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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)**

**PROVISION OF FINANCIAL ASSISTANCE**

**THE LOAN AGREEMENTS**

The Board announces that on 2 July 2019 and 30 July 2019, Fujian Chaoda Modern Agriculture Group (an indirect wholly-owned subsidiary of the Company) and Desire Star (an indirect non wholly-owned subsidiary of the Company) entered into loan agreement with Borrower respectively. According to the Loan Agreements, Fujian Chaoda Modern Agriculture Group and Desire Star granted loan of RMB 45,000,000 and RMB 6,000,000 to the Borrower for a period of 12 months respectively.

**LISTING RULES IMPLICATIONS**

As the applicable percentage ratios under the Listing Rules exceed 25% but below 75%, in accordance with Chapter 14 of the Listing Rules, entering into the Loan Agreements constituted major transaction for the Company, and is therefore subject to the announcement and shareholders' approval requirements of the Listing Rules.

As the amount of financial assistance granted to the Borrower exceeds 8% based on the assets ratio as defined in Rule 13.13 of the Listing Rules, entering into the Loan Agreements is also subject to the general disclosure obligation of Rule 13.15 of the Listing Rules.

Due to an oversight, the Company did not disclose the Loan Agreements in accordance with the Listing Rules, so the Company inadvertently breached Chapters 13 and 14 of the Listing Rules.

The Board announces that on 2 July 2019 and 30 July 2019, Fujian Chaoda Modern Agriculture Group (an indirect wholly-owned subsidiary of the Company) and Desire Star (an indirect non wholly-owned subsidiary of the Company) entered into loan agreement with Borrower respectively. A summary of the principal terms of the Loan Agreements is set out below.

### **First Loan Agreement**

Date: 2 July 2019

Parties: (1) Fujian Chaoda Modern Agriculture Group (as Lender A); and  
(2) Fuzhou Xinze Trade Co. Ltd. (as Borrower)

Principal: RMB 45,000,000

Interest rate: 4.35% per annum

Term: One calendar year commencing from the Utilisation Date

Guarantee: Guarantee given by Mr. Kwok Ho, the chairman and executive director of the Company

### **Second Loan Agreement**

Date: 30 July 2019

Parties: (1) Desire Star (as Lender B); and  
(2) Fuzhou Xinze Trade Co. Ltd. (as Borrower)

Principal: RMB 6,000,000

Interest rate: 4.35% per annum

Term: One calendar year commencing from the Utilisation Date

Guarantee: Guarantee given by Mr. Kwok Ho, the chairman and executive director of the Company

The lending of the Loans as set out in the Loan Agreements was funded by internal resources of the Group.

### **INFORMATION OF THE GROUP, THE LENDERS AND THE BORROWER**

The principal activity of the Company is investment holding. The Group is principally engaged in (i) distribution and trading of crops; and (ii) wholesale and logistics of vegetables and fruits.

Lender A is an indirect wholly-owned subsidiary of the Company and was established in the

PRC. Lender A is principally engaged in growing and sales of crops, breeding and sales of livestock in the PRC.

Lender B is an indirect non wholly-owned subsidiary of the Company and was established in the PRC. Lender B is principally engaged in property holding in the PRC.

The Borrower is a company incorporated in the PRC with limited liability, which is engaged in the sale of chemical raw materials, auto parts, hardware and electricity, and purchasing agents in the PRC.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Borrower is ultimately beneficially owned by Mr. Chen Xuejun (a merchant) and Ms. Sun Lijuan (a merchant), Independent Third Parties not connected with the Company and its connected persons.

## **REASONS FOR AND BENEFITS OF THE PROVISION OF THE LOANS**

One of the Group's treasury objectives is to seek an optimum stream of steady return on the cash on hand.

The State Council published number 129 document, "Guiding option for deepening consumer poverty alleviation and to win the fight against poverty" on 30 December 2018, urging the whole society to actively participate in poverty alleviation and help winning the fight against poverty. On 25 April, 2019, the General Office of the Fujian Provincial People's Government issued a notice on the "Fujian Provincial Implementation Plan for Further Development of Consumption Poverty Alleviation and Helping to Win the Poverty Alleviation Program", advocating the participation of private enterprises and other social forces in consumption poverty alleviation and collaboration between eastern and western regions.

In early June 2019, Fuzhou Xinze Trade Co. Ltd., a company participating in the poverty alleviation through consumption poverty alleviation and collaboration between eastern and western regions, approach the management in Fuzhou.

Management in Fuzhou conducted due diligence before entering into the Loan Agreements and understood that the Loans was used for the consumption poverty alleviation agricultural products business advocated by the PRC government. As a key national agricultural industrialization leading enterprise and the president unit of Fujian Agricultural Industrialization Association, the Company actively responds and implements national and local government policies and actions on poverty alleviation and rural revitalization, and considers providing loan with reasonable return to support the Eastern and Western poverty alleviation collaboration and consumption poverty alleviation business advocated by the government. Management in Fuzhou believes that the Loans has embodied the Group's corporate citizenship and helped enhancing corporate brand and social influence, while offering reasonable returns. On the other hand, one of the missions of the new business operation model structured by the Group is to achieve effective matching in production and sales, promote alleviate poverty and increase income for impoverished households and local farmers, etc. In the past few years, as the new business operation model was in establishment and pilot phase, investment was minimal, subsidiaries in the PRC had surplus cash, so providing short-term loans could increase the Group's revenue.

The terms of the Loan Agreements (including the interest rate and the term of loan) were negotiated on an arm's length basis between the Lender A, Lender B and the Borrower. Taking into account the Loans were used in the consumption poverty alleviation agricultural products business advocated by the PRC government, the results of the Company's due diligence on the financial background and repayment ability of the Borrower and the stable interest income expected to be generated from the Loans, the Directors consider that the terms of the Loan Agreements (including the interest rate and term of loan) are fair and reasonable and the entering into of the Loan Agreements is in the interests of the Company and its shareholders as a whole.

Although the management in Fuzhou believes that the Loan Agreements are supportive of government consumption poverty alleviation and increase the Group's revenue, for prudence sake, the chairman and executive director of the Company, Mr. Kwok Ho ("Mr. Kwok"), has voluntarily and unconditionally provided personal guarantees for receivables arising from the Loan Agreements to protect the interests of all shareholders and the Company's assets. Mr. Kwok did not receive or was not conferred any benefits on the Group's entering into the Loan Agreements.

## **IMPLICATIONS UNDER THE LISTING RULES**

Since the Borrower involved in the Loan Agreements were the same, i.e. Fuzhou Xinze Trade Co. Ltd., and the transactions were conducted within 12 months, the individual transactions making up the Loan Agreements are treated as a series of transactions and aggregated pursuant to Rules 14.22 and 14.23 of the Listing Rules for the purpose of calculating percentage ratios (as defined under the Listing Rules).

As the highest applicable percentage ratio (as defined in the Listing Rules) of the Loan Agreements on an aggregate basis are higher than 25% but below 75%, the Loan Agreements constituted major transactions.

As the amount of financial assistance granted to the Borrower exceeds 8% based on the assets ratio as defined in Rule 13.13 of the Listing Rules, entering into the Loan Agreements is also subject to the general disclosure obligation of Rule 13.15 and Rule 14.34 of the Listing Rules.

In addition, entering into the Loan Agreements is subject to the circular requirement under Rule 14.38A and Shareholder's approval requirement under Rule 14.40 of the Listing Rules.

The Board admits that it has inadvertently breached the Listing Rules by failing to fulfil the announcement and shareholders' approval requirements under Chapter 13 and Chapter 14 of the Listing Rules in regards to the Loan Agreements.

## REMEDIAL ACTION

The Board, having been fully informed of the facts of the Loan Agreements, considers that the failure to comply with Listing Rules was inadvertent and can be avoided going forward. The Company takes the incident seriously and has taken the following actions to prevent the any similar incidents in the future.

The Company has actively coordinated with the Borrower to request early repayment, as at the date of this announcement, Lender B has recovered the principal amount of RMB 6,000,000 and interest of RMB 175,191 under the Second Loan Agreement; Lender A has recovered RMB 39,652,489 out of the principal amount of RMB 45,000,000 under the First Loan Agreement, and it is expected that the remaining outstanding principal and interest under the First Loan Agreement will be repaid by the Borrower on or before 30 June, 2020. The Company has also set up a special team (composed of the Company's legal department, financial department and internal audit department) to be responsible for tracking and implementing the repayment.

Since a significant amount of the Loans had been recovered, and such transactions cannot be reversed, the Company intends not to put forward a resolution at a general meeting of the Company to ratify the entering into the Loan Agreements.

To achieve a balance between operational flexibility and compliance with the Listing Rules, starting from the date of this announcement, trade loan exceeding RMB 1,200,000 / non-trade loan exceeding RMB 600,000 through the Company's PRC subsidiaries, regardless of one-off transaction or a series of transactions and aggregated, requires the approval from two executive directors of the Company.

Besides, the Company will include the review of loan approval system and procedures as part of the scope for the coming internal control system review, which will be taken place and completed before the final results announcement for the year ending 30 June 2020, by the independent professional consultant.

## DEFINITIONS

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

“Board”	the board of Directors of the Company
“Borrower”	Fuzhou Xinze Trade Co. Ltd., a company established in the PRC with limited liability
“Company”	Chaoda Modern Agriculture (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability and the Shares are listed on the Stock Exchange
“Desire Star”	Desire Star (Fujian) Development Company Limited, an indirect non wholly-owned subsidiary of the Company and established in the PRC with limited liability

“Director(s)”	the director(s) of the Company
“First Loan Agreement”	Loan Agreement between Lender A and Borrower dated 2 July, 2019
“Fujian Agricultural Industrialization Association”	the Fujian Agricultural Industrialization Association, PRC
“Fujian Chaoda Modern Agriculture Group”	Fujian Chaoda Modern Agriculture Group Company Limited, an indirect wholly-owned subsidiary of the Company and established in the PRC with limited liability
“Fuzhou”	the city in Fujian province, PRC
“General Office of the Fujian Provincial People's Government”	the General Office of the Fujian Provincial People's Government, PRC
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	party(ies) who is (are) not connected person(s) of the Company and its subsidiaries and is (are) third party(ies) independent of the Company and connected persons of the Company
“Lender A”	Fujian Chaoda Modern Agriculture Group
“Lender B”	Desire Star
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Loans”	collectively, the loan with the principal amount of RMB 45,000,000 granted by the Lender A to the Borrower pursuant to First Loan Agreement and the loan with the principal amount of RMB 6,000,000 granted by the Lender B to the Borrower pursuant to Second Loan Agreement
“Loan Agreements”	Lender A and Lender B grant loans of RMB 45,000,000 and RMB 6,000,000 respectively to the Borrower in accordance with the loan agreement
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Second Loan Agreement”	Loan Agreement between Lender B and Borrower dated 30 July, 2019

“Shareholders”	holders of the Shares
“Shares”	ordinary shares of HK\$0.01 each in the capital of the Company
“State Council”	the State Council of PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Utilisation Date”	the date on which the principal amount outstanding on the First Loan Agreement/ Second Loan Agreement to be made and drawn down

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

Hong Kong, 21 April 2020

*As of the date hereof, the board of directors of the Company comprises:*

*Executive directors* : *Mr. Kwok Ho, Mr. Kuang Qiao and Mr. Yang Gang*

*Non-executive director* : *Mr. Ip Chi Ming*

*Independent non-executive directors* : *Mr. Fung Chi Kin, Mr. Tam Ching Ho and Professor Lin Shun Quan*