expenditure in respect of each category of products being purchased by the Group pursuant to the Transactions in any financial year will not exceed the lower of the proposed percentage limits of the Group's turnover and the total purchase of raw materials of the Group in such financial year set out below:—

Type of products	Proposed annual limit based on percentage of the turnover of the Group in the corresponding financial year	Proposed annual limit based on the total purchase of raw materials to be made by the Group in the corresponding financial year
Purchase of organic fertilisers	12%	55%
Purchase of plant growth regulators	0.5%	3%

Where the total annual expenditure exceeds those referred to in paragraph (g) above, the Company will comply with the provisions of Chapter 14 of the Listing Rules governing connected transactions, unless the Company applies for and obtains a separate waiver from the Stock Exchange.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

Fuzhou Chaoda is principally engaged in the cultivation and sale of crops, and breeding and sale of livestock in the PRC. The Organic Fertilisers Supply Agreement and the Plant Growth Regulators Agreement were entered into between the Group (through Fuzhou Chaoda) and Fujian Chaoda Trading for a term of twenty years commencing on 1 December, 2000. While the Group can purchase Organic Fertilisers and Plant Growth Regulators from other independent suppliers in the PRC, the Directors are of the view that the Group will continue to benefit from the Agreements as they ensure that the Group has a stable and reliable supply of good quality organic fertilisers and plant growth regulators, both of which are important raw materials of the agriculture produce business of the Group.

During the remaining term of the Agreements, the Group expects to continue to make purchases from Fujian Chaoda Trading under the Agreements in the ordinary and usual course of its business. The Directors are of the view that the Transactions to be carried out pursuant to the Agreements will be on normal commercial terms arrived at after arm's length negotiations between the parties that are fair and reasonable so far as the Shareholders are concerned.

LETTER FROM THE BOARD

In each of the three years ended 30 June, 2003, purchases of organic fertilisers and plant growth regulators made by the Group under the Agreements represented less than (i) 12% and 0.5% of the Group's turnover and (ii) 55% and 3% of the total purchases of raw materials made by the Group, respectively under the 2000 Waiver. Based on the past experience and knowledge of the Group, larger amounts of organic fertilisers would be required to be used by the Group for the cultivation of fruits (such as long-an and particularly young fruit trees) as compared to vegetables (such as broccoli) and the cultivation of certain types of agricultural produce among the diversified product portfolio of the Group would also require high consumption of organic fertilisers and/or plant growth regulators. The Group intends to continue expand its business of cultivation and sale of agricultural produce. In addition, it is the present intention of the Group to further enhance its business of cultivation and sale of fruit products by planting more young fruit trees. Hence, it is expected that the annual consumption of organic fertilisers and plant growth regulators by the Group will increase for the three years ending 30 June, 2006. For the reasons mentioned above and in order to accommodate future growth and development of the Group's business, the Directors consider that the Proposed Waiver Limits (which represent the same thresholds as provided under the 2000 Waiver in respect of the transactions conducted by the Group pursuant to the Organic Fertilisers Supply Agreement and Plant Growth Regulators Supply Agreement (as the case may be)) to be necessary and appropriate.

EGM

There is set out on pages 30 to 31 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 Monday, 19 January, 2004, at 11:00a.m., Hong Kong. An ordinary resolution will be proposed at the EGM to approve the Transactions and the New Waiver. Pursuant to Rule 14.26 of the Listing Rules, Mr. Kwok and his associates, Kailey Investment and Madam Chiu, will abstain from voting in relation to the ordinary resolution to be put forward at the EGM.

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 to the Company as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so desire.

RECOMMENDATION

Somerley has been appointed to advise the Independent Board Committee, comprising Fung Chi Kin, Tam Ching Ho and Lin Shun Quan (being all of the independent non-executive Directors), with regard to the Transactions and the New Waiver. Somerley considers that the terms of the Transactions and the New Waiver are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE BOARD

The Independent Board Committee, having taken into account the advice of Somerley, considers the terms of the Transactions and the New Waiver are fair and reasonable so far as the Independent Shareholders are concerned. 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 Transactions and the New Waiver.

Your attention is drawn to the letter from the Independent Board Committee set out on page 15, and the letter from Somerley to the Independent Board Committee set out on pages 16 and 23, of this circular.

GENERAL INFORMATION

The Company is an investment holding company. The Group is principally engaged in the agriculture 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



CHAODA MODERN AGRICULTURE (HOLDINGS) LIMITED
超大現代農業(控股)有限公司
(incorporated in Cayman Islands with limited liability)

To the Independent Shareholders

31 December, 2003

Dear Sir and Madam,

**ONGOING CONNECTED TRANSACTIONS AND
NEW WAIVER APPLICATIONS**

We refer to the circular to the shareholders of the Chaoda Modern Agriculture (Holdings) Limited dated 31 December, 2003 (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 Transactions and the New Waiver and to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Transactions and the New Waiver. Somerley has been appointed to advise the Independent Board Committee regarding the terms of the Transactions and the New Waiver. Details regarding the Transactions and the New Waiver are set out in the “Letter from the Board” on pages 5 to 14 of the Circular.

Having taken into account the advice and recommendation of Somerley contained in its letter set out on pages 16 to 23 of the Circular, we consider the terms of the Transactions and the New Waiver to be fair and reasonable so far as the Independent Shareholders are concerned and the Transactions and the New Waiver are in the best 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.

Yours faithfully,

The Independent Board Committee

Fung Chi Kin

Director

Tam Ching Ho

Director

Lin Shun Quan

Director

LETTER FROM SOMERLEY

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



Somerley Limited

Suite 3108
One Exchange Square
8 Connaught Place
Central
Hong Kong

31 December, 2003

The Independent Board Committee
Chaoda Modern Agriculture (Holdings) Limited
Room 2705, 27th Floor
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

NEW WAIVER APPLICATION FOR ONGOING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee as regards the on-going connected transactions relating to the purchase by Fuzhou Chaoda, a wholly owned subsidiary of the Company, of organic fertilisers and plant growth regulators pursuant to the Agreements from Fujian Chaoda Trading. Fujian Chaoda Trading is regarded as a connected person of the Company under the Listing Rules as Mr. Kwok, a Director and the controlling shareholder of the Company, has an indirect 60% equity interest in it. The Company has obtained the 2000 Waiver from the Stock Exchange from strict compliance with the relevant provisions of Chapter 14 of the Listing Rules in respect of the transactions conducted under the Agreements for the three financial years ended 30 June, 2003. The 2000 Waiver expired on 30 June, 2003. As the Group will continue to conduct the transactions under the Agreements, the Directors propose to seek a new waiver from the Stock Exchange from strict compliance with the relevant provisions of Chapter 14 of the Listing Rules in respect of the Transactions which will be conducted in the three financial years ending 30 June, 2006. The New Waiver is subject to the approval of the Independent Shareholders. Details of the Transactions and the New Waiver are set out in the circular of the Company dated 31 December, 2003 (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.

LETTER FROM SOMERLEY

The Independent Board Committee has been formed to consider the terms and conditions of the Transactions and the New Waiver and to make a recommendation to the shareholders of the Company as to how to vote at the EGM. We have been appointed to advise the Independent Board Committee in this respect.

In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Company and have assumed that the information, facts and opinion made to us are true and accurate. We have also sought and received confirmation from the 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 not conducted any independent investigation into the business and affairs of the Group or Fujian Chaoda Trading, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the Transactions and the New Waiver are fair and reasonable, we have taken into account the principal factors and reasons set out below: —

1. Background

The Group is principally engaged in the agricultural produce and livestock businesses in the PRC. It is in the normal course of business for the Group to purchase organic fertilisers and plant growth regulators for its crop cultivation business, either from various suppliers or Fujian Chaoda Trading.

On 1 December, 2000, Fuzhou Chaoda entered into the Organic Fertilisers Supply Agreement and the Plant Growth Regulators Supply Agreement with Fujian Chaoda Trading. Fuzhou Chaoda is a wholly owned subsidiary of the Company, its principal business is the cultivation and sales of agricultural produce in the PRC. Fujian Chaoda Trading is a company established in the PRC in which Fujian Chaoda Group holds a 60% equity interest. Fujian Chaoda Group is a company established in the PRC and is owned as to 95% by Mr. Kwok, a Director and the controlling shareholder of the Company and as to the remaining 5% by Madam Chiu, a Director. Fujian Chaoda Trading is thus an associate of Mr. Kwok and a connected person to the Company under the Listing Rules. Accordingly, both the Organic Fertilisers Supply Agreement and the Plant Growth Regulators Supply Agreement constitute connected transactions to the Company under the Listing Rules.

LETTER FROM SOMERLEY

Each of the Organic Fertilisers Supply Agreement and the Plant Growth Regulators Supply Agreement has an initial term of twenty years commencing from 1 December, 2000. The Stock Exchange has granted, subject to certain conditions, to the Company the 2000 Waiver from strict compliance with the disclosure and approval requirements as stipulated under Chapter 14 of the Listing Rules in respect of the transactions conducted under the Agreements during the three financial years ended 30 June, 2003. The 2000 Waiver expired on 30 June, 2003.

As the Group will continue to conduct transactions under the Agreements and the annual aggregate value of such transactions is expected to exceed the higher of HK\$10,000,000 and 3% of the net tangible assets of the Group, the Company has applied to the Stock Exchange for the New Waiver from strict compliance with the relevant provisions of Chapter 14 of the Listing Rules in respect of the Transactions which will be conducted in the three financial years ending 30 June, 2006. The New Waiver is subject to the approval of the Independent Shareholders.

2. Reasons for the Transactions and terms thereof

Organic fertilisers and plant growth regulators are vital for the cultivation business of the Group. As such, stable and reliable supply of good quality organic fertilisers and plant growth regulators is crucial to the smooth and continuous operations of the cultivation business of the Group. According to the Directors, selection and testing of suitable organic fertilisers and plant growth regulators involved a long and detailed process. It usually takes one year or more for the Group to test the effectiveness of a particular organic fertiliser or plant growth regulator, as the quality of the soil and the types of crops being cultivated would have an impact on their effectiveness. The Directors are of the view that it is commercially not desirable to change from the existing organic fertilisers and plant growth regulators purchased under the Agreements, as the use of them has achieved satisfactory results.

The Directors believe that the Group will continue to benefit from the Agreements as they will provide a stable and reliable supply of quality organic fertilisers and plant growth regulators to the Group. Having considered that the organic fertilisers and plant growth regulators are vital to the continue smooth operation of the Group's cultivation business and the proven records of their usage as evidenced by the continued increase in sales revenue derived from the Group's cultivation business, we are of the view that it would be in the interest of the Group to continue the Transactions.

Pursuant to the Agreements, it is agreed that the price for the organic fertilisers and plant growth regulators will not exceed the average ex-factory price (net of delivery costs) at which the same organic fertilisers or plant growth regulators (as the case may be) 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

LETTER FROM SOMERLEY

Chaoda. In our view, the average ex-factory price calculated as aforesaid will set a ceiling price for the organic fertilisers and plant growth regulators and will ensure that the price for the Group's purchase of organic fertilisers and plant growth regulators will be comparable to that offered by Fujian Chaoda Trading to independent third parties.

3. New Waiver and the Caps

As the Transactions will be carried out on a recurring basis and the annual aggregate value of such Transactions is expected to exceed the higher of HK\$10,000,000 and 3% of the 2003 NTA, the Directors consider it will be unduly burdensome and impractical for the Company to make disclosure and seek Independent Shareholders' approval on each occasion the Transaction is entered into. The Company has therefore applied to the Stock Exchange for the New Waiver.

The New Waiver is subject to the terms and conditions as more particularly discussed under the section headed "Conditions of the New Waiver" below. In particular, the New Waiver will be applicable for the Transactions to the extent that the total value of purchase of organic fertilisers and plant growth regulators for each of the three financial years ending 30 June, 2006 do not exceed the following limits (the "Caps"):

Type of products	Annual limit based on percentage of the Group's turnover in the corresponding financial year	Annual limit based on percentage of the Group's total purchases in the corresponding financial year
Organic fertilisers	12%	55%
Plant growth regulators	0.5%	3%

LETTER FROM SOMERLEY

The following table sets out the aggregate purchases of organic fertilisers and plant growth regulators by the Group from Fujian Chaoda Trading in the three financial years ended 30 June, 2003:

	For the year ended 30 June,			Caps
	2001	2002	2003	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Purchase of				
• Organic fertilisers	52,097	105,585	136,311	—
• Plant growth regulators	1,343	3,004	2,557	—
Percentage of purchase to the Group's turnover				
• Organic fertilisers	7.18%	9.16%	9.18%	12%
• Plant growth regulators	0.18%	0.26%	0.17%	0.5%
Percentage of purchase to the Group's total purchase				
• Organic fertilisers	43.32%	45.23%	32.61%	55%
• Plant growth regulators	1.1%	1.3%	0.6%	3%

The Caps for the New Waiver are the same as that for the 2000 Waiver. For each of the three financial years ended 30 June, 2003, the aggregate value of purchases of organic fertilisers and plant growth regulators from Fujian Chaoda Trading were within the limit of the Caps. Although such purchases were less than the Caps, the Directors consider it is essential to maintain the Caps at the existing levels for the three financial year ending 30 June, 2006 as the Group will continue to expand its crop cultivation business by (i) expanding its total area of farmland; and (ii) increasing the cultivation of young fruit trees.

From the above table, it can be seen that purchase of organic fertilisers and plant growth regulators in monetary terms for the year ended 30 June, 2002 doubled that for the year ended 30 June, 2001, and there were also increases in the percentage of purchase of organic fertilisers and plant growth regulators to the Group's turnover and total purchase respectively. For the year ended 30 June, 2003, purchase of organic fertilisers increased in monetary terms and in relative term when compared with the Group's turnover, but decreased in relative term when compared with the Group's total purchase. As for plant growth regulators, purchases for the year ended 30 June, 2003 decreased in monetary terms and in relative terms when compared with the Group's turnover and total purchase. The Directors have confirmed that the Group's crop production for the year ended 30 June, 2003 was adversely affected by the severe winter in China in 2002 and the outbreak of SARS in spring 2003. Accordingly, they are of the view that purchases of organic fertilisers and plant growth regulators from Fujian Chaoda Trading for the year ended 30 June, 2003 are not representative.

LETTER FROM SOMERLEY

For the three years ending 30 June, 2006, the Directors expect that consumption of organic fertilisers and plant growth regulators by the Group will increase as the Group intends to expand its total area of farmland and increase cultivation of young fruit trees. Based on the Group's experience and knowledge in horticulture, cultivation of young fruit trees normally consume larger amount of organic fertilisers and plant growth regulators when compared with vegetable. The following table sets forth the average consumption of organic fertilisers and plant growth regulators for broccoli, which is representative of the Group's produce, and long-an , a type of young fruit tree:

Type of products (per kg)	Average selling price (Rmb) ("A")	Average consumption of organic fertilisers (Rmb) ("B")	Average consumption of plant growth regulators (Rmb) ("C")	Percentage of organic fertilisers consumed to sales value B/A x 100%	Percentage of plant growth regulators consumed to sales value C/A x 100%
Vegetable					
Broccoli	4.65	0.48	0.0069	10.32%	0.15%
Fruit					
Long-an	5.66	1.13	0.0259	19.96%	0.46%

It is shown in the above table that cultivation of young fruit tree consumes more organic fertilisers and plant growth regulators than vegetable. As the Group intends to increase cultivation of young fruit tree, it is expected that consumption of organic fertilisers and plant growth regulators will increase. In view of the aforesaid, we consider that the amount of Caps being sought will provide a reasonable buffer to the Group to cater for the increase in demand for organic fertilisers and plant growth regulators due to expansion of the Group's cultivation business and is fair and reasonable so far as the Independent Shareholders are concerned.

4. CONDITIONS OF THE NEW WAIVER

The New Waiver is subject to a number of conditions as follows:

- (a) the Transactions, and the arrangements governing those Transactions, are entered into by the Group in the ordinary and usual course of business, and are either (i) on normal commercial terms; or (ii) if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable than terms available to or from (as appropriate) independent third parties;

LETTER FROM SOMERLEY

- (b) the Transactions shall be in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (c) the Company will disclose details of the Transactions in each year in the Company's annual report and accounts for the relevant year, as set out in rule 14.25(1)(A) to (D) of the Listing Rules;
- (d) the Company's independent non-executive Directors will review annually the Transactions and confirm, in the Company's annual report and accounts, that the Transactions have been conducted in the manner stated in paragraphs (a), (b) and (g);
- (e) the Company's auditor will carry out review procedures annually on the Transactions and shall provide a letter to the Board, with a copy of that letter to the Stock Exchange confirming that the Transactions:-
 - (i) have received the approval of Board;
 - (ii) have been entered into in accordance with the relevant agreement governing the Transactions or on normal commercial terms in the ordinary and usual course of the Group's business; and
 - (iii) have been entered into within the proposed limits stated in paragraph (g) below;
- (f) for the purpose of the review and reporting on the Transactions by the auditor mentioned in paragraph (e) above, the Company, Mr. Kwok and Fujian Chaoda Trading have undertaken to the Stock Exchange that the auditors will have sufficient access to the accounting records of Fujian Chaoda Trading in respect of the Transactions; and
- (g) the total annual expenditure in respect of each category of products being purchased by the Group pursuant to the Transactions in any financial year will not exceed the lower of the Caps as stated under the section headed "New Waiver and the Caps" above.

Where the total annual expenditure exceeds the Caps, the Company shall comply with the provisions of Chapter 14 of the Listing Rules governing connected transactions, unless the Company applies for and obtains a separate waiver from the Stock Exchange.

LETTER FROM SOMERLEY

In light of the conditions attached to the New Waiver, in particular, the restriction of the value of the Transactions by way of the Caps and the ongoing review by the independent non-executive Directors and auditors of the Company of the terms of the Transactions, we are of the view that appropriate measures will be in place to govern the conduct of the Transactions and safeguard the interest of the Independent Shareholders.

OPINION

Taking into account the above principal factors, we consider that the Transactions and New Waiver (including the Caps) are fair and reasonable so far as the Independent Shareholders are concerned and are 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 and the New Waiver (including the Caps).

Yours faithfully,
For and on behalf of
Somerley Limited
Mei H. Leung
Managing Director

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 not contained in this circular, 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 or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which 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 deemed or taken 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 notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions 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 Directors	<i>Notes</i>	Capacity/Nature of interests	Number of Shares held	Approximately % of shareholding
Mr. Kwok	(a)	Interest of controlled corporation	986,000,000	50.75%
Madam Chiu	(b)	Interest of spouse	986,000,000	50.75%
Mr. Ip Chi Ming	(c)	Interest of controlled corporation	52,000,000	2.68%
Mr. Chan Hong		Beneficial owner	500,000	0.03%

Notes:

- (a) 986,000,000 Shares are held by Kailey Investment. By virtue of his 80% shareholding in Kailey Investment, Mr. Kwok is deemed or taken to be interested in the 986,000,000 Shares owned by Kailey Investment.
- (b) Madam Chiu is the wife of Mr. Kwok and is deemed to be interested in the 986,000,000 Shares in which Mr. Kwok is deemed to be interested for the purposes of the SFO.
- (c) 52,000,000 Shares are held by Young West Investments Ltd.. By virtue of his 100% shareholding in Young West Investments Ltd., Mr. Ip is deemed or taken to be interested in the 52,000,000 Shares owned by Young West Investments Ltd..

Long positions in the underlying Shares

Name of Directors	Capacity/Nature of interests (Notes)	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
		Date of grant	Exercise price (HK\$)	Exercise period	
Mr. Kwok	Beneficial owner	28/01/2003	1.66	01/07/2003 — 27/01/2013	20,000,000
				01/01/2004 — 27/01/2013	20,000,000
				01/01/2005 — 27/01/2013	20,000,000
	Interest of spouse (a)	—	—	—	2,500,000
Madam Chiu	Beneficial owner	28/01/2003	1.66	01/07/2003 — 27/01/2013	2,500,000
				Interest of spouse (b)	—
Mr. Ip Chi Ming	Beneficial owner	28/01/2003	1.66	01/07/2003 — 27/01/2013	3,000,000
Mr. Lee Yan	Beneficial owner	28/01/2003	1.66	01/07/2003 — 27/01/2013	2,000,000
	Beneficial owner	24/06/2003	1.14	01/07/2003 — 23/06/2013	1,500,000
Mr. Fong Jao	Beneficial owner	28/01/2003	1.66	01/07/2003 — 27/01/2013	2,000,000
	Beneficial owner	19/06/2003	1.13	01/07/2003 — 18/06/2013	2,000,000
Mr. Chan Hong	Beneficial owner	28/01/2003	1.66	01/07/2003 — 27/01/2013	2,000,000
	Beneficial owner	19/06/2003	1.13	01/07/2003 — 18/06/2013	1,500,000
Ms. Wong Hip Ying	Beneficial owner	28/01/2003	1.66	01/07/2003 — 27/01/2013	1,500,000
	Beneficial owner	19/06/2003	1.13	01/07/2003 — 18/06/2013	2,000,000

Notes:

- (a) Mr. Kwok is the husband of Madam Chiu and is deemed to be interested in the 2,500,000 underlying Shares beneficially owned by Madam Chiu for the purposes of the SFO.
- (b) Madam Chiu is the wife of Mr. Kwok and is deemed to be interested in the 60,000,000 underlying Shares beneficially owned by Mr. Kwok for the purposes of the SFO.

(ii) Interests and short positions in the shares, underlying shares and debentures of the associated corporations

Long positions in the shares of Kailey Investment

Name of Directors	Capacity/Nature of interests (Notes)	Number of ordinary shares of US\$1.00 each	Approximately % of shareholding
Mr. Kwok	Beneficial owner	800	80%
	Interest of spouse (a)	100	10%
Madam Chiu	Beneficial owner	100	10%
	Interest of spouse (b)	800	80%

Notes:

- (a) Mr. Kwok is the husband of Madam Chiu and is deemed to be interested in the 100 ordinary shares of Kailey Investment held by Madam Chiu for the purposes of the SFO.
 - (b) Madam Chiu is the wife of Mr. Kwok and is deemed to be interested in the 800 ordinary shares of Kailey Investment held by Mr. Kwok for the purposes of the SFO.
- (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, 2003 (being the date to which the latest audited financial statements 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.

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 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 5% 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	Beneficial owner	986,000,000	50.75%
Value Partners Limited	Investment Manager	122,114,000	6.29%

Save as disclosed above, as at the Latest Practicable Date, to the knowledge of the Company, none of the 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 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 5% 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, 2003, the date to which the latest published audited consolidated accounts of the Group were made up.

SERVICE CONTRACT

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	Somerley Limited, the independent financial adviser appointed to advise the Independent Board Committee in connection with the Transactions and the New Waiver, a licensed corporation under the SFO

CONSENT

Somerley has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the references to its name included herein in the form and context in which they 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, either directly or indirectly, 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, 2003 (being the date to which the latest audited financial statements 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, Uglan House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies and the principal share registrars and transfer office of the Company in the Cayman Islands is P.O. Box 309, Uglan House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies. The branch share registrars and transfer office of the Company in Hong Kong is Abacus Share Registrar Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (b) The secretary of the Company is Ching Che Man, Susanna, a fellow member of the Association of Chartered Certified Accountant and an associate member of the Hong Kong Society of Accountants.
- (c) The English text of this circular shall prevail over the Chinese text.

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 19 January, 2004:—

- (a) the Organic Fertilisers Supply Agreement and the Plant Growth Regulators Supply Agreement;
- (b) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 15 of this circular;
- (c) the letter of advice from Somerley to the Independent Board Committee, the text of which is set out on pages 16 to 23 of this circular; and
- (d) the written consent referred to in the paragraph headed “Consent” in this appendix.

NOTICE OF EXTRAORDINARY GENERAL MEETING



CHAODA MODERN AGRICULTURE (HOLDINGS) LIMITED **超大現代農業(控股)有限公司**

(incorporated in Cayman Islands with limited liability)

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 Monday, 19 January, 2004 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments the following resolution as an ordinary resolution:—

ORDINARY RESOLUTION

“**THAT:**

- (1) the Transactions (as defined and more particularly described in the circular of the Company to its shareholders dated 31 December, 2003 (the “Circular”, 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 are hereby approved (and, in the case of the Transactions made on or before the passing of this resolution, approved, confirmed and ratified) subject to the Proposed Waiver Limits (as defined and more particularly described in the Circular);
- (2) the New Waiver (as defined and more particularly described in the Circular) and the conditions thereof be and is hereby approved and confirmed;
- (3) the directors of the Company (the “Directors”) be and are hereby authorised from time to time to approve and to enter into, on behalf of the Company, any Transaction at any time during any of the three financial years ending 30 June, 2006 subject to the Proposed Waiver Limits (as defined and more particularly described in the Circular); and
- (4) 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 New Waiver and/or the Transactions and any matters relating thereto.”

By Order of the Board

Chaoda Modern Agriculture (Holdings) Limited

Ching Che Man, Susanna

Company Secretary

Hong Kong, 31 December, 2003

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

- (1) Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy or proxies to attend and 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 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.
- (3) To be valid, the form of proxy together with any power of attorney or other authority under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited with the Company 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 appointed for holding the extraordinary general meeting.
- (4) Completion and return of the form of proxy will not preclude members from attending and voting at the extraordinary general meeting.
- (5) Mr. Kwok Ho, a Director and the controlling shareholder of the Company and his associates (within the meaning of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) will abstain from voting in this meeting.