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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)**

#### **(1) CONDITIONS TO RESUMPTION OF TRADING**

#### **(2) RESIGNATION OF AUDITORS**

#### **(3) MARKET MISCONDUCT PROCEEDINGS**

References are made to the announcement of Chaoda Modern Agriculture (Holdings) Limited (the “**Company**”) dated 30 September 2011, in which :

- (a) the Company announced a suspension of the trading of the Company’s shares pending an announcement on a report issued by Anonymous Analytics (the “**Anonymous Report**”); and
- (b) the Company announced that proceedings (the “**MMT Proceedings**”) have been commenced in the Market Misconduct Tribunal (the “**MMT**”) against Mr. Kwok Ho (“**Mr. Kwok**”), the Executive Chairman of the Company, Mr. Chan Chi Po (“**Mr. Chan**”), an executive director of the Company, and an independent fund manager in respect of possible market misconduct involving certain trading in the Company’s shares in June 2009.

Reference is also made to Rule 13.51(4) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), in which issuers are required to announce changes to their auditors.

The Company is in the process of clearing an announcement on the Anonymous Report. The Company is unable at this stage to estimate a date for the issue of such announcement, because the announcement is required to be cleared by the Stock Exchange, but will endeavour to issue an announcement as soon as possible.

On 24 April 2012, the Company received a letter from the Stock Exchange in which the Company was notified certain conditions imposed by the Stock Exchange for a resumption in trading of the Company's shares, and to issue an announcement of such conditions. The conditions for resumption are set out in this announcement.

On 26 April 2012, BDO Limited ("**BDO**") resigned their position as auditors of the Company. The reasons for their resignation and the auditors' confirmation that there are no matters that need to be brought to the attention of the shareholders of the Company are set out in this announcement.

On 27 April 2012, the MMT issued a report on the MMT Proceedings and was not satisfied that Mr. Kwok or Mr. Chan engaged in culpable insider dealing.

Trading in the Company's shares on the Stock Exchange was suspended at the request of the Company with effect from 1:30 p.m. on 26 September 2011. Trading in the Company's shares will remain suspended until the Company complies with the conditions to a resumption of trading set out in this announcement.

Reference is made to the Company's announcement dated 30 September 2011 in which the Company announced a suspension of the trading of the Company's shares pending an announcement on the Anonymous Report.

## **THE RESUMPTION CONDITIONS**

On 24 April 2012, the Company received a letter from the Stock Exchange, in which the Company was notified the following conditions to a resumption in trading of the Company's shares:

- (a) address the allegations made against the Company in the Anonymous Report and inform the market of all material information that is necessary to appraise the position of the Company and its subsidiaries (the "**Group**"), including their implications to the Group's asset, financial and operational position;
- (b) publish all outstanding financial results and reports, and address any concerns raised by the Company's auditors through qualifications in their audit report; and
- (c) demonstrate that there are adequate financial reporting procedures and internal control systems to meet obligations under the Listing Rules.

The Company is in the process of clearing an announcement on the Anonymous Report with the Stock Exchange. The Company submitted its first draft of the clarification announcement on the Anonymous Report on 23 November 2011 and has been liaising with the Stock Exchange on it. The Company will endeavour to finalise and issue an announcement as soon as possible.

Given that one of the resumption conditions relates to the publication by the Company of all outstanding financial results and reports, the recent resignation of the Company's auditors will have the effect of delaying a resumption of trading in the Company's shares.

## RESIGNATION OF THE COMPANY'S AUDITORS

On 26 April 2012, BDO resigned their position as auditors of the Company.

In their letter of resignation of 26 April 2012 to the Company, BDO stated that they came to the decision to resign "after taking into account the following:

- despite continuing with the audit for the year ended 30 June 2011 for a prolonged period of time, we are still not in a position to conclude the audit; and
- a reassessment of the professional risk associated with the audit and effective utilisation of our internal resources in light of the foregoing."

As to issues to be brought to the attention of shareholders, BDO stated that "we confirm that from our perspective, there are no matters in addition to those noted above that need to be brought to the attention of holders of securities of the Company."

In previous audit progress meetings and exchanges with the Company's audit committee ("**Audit Committee**") and the board of the Company (the "**Board**"), BDO has confirmed to the Audit Committee that there were no issues requiring the Audit Committee's attention or investigation, other than the Company completing its response to the Anonymous Report and media news on the Company and BDO's consideration thereof.

At the Audit Committee meeting and the Board meeting respectively held on 26 April 2012 (the date of BDO's tendering their resignation) and 30 April 2012, representatives of BDO have confirmed that:

1. apart from the reasons as stated in BDO's resignation letter (as to which please see above), there were no other reasons leading to their resignation;
2. there were no other matters or issues relating to the Company or the Company's audit which BDO considered necessary to raise with the Audit Committee or the Board, other than the Company completing its response to the Anonymous Report and media news on the Company and BDO's consideration thereof; and
3. the management of the Company has extended full co-operation to BDO's audit team throughout the entire audit process.

Given the above, the Company was very surprised and disappointed with the decision and the reasons of BDO to resign their position.

The Company will be seeking a new audit firm to act as the Company's auditors and will keep shareholders informed once an appointment is made.

## **THE MMT PROCEEDINGS**

The MMT issued its report on the MMT Proceedings on 27 April 2012 and was not satisfied that Mr. Kwok or Mr. Chan engaged in culpable insider dealing.

## **PRELIMINARY ASSESSMENT OF IMPACT OF RECENT EVENTS**

During the past few months, the Company's management has devoted substantial time and resources to handle the Anonymous Report, the MMT Proceedings, the audit of the Group's financial statements for the year ended 30 June 2011 and, most recently, BDO's unexpected resignation on 26 April 2012. As a result, the operation of the Company has been materially and adversely affected beyond what is fair to the Company and its shareholders. The Company would humbly ask for its shareholders' patience, understanding and continued support. In the meantime, the Board and the Company's management would like to assure shareholders that we would continue to manage the Company's affairs diligently.

## **SUSPENSION OF TRADING**

Trading in the Company's shares was suspended at the request of the Company from 1:30pm on 26 September 2011. Trading in the Company's shares will remain suspended pending the satisfaction of the conditions to resumption stated above. The Company is unable at this stage to estimate the date on which resumption may take place.

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

Hong Kong, 10 May 2012

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

<i>Executive directors</i>	<i>:</i>	<i>Mr. Kwok Ho, Dr. Li Yan, Ms. Huang Xie Ying, Mr. Kuang Qiao, Mr. Chen Jun Hua and Mr. Chan Chi Po Andy</i>
<i>Non-executive director</i>	<i>:</i>	<i>Mr. Ip Chi Ming</i>
<i>Independent non-executive directors</i>	<i>:</i>	<i>Mr. Fung Chi Kin, Mr. Tam Ching Ho, Professor Lin Shun Quan and Ms. Luan Yue Wen</i>