

**IN THE MATTER OF THE LISTED SECURITIES OF
CHAODA MODERN AGRICULTURE (HOLDINGS) LIMITED
(STOCK CODE 0682)**

**NOTICE TO THE MARKET MISCONDUCT TRIBUNAL
PURSUANT TO SECTION 252(2) AND SCHEDULE 9 OF THE
SECURITIES AND FUTURES ORDINANCE CAP 571
("THE ORDINANCE")**

Whereas it appears to me that market misconduct within the meaning of section 270 ("insider dealing") of Part XIII of the Ordinance has or may have taken place arising out of the dealings in the securities of Chaoda Modern Agriculture (Holdings) Limited (stock code 0682) ("Chaoda"), the Market Misconduct Tribunal is hereby required to conduct proceedings and determine:-

- (a) whether any market misconduct in the nature of insider dealing or otherwise has taken place;
- (b) the identity of every person who has engaged in the market misconduct; and
- (c) the amount of any profit gained or loss avoided as a result of the market misconduct.

Persons Specified

- (a) Mr KWOK Ho ("Kwok");
- (b) Mr CHAN Chi Po Andy ("Chan"); and
- (c) Mr George STAIRS ("Stairs").

Particulars of the suspected market misconduct

1. At all material times Kwok was Chaoda's chairman and executive director and Chan was Chaoda's Chief Financial Officer and executive director. Stairs was at the material time a portfolio manager at Fidelity Management & Research Company ("FMR"), a company based in the United States that managed US-based Fidelity retail mutual funds.

Chaoda's Announcement on 18 June 2009

2. Trading in the shares of Chaoda on the Stock Exchange of Hong Kong Limited ("SEHK") was suspended with effect from 2:30pm on 17 June 2009. Chaoda closed the morning trading session at the price of HK\$5.35 per share.
3. Prior to the market opening on 18 June 2009, Chaoda announced that it had conditionally agreed to place up to 388,000,000 "Placing Shares" to not less than six independent placees, including professional and institutional investors, at a price of HK\$4.60 per Placing Share, to raise a total of around HK\$1.785 billion ("the Announcement"). The Placing Shares represented:
 - (i) 14.7% of the existing issued share capital of Chaoda as at the date of the announcement, and 12.8% of the issued capital as enlarged by the Placing;
 - (ii) A discount of approximately 12.9% of the closing price of HK\$5.28 per share as at the close of market on 16 June 2009; and
 - (iii) A discount of approximately 16.1% to the average closing price of approximately HK\$5.48 per share for the last ten consecutive trading days up to and including 16 June 2009.
4. Chaoda also announced that the directors intended to use the placement proceeds for the repayment of certain debt that had previously been issued by Chaoda, and for general working capital requirements.

5. Following the Announcement, trading in Chaoda shares resumed on 18 June 2009. The price of Chaoda shares closed at HK\$4.52 at the end of trading on 18 June 2009, 15.5% below its closing price prior to the Announcement.
6. There was no publicly available information about Chaoda's intended placing exercise as set out in the Announcement in the two weeks leading up to 16 June 2009.

Trading in Chaoda shares by Stairs of FMR prior to the Announcement

7. At around 11:08am on 16 June 2009 (Hong Kong Time), Stairs submitted a sell order (on behalf of the funds that he managed) of 375,000 Chaoda shares at HK\$5.30 electronically to FIL Investment Management (Hong Kong) Ltd ("FIL HK"), pursuant to a trading desk agreement between FMR and FIL HK. The sell order was then handled by FIL HK staff and a sell order of 374,000 Chaoda shares at HK\$5.30 was executed at around 4:09pm on 16 June 2009, pursuant to Stairs' order (the board lot size for Chaoda shares was 2,000 shares and therefore Stairs' sell order was rounded down to 374,000 by FIL HK and then executed). The sale of 374,000 Chaoda shares netted proceeds of around HK\$1.98 million.
8. At around 5:00pm on 17 June 2009 (Hong Kong Time), Stairs placed a buy order (on behalf of the funds that he managed) of 630,000 Chaoda shares as part of Chaoda's placing exercise, at a cost of HK\$4.60 per share. That order was executed on 18 June 2009.

Conversation between Chaoda management and Stairs on 15 June 2009

9. A series of six telephone conference calls took place between Chaoda management and six institutional investors in the United States on 15 and 16 June 2009. The conference calls were arranged by Merrill Lynch (Asia Pacific) Ltd ("Merrill"), who was one of the placing agents and the sole bookrunner in Chaoda's

placing exercise as per the Announcement. Merrill did not take part in the six conference calls.

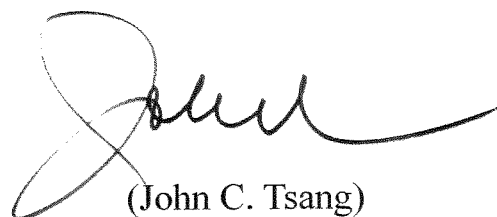
10. The timing and the identity of the United States participants of the conference calls were as follows:

<u>Name of Company</u>	<u>Person involved</u>	<u>Time of Call (HK Time)</u>
Alliance Bernstein LP	Mr Matt Sigel	8:00pm, 15 June 2009
FMR	Stairs	9:00pm, 15 June 2009
Wellington Management Company LLP	Mr Sabre Mayhugh	10:00pm, 15 June 2009
Blackrock	Ms Angela Yu	11:00pm, 15 June 2009
Boston Company Asset Management	Ms Carolyn Kedersha	1:00am, 16 June 2009
Janus Capital Management	Mr Matt Hochstetler	7:00am, 16 June 2009

11. Kwok, Chan and Mr Ip Chi Ming (executive director of Chaoda) participated in the above conference calls on behalf of Chaoda. Chan also acted as an English/Putonghua interpreter between Kwok and the United States participants. Mr Ip Chi Ming participated only in parts of the various conference calls.
12. At the outset of the telephone conference between Chaoda and FMR, Chaoda management stated to FMR that Chaoda intended to raise approximately US\$200 to \$250 million in an offering of common stock at an expected price of HK\$5.00 per share. Kwok and Chan also stated that Chaoda intended to use the proceeds from this offer of common stock to repay Chaoda's high yield bond when it became due.
13. The parties then went on to discuss Chaoda's financial condition and business activities.

14. Information similar to that described in paragraph 12 above was imparted by Kwok and Chan to at least three other institutional investors in the series of telephone conferences mentioned in paragraph 10 above, including Janus Capital Management, Wellington Management and Blackrock.
15. The information that Kwok and Chan imparted to Stairs in the telephone conference at around 9:00pm on 15 June 2009, as described in paragraph 12 above, amounted to relevant information about Chaoda that was likely to adversely affect the share price of Chaoda (which closed at HK\$5.60 per share at 15 June 2009), and Kwok and Chan knew that to be the case. Stairs, in possession of what he knew to be relevant information, dealt with the shares of Chaoda on 16 June 2009 (Hong Kong time) by selling 374,000 shares of Chaoda at HK\$5.30 per share, and subsequently took part in Chaoda's placing exercise on 17 June 2009 by buying 630,000 shares at \$4.60 per share. Kwok and Chan knew or had reasonable cause to believe that Stairs will make use of the relevant information to deal in the shares of Chaoda.
16. Accordingly, Kwok, Chan and Stairs engaged or may have engaged in market misconduct contrary to section 270 of the Ordinance.

Dated this 29th day of July, 2011



(John C. Tsang)
Financial Secretary