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## **First Dragoncom Agro-Strategy Holdings Ltd.**

**第一龍浩農業策略控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 875)**

### **ANNOUNCEMENT**

An Independent Investigation Committee was established by the Board to review the annual accounts of the Company for the year ended 31 December 2004, in particular, the scope limitations as set out in the draft auditors' report by CCIF.

Reference is made to the announcement of First Dragoncom Agro-Strategy Holdings Ltd. (the "Company" together with its subsidiaries, the "Group") dated 15 July 2005 and 1 August 2005 regarding the further delay in the release and publication of the Group's final results for the year ended 31 December 2004 and inclusion of a warning that certain receivables due to the Group, prepayments and deposits may need to be provided and/or written off. Accordingly, the Group's results announcement will be published by no later than 31 August 2005 and the annual report is scheduled to despatch to the shareholders of the Company by no later than 7 September 2005.

In view of the scope limitations as set out in the draft auditors' report by CCIF CPA Limited ("CCIF"), an independent investigation committee ("Independent Investigation Committee"), comprising Mr. Ng Wing Hang, Patrick and Mr. Chan Chung Yin, Victor, who are the independent non-executive directors of the Company, was established by the board of directors (the "Board") on 20 July 2005 to conduct a full review and investigation on the annual accounts of the Group for the year ended 31 December 2004, in particular, the scope limitations as set out in the draft auditors' report. These scope limitations include, inter alia, certain receivables, prepayments and deposits.

Included in the scope limitations mentioned above are two deposits amounting to approximately HK\$126 million (the “Deposits”) alleged to be placed in a PRC trust co-operatives union (“Union”). The Deposits were allegedly created by means of two deposits amounting to RMB54,389,500 (approximately HK\$51,000,000) and RMB80,000,000 (approximately HK\$75,000,000) respectively received by 河北壩上林木種苗有限公司 (Hebei Bashang Plant Seeds Company Limited), a 70%-owned subsidiary of the Company (“Subsidiary”) on behalf of the Company in June 2004. CCIF was not satisfied with the documentary evidence provided during their process in auditing the Deposits. As a result, they intended to express a qualified opinion on the Deposits in addition to various other qualifications in the Group’s draft auditors’ report. An independent non-executive director of the Company met CCIF to discuss the subject relating to the Deposits. During the meeting and in the subsequent three letters from CCIF, the Board was urged to investigate in the matter, report to the Stock Exchange and make appropriate announcements in this respect.

The Independent Investigation Committee immediately engaged HLB Hodgson Impey Cheng (“HLB”), an independent professional accounting firm, to assist the Independent Investigation Committee to ascertain the existence and validity of the Deposits placed in the Union. In gist, HLB subsequently reported that the Deposits were and are non-existent.

In view of the significance and importance of the case, Mr. Han Jide, an Executive Director of the Company, and Mr. Liu Shuhuai, the legal representative of the Subsidiary, reported the case to the local police in 尚義縣 (Shangyi County) on 28 July 2005.

On 29 July 2005, the Independent Investigation Committee has engaged legal advisers to give advice as to all necessary actions to be taken by the Company and/or the Independent Investigation Committee in relation to the matter thereof. The Independent Investigation Committee has resolved to report the matters to relevant regulatory authorities. This matter was reported to the Stock Exchange and the Hong Kong Police on 29 July 2005 and 4 August 2005 respectively.

Further announcements will be made in respect of further development in this matter.

Shareholders of the Company and investors should exercise caution when dealing in the shares of the Company.

At the request of the Company, trading in the Company's securities has been suspended from 9:30 a.m. on 29 April 2005 and will remain suspended until further notice.

By order of the Board  
**FIRST DRAGONCOM**  
**AGRO-STRATEGY HOLDINGS LTD.**  
**Lau Man Kin**  
*Executive Director*

Hong Kong, 5 August 2005

*As at the date of this announcement, the directors of the Company are comprised of eight directors, including three executive directors, namely, Mr. Huang Jianhua, Mr. Han Jide and Mr. Lau Man Kin, a non-executive director, namely, Mr. Qin Qing Yun, and four independent non-executive directors, namely, Mr. Zhao Cai Yuan, Mr. Huang San Xing, Mr. Ng Wing Hang, Patrick and Mr. Chan Chung Yin, Victor.*

\* *For identification purposes only*

Please also refer to the published version of this announcement in China Daily.