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NATIONAL AGRICULTURAL HOLDINGS LIMITED

國農控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1236)

**VERY SUBSTANTIAL ACQUISITION
AND CONNECTED TRANSACTION
IN RELATION TO
ACQUISITION OF 30% EQUITY INTEREST IN
SINO-AGRI AGRICULTURAL MACHINERY HOLDINGS
COMPANY LIMITED*
AND PROVISION OF SHAREHOLDER'S LOAN**

Financial Advisers to the Company

AMASSE CAPITAL
寶 積 資 本

 **建 銀 國 際**
CCB International

THE TRANSACTIONS

The Board is pleased to announce that on 29 April 2015 (after trading hours of the Stock Exchange), the Company (as the purchaser), the Vendor and the Target Company entered into the SPA, pursuant to which the Company conditionally agreed to purchase from the Vendor, and the Vendor conditionally agreed to sell to the Company, the Sale Interest, representing 30% of the existing equity interest in the Target Company, at the Consideration of RMB105 million (equivalent to approximately HK\$131.25 million) which shall be settled in cash.

Pursuant to the SPA, the Company has further agreed to grant the Shareholder's Loan up to RMB145 million (equivalent to approximately HK\$181.25 million), in three tranches, subject to the terms and condition therein.

THE LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Transactions exceeds 100%, the Transactions constitute a very substantial acquisition of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting, announcement and Shareholders' approval requirements.

As at the date of this announcement, China Co-Op Group, the holding company of the Vendor which holds the entire interest in the Vendor, holds approximately 83.83% interest in Coopinvest Company which is a substantial shareholder and holds approximately 26.91% interest in China Coop Mengda, an indirect non-wholly owned subsidiary of the Company. China Co-Op Group, Coopinvest Company and the Vendor are connected persons of the Company under the Listing Rules. Accordingly, the Transactions also constitute a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and independent Shareholders' approval requirements under the Listing Rules.

The Transactions are however only a connected transaction between the Company and a connected person at the subsidiary level on normal commercial terms, therefore such connected transaction is exempted from the circular, independent financial advice and Shareholders' approval requirements under rule 14A.101 of the Listing Rules given that (i) the Directors have approved the Transactions; and (ii) the independent non-executive Directors have confirmed that the terms of the Transactions are fair and reasonable, the Transactions are on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

In accordance with the Listing Rules, any Shareholder who has a material interest in the SPA shall abstain from voting on the resolution(s) to approve the SPA and the transactions contemplated thereunder at the EGM. Considering Parko, the controlling shareholder of the Company which holds approximately 51.05% of the issued share capital of the Company, is indirectly controlled by the Vendor (which holds 26% equity interest in Hebei AMP, which in turn holds 51% of the issued share capital of Million Rich, the holding company of Parko), Parko and its associates will abstain from voting on the relevant resolution(s) at the EGM accordingly.

Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Transactions and therefore, no Shareholder is required to abstain from voting at the EGM in respect of the SPA and the transactions contemplated thereunder.

GENERAL

The EGM will be convened and held to consider and, if thought fit, pass the ordinary resolution(s) to approve the SPA and the transactions contemplated thereunder.

A circular containing, among other matters, (i) further details of the SPA and the transactions contemplated thereunder; (ii) financial information of the Group; (iii) financial information of the Target Group; (iv) unaudited pro forma financial statement of the enlarged group; and (v) a notice convening the EGM, is expected to be despatched to the Shareholders on or before 30 June 2015 taking into account the time required to prepare the relevant financial and other information to be included in the circular under the Listing Rules.

Completion is subject to the fulfillment of certain conditions precedent set out in the SPA and therefore may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

Reference is made to the announcement of the Company dated 2 December 2014 in relation to the memorandum of understanding in respect of the possible acquisition of the Target Company.

THE TRANSACTIONS

The Board is pleased to announce that on 29 April 2015 (after trading hours of the Stock Exchange), the Company (as the purchaser), the Vendor and the Target Company entered into the SPA, pursuant to which the Company conditionally agreed to purchase from the Vendor, and the Vendor conditionally agreed to sell to the Company, the Sale Interest, representing 30% of the existing equity interest in the Target Company, at the Consideration of RMB105 million (equivalent to approximately HK\$131.25 million).

Pursuant to the SPA, the Company has further agreed to grant the Shareholder's Loan up to RMB145 million (equivalent to approximately HK\$181.25 million), in three tranches, subject to the terms and condition therein.

The SPA

Date: 29 April 2015 (after trading hours of the Stock Exchange)

Parties

Purchaser: the Company

Vendor: 中國農業生產資料集團公司 (China National Agricultural Means Of Production Group Corporation*)

Target Company: 中農集團農機控股有限公司 (Sino-agri Agricultural Machinery Holdings Company Limited*)

As at the date of this announcement, China Co-Op Group, the holding company of the Vendor which holds the entire interest in the Vendor, holds approximately 83.83% interest in Coopinvest Company which is a substantial shareholder and holds approximately 26.91% interest in China Coop Mengda, an indirect non-wholly owned subsidiary of the Company. Accordingly, China Co-Op Group, Coopinvest Company and the Vendor are connected persons of the Company under the Listing Rules.

For details of the relationship between the Vendor and the Group, please refer to the sub-section headed “Relationship between the Group and the Vendor” under the section headed “Information of the Group” in this announcement.

Assets to be acquired

Pursuant to the SPA, the Company conditionally agreed to purchase the Sale Interest, representing 30% of the existing equity interest in the Target Company.

Consideration

The Consideration of RMB105 million (equivalent to approximately HK\$131.25 million) shall be settled in cash on the Settlement Date by the Company.

The Consideration will be satisfied by the internal resource of the Group and/or by proceeds from fund raising activities as may be conducted by the Company, including but not limited to the Proposed Placing and Subscription of Warrants.

The Consideration was determined after arm’s length negotiations between the Company and the Vendor, with reference to:

- (i) the unaudited consolidated net assets of the Target Company of approximately RMB291 million (equivalent to approximately HK\$364 million) as at 31 December 2014;
- (ii) the positive track record of the Target Company as it recorded consolidated net profits for the latest three consecutive financial years, details of which are disclosed in the sub-section headed “Financial information of the Target Company” under the section headed “Information of the Target Group” in this announcement;
- (iii) the leading position and role of the Cooperatives, the ultimate beneficial owner of the Target Company, which is led by the State Council of the PRC, on the development of agriculture industry in the PRC, details of which are disclosed in the sub-section headed “The Target Company — Background information” under the section headed “Information of the Target Group” in this announcement; and
- (iv) the favorable support from the PRC government on the agricultural modernization and the synergy effect to be achieved through the linkage of similar businesses of the Group and the Target Group, details of which are disclosed in the section headed “Reasons and benefits for the Transactions” in this announcement.

Accordingly, the Directors consider that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Settlement of the Consideration is conditional upon the satisfaction of the following conditions precedent:

- (i) the Target Company and the Vendor having disclosed in writing to the Company the Target Group's assets, liabilities, rights, external guarantees and all the information relating to the SPA;
- (ii) with assistance from the Target Company and the Vendor, the accounting firm and/or the PRC lawyers engaged by the Company having completed the financial and/or legal due diligence of the Target Group with the results to the satisfaction of the Company;
- (iii) the Target Company and/or the Vendor having completed all the prerequisite review and approval and filing procedures with the competent government authorities which are required to be performed for the Transactions, including but not limited to official approval procedures of the Cooperatives, and the relevant review and approval/filing formalities for the acquisition and merger of domestic enterprises by foreign investors (where necessary);
- (iv) the Target Group having obtained or renewed all the relevant waivers, licenses, consents or permits concerning their operation and business;
- (v) each of the parties to the SPA having performed the requisite review and approval procedures for internal decision-making at meetings of its board of directors and/or shareholders in relation to the Transactions;
- (vi) each of the undertakings and warranties made by the Target Company and the Vendor under the SPA, at the time of making and up to the Settlement Date, being true, accurate, complete and free from any material omission; and
- (vii) the Target Group's status, whether operational, financial or otherwise, has not been subject to any material adverse change from the record date till the Settlement Date, as determined by the Company based on its independent judgment.

If any of the above conditions for whatever reasons have not been fulfilled within 90 days after the execution of the SPA, the Company shall have the rights to terminate the SPA in writing under the terms and conditions of the SPA.

The SPA does not provide that any of the above conditions precedent are waivable.

As at the date of this announcement, none of the above conditions precedent have been fulfilled.

Provision of the Shareholder's Loan

The principal terms for provision of the Shareholder's Loan are summarized as follows:

(i) *Principal amount*

Up to RMB145 million (equivalent to approximately HK\$181.25 million), in three tranches, to be paid by the Company.

(ii) *Proposed use of the Shareholder's Loan*

For working capital of the Target Group.

(iii) *Provision of the Shareholder's Loan*

The Shareholder's Loan will be granted in the following manner:

- (a) the grant of the first tranche of the Shareholder's Loan in the amount of RMB45 million (equivalent to approximately HK\$56.25 million) will be made after the date of Completion;
- (b) the grant of the second tranche of the Shareholder's Loan in the amount of RMB50 million (equivalent to approximately HK\$62.50 million) (the "**Second Tranche Loan**") is conditional upon the audited consolidated net profit attributable to the owner of the Target Company (the "**Audited Net Profit**"), as prepared in accordance with the HKFRS, for the financial year ending 31 December 2015 ("**FY2015**"), being not less than RMB19.44 million (equivalent to approximately HK\$24.30 million) ("**2015 Expected Net Profit**"); and
- (c) the grant of the third tranche of the Shareholder's Loan in the amount of RMB50 million (equivalent to approximately HK\$62.50 million) (the "**Third Tranche Loan**") is conditional upon the Audited Net Profit for the financial year ending 31 December 2016 ("**FY2016**") being not less than RMB38.88 million (equivalent to approximately HK\$48.60 million) ("**2016 Expected Net Profit**").

In the event that 2015 Expected Net Profit is not met, but the aggregate of the Audited Net Profit for FY2015 and FY2016 is not less than RMB58.32 million (equivalent to approximately HK\$72.90 million), the Second Tranche Loan and the Third Tranche Loan, amounting to an aggregate of RMB100 million (equivalent to HK\$125 million), will be granted to the Target Company.

Pursuant to the SPA, the Vendor shall procure the Target Company to submit to the Company the audited consolidated financial statements of the Target Company for FY2015 and FY2016 to be prepared in accordance with the HKFRS within 3 months after the end of such financial year.

In respect of the Second Tranche loan and the Third Tranche loan, if the relevant Expected Net Profit is met, the Company shall pay the relevant tranches of the Shareholder's Loan within 15 Business Days after the issue of the relevant audited consolidated financial statements.

The Company will make appropriate announcement(s), as and when appropriate, if it is required to grant the Second Tranche Loan and/or the Third Tranche Loan.

(iv) *Maturity date*

3 years from the date of grant of the relevant tranches of the Shareholder's Loan.

(v) *Interest*

The Shareholder's Loan is interest free, subject to the achievement of the Expected Net Profit as set out below.

In the event that (a) the Audited Net Profit for FY2015 is less than 2015 Expected Net Profit; or (b) the Audited Net Profit for FY2016 is less than 2016 Expected Net Profit; or (c) the aggregate of the Audited Net Profit for FY2015 and FY2016 is less than the aggregate of 2015 Expected Net Profit and 2016 Expected Net Profit, an interest rate equal to the interest rate for 1–3 years term loan as announced by the People's Bank of China will be charged on the relevant tranches of the Shareholder's Loan commencing from their respective date of grant.

(vi) *Repayment*

The principal amount of each tranche of the Shareholder's Loan, together with the accrued interest (if any), shall be repaid on the respective maturity date.

In addition, the Company shall have the right to capitalise any outstanding Shareholder's Loan into the equity interest of the Target Company (the "**Right**"), detailed terms of which are subject to further negotiation between the Vendor and the Company.

The Company will comply with the relevant Listing Rules requirements if it exercises the Right.

Other financial support

Pursuant to the SPA, the Company agreed that after the Completion, the Company will undertake the financial support provided by the Vendor to the Target Company, including guarantee, entrusted loan and direct loan, in proportional to their respective equity interest in the Target Company (the “**Undertaking**”). Detailed terms of which are subject to further negotiation between the Company and the Vendor. The Undertaking is legally binding on the Company under the laws of the PRC.

As at the date of this announcement, no concrete terms concerning the Undertaking have been reached.

The Company will comply with the relevant Listing Rules requirements if it is required to provide the Undertaking.

Board of directors of the Target Company

The board of directors of the Target Company (the “**Target Company Board**”) shall comprise of 5 directors, of which the Company shall have the right to nominate 2 directors and the Vendor shall have the right to nominate 3 directors. The chairman of the Target Company Board shall be nominated by the Vendor and elected by the Target Company Board.

Lock-up period

The Vendor shall not transfer or dispose of all or part its equity interest in the Target Company in any form which may cause the Vendor to lose its controlling position in the Target Company for a period of two (2) years commencing from the date of Completion.

Right of first refusal

Under the premise that the Vendor complies with the lock-up restrictions set out in the SPA, in the event that either the Vendor or the Company proposes to dispose of all or part its equity interest in the Target Company to a third party (whether through merger, transfer or other similar transactions), the other party shall have the right of first refusal over such equity interest on the same terms and conditions to the third party. If the party does not exercise its right of first refusal, it will be deemed to have agreed with such transfer.

Completion

The registration with the relevant Administration for Industry and Commerce in the PRC in respect of the Acquisition and the obtaining of the new business license for the Target Company (the “**Completion Procedure**”) shall be completed within 15 Business Days after the Settlement Date (which is extendable for a period of 15 Business Days). The Completion shall take place on the date on which the Completion Procedure is completed.

INFORMATION OF THE GROUP

The Group is principally engaged in businesses which include rural financial services, trading in agricultural products, urbanization planning, operating and managing and sale of IT products in the financial sector.

Relationship between the Group and the Vendor

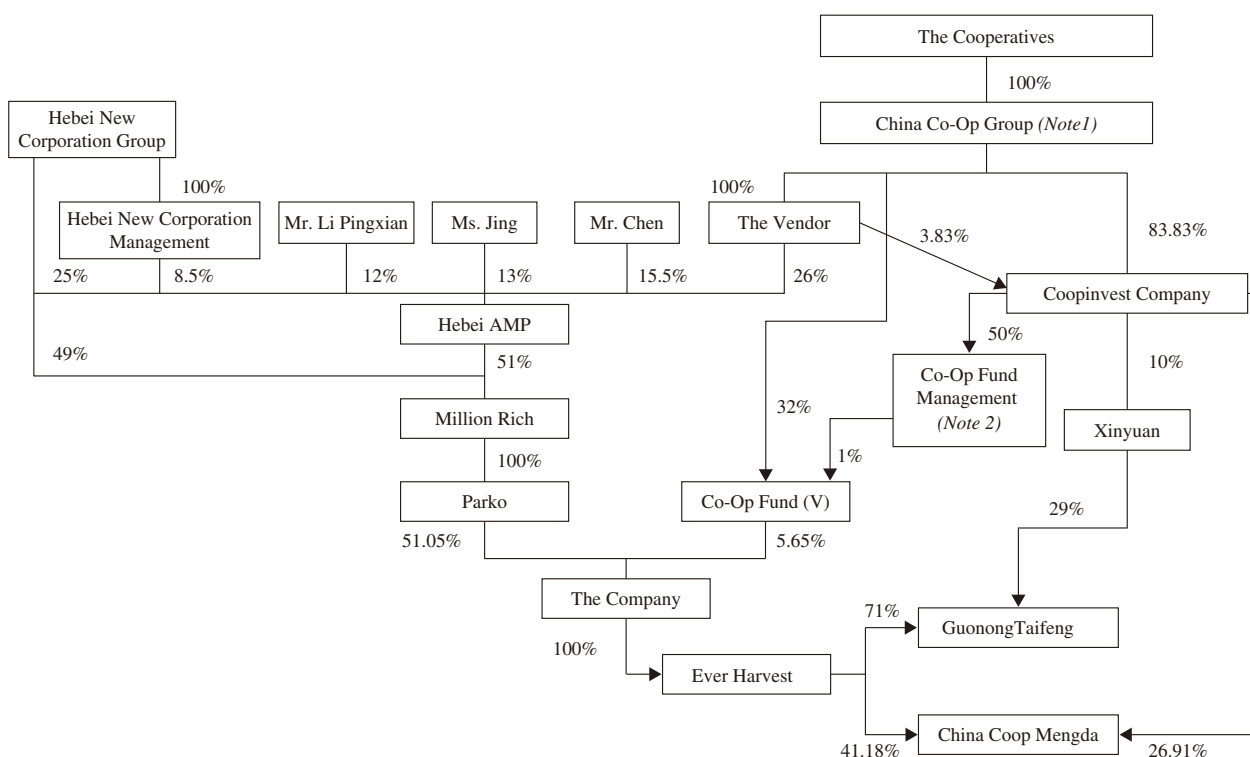
As at the date of this announcement,

- (i) Hebei AMP is owned as to approximately 25%, 8.5%, 12%, 13%, 15.5% and 26% by Hebei New Cooperation Group, Hebei New Cooperation Management, 李平現 (Li Pingxian*) (“**Mr. Li Pingxian**”), 敬蘭敏 (Jing Lanmin*) (“**Ms. Jing**”), 陳立軍 (Chen Li-Jun*) (“**Mr. Chen**”), an executive Director and chairman of the Company, and the Vendor, respectively. Hebei AMP holds 51% of the issued share capital of Million Rich which holds 100% of the issued share capital of Parko, the controlling Shareholder of the Company;
- (ii) 中合供銷五期(上海)股權投資基金合伙企業(有限合伙) China Co-Op V (Shanghai) Equity Investment Funds Limited Partnership (“**Co-Op Fund (V)**”), which holds approximately 5.65% of the issued share capital of the Company, is indirectly controlled by the Cooperatives. 中合供銷(上海)股權投資基金管理有限公司 (China Co-Op (Shanghai) Equity Investment Fund Management Company Limited*) (“**Co-Op Fund Management**”), the general partner of Co-Op Fund (V) which holds 1% interest in Co-Op Fund (V), is owned as to approximately 50% by Coopinvest Company, which in turn is owned by China Co-Op Group and the Vendor as to approximately 83.83% and 3.83% respectively. China Co-Op Group is also a limited partner of Co-Op Fund (V) which owns approximately 32% equity interest. China Co-Op Group is 100% owned by the Cooperatives. For details of the Cooperatives, please refer to the sub-section headed “The Target Company – Background information” under the section headed “Information of the Target Group” in this announcement;
- (iii) The Vendor entered into a memorandum of understanding (the “**MOU**”) for cooperation with the Company on 23 September 2014 in relation to the Vendor’s promotion of utilizing the “Agripay” system (農匯通) jointly operated by the Company and Guangzhou UnionPay Network Payment Co., Ltd. (廣州銀聯網絡支付有限公司);
- (iv) China Coop Mendga, an indirect non-wholly owned subsidiary of the Company, is owned as to approximately 41.18% and 26.91% by Ever Harvest and Coopinvest Company respectively;
- (v) Pursuant to the joint venture agreement dated 21 March 2014, 新源泰豐農業資產管理(北京)有限公司 (Xinyuan Taifeng Agricultural Asset Management (Beijing) Company Limited*) (“**Xinyuan**”) and Ever Harvest, established 北京市國農泰豐農業諮詢有限公司 (Beijing Guonong Taifeng Agricultural Consultancy Co., Ltd.*) (“**Guonong Taifeng**”), a subsidiary of the Company. Guonong Taifeng is owned as to 29% and 71% by Xinyuan and Ever Harvest respectively. Coopinvest Company is a shareholder of Xinyuan which holds approximately 10.0% of the issued capital of Xinyuan; and

(vi) Mr. Liu Yong, an executive Director, has been the chairman of Coopinvest Company since September 2010 and the chairman of China Coop Mengda since its establishment in August 2012.

Save and except for the above, as at the date of this announcement, (i) each of the Vendor, China Co-Op Group and its ultimate beneficial owners does not have other business relationships and/or connections or relationship with the Company and its connected persons; and (ii) apart from the SPA and the MOU, there is no other agreement or arrangement between (a) the Company and the Vendor (including its ultimate beneficial owner); and (b) the connected persons of the Company and the Vendor (including its ultimate beneficial owner).

Set out below is a graph demonstrating the relationship between the Group and the Vendor as disclosed above:



Note 1: China Co-Op Group is a limited partner of Co-Op Fund (V).

Note 2: Co-Op Fund Management is a general partner of Co-Op Fund (V).

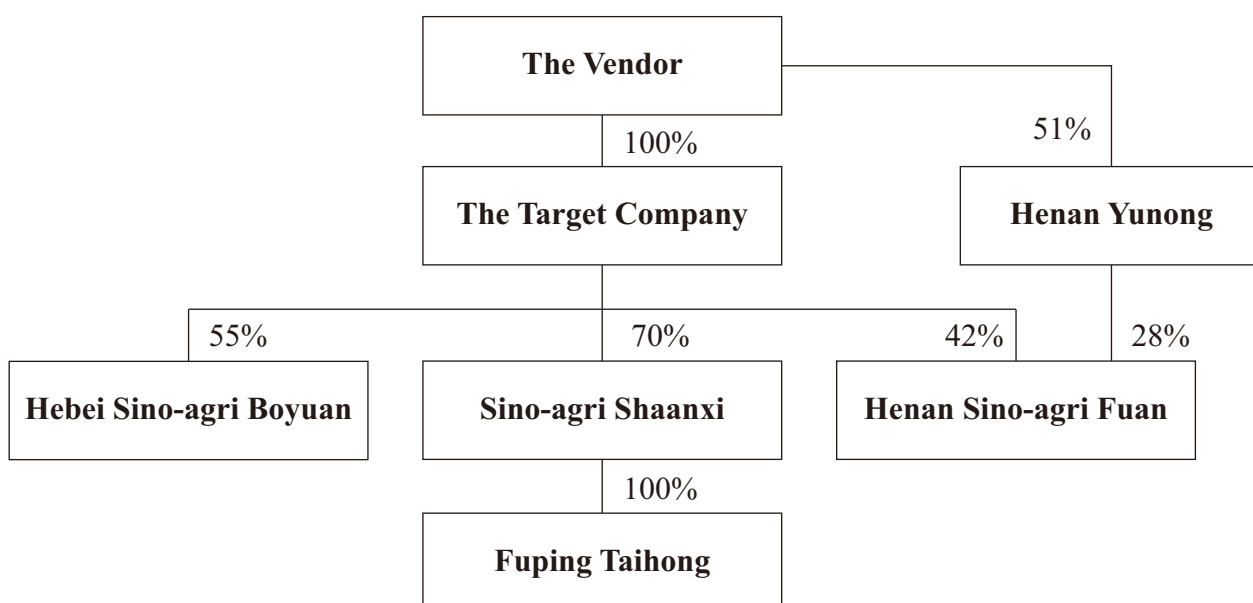
INFORMATION OF THE VENDOR

The Vendor is a collectively-owned enterprise which is established under the laws of the PRC and holds the entire equity interest in the Target Company. It is principally engaged in the business of production, circulation and provision of services in relation to agricultural means of production, such as chemical fertilizer, pesticides, agricultural film, seeds and agricultural machinery.

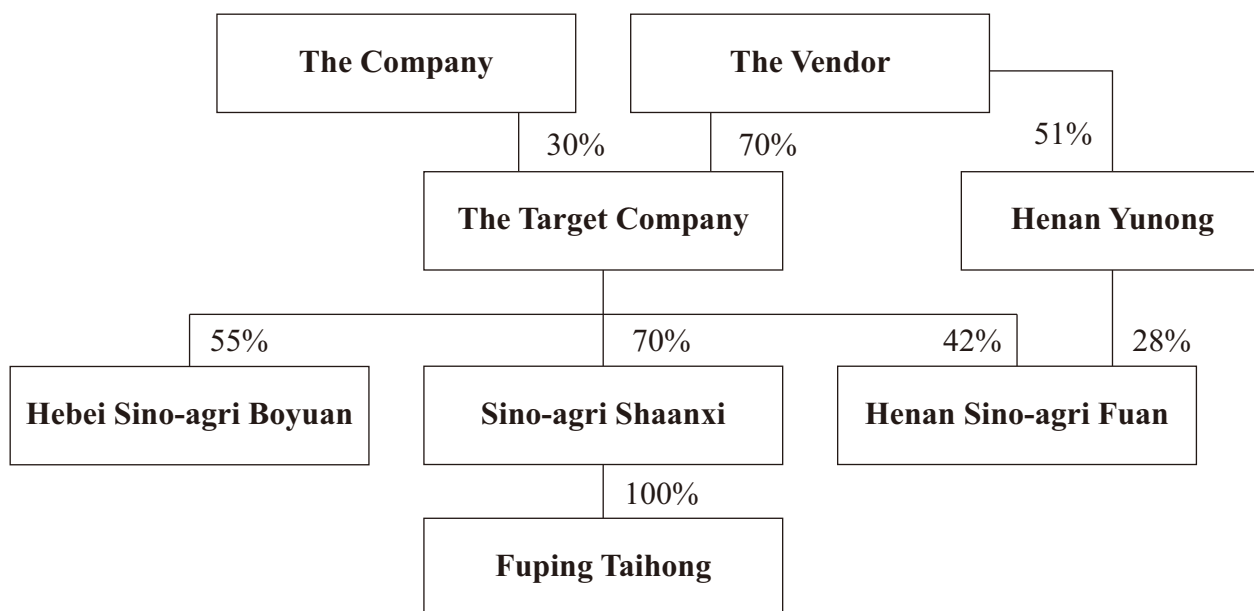
INFORMATION OF THE TARGET GROUP

Set out below is the shareholding structure of the Target Group (i) as at the date of this announcement; and (ii) immediately after the Completion:

(i) Shareholding structure of the Target Group as at the date of this announcement



(ii) Shareholding structure of the Target Group immediately after the Completion



The Target Company

Background information

The Target Company is a company established under the laws of the PRC with limited liability. As at the date of this announcement, it has a registered capital of RMB200 million and is wholly owned by the Vendor.

The ultimate beneficial owner of the Target Company is the Cooperatives, which is a union of all national supply and marketing cooperatives in the PRC and led by the State Council of the PRC. It is principally responsible for researching, formulating and guiding the development strategy and plan for all national supply and marketing cooperatives in the PRC.

Business description

The Target Company is principally engaged in the business of (i) sourcing and reselling of agricultural machinery components; and (ii) import and export of goods.

Hebei Sino-agri Boyuan

Background information

Hebei Sino-agri Boyuan is a company established under the laws of the PRC with limited liability. As at the date of this announcement, it has a registered capital of RMB50 million and is owned as to 55% and 45% by the Target Company and 石家庄市藁城區盛凱農機有限公司 (Shijiazhuang Gaocheng Shengkai Agricultural Machinery Company Limited*) (“**Gaocheng Shengkai**”) respectively.

To the best knowledge, information and belief of the Directors, and having made all reasonable enquiries, Gaocheng Shengkai and its ultimate beneficial owner(s) are Independent Third Parties.

Business description

Hebei Sino-agri Boyuan is principally engaged in the business of (i) manufacturing and sale of agricultural machinery; (ii) provision of maintenance services; and (iii) import and export of goods. Its main products include corn harvester, wheat harvester, silage harvester, subsoiler and round grass baler.

Hebei Sino-agri Boyuan has a provincial grain crop harvesting machinery laboratory, a provincial-level enterprise technical center, and municipal-level key laboratory for corn harvester and silage harvester. As at the date of this announcement, it has obtained 25 patents in relation to its main products.

Hebei Sino-agri Boyuan has a current production capacity of approximately 5,000 units of harvester per annum. In order to produce high-quality agricultural equipment and increase the production capacity, since 2011, it has commenced to build and establish a modern research and development and manufacturing base (the “**New Base**”) for its agricultural machinery at the Economic and Technological Development Zone of Shijiazhuang in the PRC. The New Base are divided into three phases, of which (i) phase one focuses on building production plants and production lines (“**Phase One**”); (ii) phase two focuses on building research and development center, office, assembly line and machining center (“**Phase Two**”); and (iii) phase three focuses on building storage, test center and other facilities (“**Phase Three**”).

The construction of Phase One has been completed and the expected production capacity will be increased to approximately 30,000 units of harvester per annum. As at the date of this announcement, Phase One is under the process of applying for the acceptance examination on completion of construction (工程竣工驗收) (the “**Acceptance Examination**”).

As at the date of this announcement, construction of Phase Two and Phase Three have yet to be commenced.

Sino-agri Shaanxi

Background information

Sino-agri Shaanxi is a company established under the laws of the PRC with limited liability. As at the date of this announcement, Sino-agri Shaanxi has a registered capital of RMB110 million and is owned as to 70% and 30% by the Target Company and 富平渭北農機有限責任公司 (Fuping Weibei Agricultural Machinery Company Limited*) (“**Fuping Weibei**”), respectively.

To the best knowledge, information and belief of the Directors, and having made all reasonable enquiries, Fuping Weibei and its ultimate beneficial owner(s) are Independent Third Parties.

Business description

Sino-agri Shaanxi is principally engaged in the business of (i) sales of agricultural machinery; (ii) sales of motor vehicle, engineering machinery, irrigation and drainage, accessories, lubricants and rubber; and (iii) provision of repair and maintenance services.

Henan Sino-agri Fuan

Background information

Henan Sino-agri Fuan is a company established under the laws of the PRC with limited liability. As at the date of this announcement, it has a registered capital of RMB30 million and is owned as to 42%, 28%, 25% and 5% by the Target Company, 河南省豫農農業生產資料集團有限公司 (Henan Yunong Agricultural Means of Production Group Company Limited*) (“**Henan Yunong**”), Mr. Li Baoan* (“**Mr. Li**”) and Mr. Wang Xiaodong* (“**Mr. Wang**”), respectively. As at the date of this announcement, Henan Yunong is owned as to approximately 51% by the Vendor.

To the best knowledge, information and belief of the Directors, and having made all reasonable enquiries, Mr. Li and Mr. Wang are Independent Third Parties.

Pursuant to the loan agreement dated 17 April 2014 among Henan Sino-agri Fuan, the Target Company and Henan Yunong, the Target Company has granted a loan in the amount of RMB4.40 million (equivalent to approximately HK\$5.50 million) to Henan Yunong for the purpose of fulfilling its capital injection obligation into Henan Sino-agri Fuan. On the same day, the said parties have entered into a share pledge agreement, pursuant to which Henan Yunong has pledged 28% of its equity interest in Henan Sino-agri Fuan to the Target Company as a guarantee for the said loan.

Further, pursuant to a share purchase and restructuring agreement dated 17 April 2014 entered into between Henan Sino-agri Fuan, the Target Company, Henan Yunong, Mr. Li, Mr. Wang and the two other former shareholders of Henan Sino-agri Fuan, amongst other things, Mr. Li was obliged (i) to settle certain assets and liabilities in Henan Sino-agri Fuan; and (ii) to indemnify his undertakings given under the aforesaid agreement. On the same day, for the purpose of guaranteeing Mr. Li’s obligation under the aforesaid agreement, Mr. Li and the Target Company have entered into a share pledge agreement, pursuant to which Mr. Li has pledged 25% of his equity interest in Henan Sino-agri Fuan to the Target Company.

Business description

Henan Sino-agri Fuan is principally engaged in the business of (i) manufacturing and sales of agricultural machinery and storage equipment; and (ii) provision of maintenance services. Its main products include grain turning over machine and grain drying machine.

Fuping Taihong

Background information

Fuping Taihong is a company established under the laws of the PRC with limited liability. As at the date of this announcement, it has a registered capital of RMB10 million and is wholly owned by Sino-agri Shaanxi.

Business description

Fuping Taihong is mainly engaged in the business of property development.

As at the date of this announcement, Fuping Taihong owns a property project, namely the western trading market for agriculture means of production, agricultural machinery and accessories (the “**Western Trading Market**”), which is situated at Fuping of the Shaanxi Province of the PRC with total site area of approximately 465 mu. The Western Trading Market is mainly comprised of two main areas, namely agricultural accessories retail area and agricultural machinery and motor vehicle retail area.

The agricultural accessories retail area comprised of 7 blocks of 3-storey commercial buildings which offer a total of 489 shop units, representing an aggregate gross floor area of approximately 51,484 square meters, while the agricultural machinery and motor vehicle retail area comprised of 2 blocks of 1-storey buildings (which parts of the buildings are 2 storeys) that offer a total of 16 shop units, representing an aggregate gross floor area of approximately 13,990 square meters.

Financial information of the Target Company

According to the unaudited management accounts of the Target Company, its consolidated net assets as at 31 December 2014 were approximately RMB291 million (equivalent to approximately HK\$364 million).

Set out below is the consolidated financial information of the Target Company, as prepared in accordance with the HKFRS, for the years ended 31 December 2012, 2013 and 2014:

	For the year ended 31 December 2014	For the year ended 31 December 2013	For the year ended 31 December 2012
	<i>Approximate RMB'000 (equivalent to approximately HK\$'000) (unaudited)</i>	<i>Approximate RMB'000 (equivalent to approximately HK\$'000) (unaudited)</i>	<i>Approximate RMB'000 (equivalent to approximately HK\$'000) (unaudited)</i>
Net profit before taxation	4,637 (5,796)	33,989 (42,486)	45,215 (56,519)
Net profit after taxation	1,839 (2,299)	27,904 (34,880)	36,673 (45,841)

The Target Group recorded a substantial decrease in the net profit for the year ended 31 December 2014 when compared with the corresponding period in 2013. As advised by the management of the Target Group, the said decrease was mainly attributable to the followings:

- (i) the decrease in the sales of the agricultural machinery mainly due to (1) a change in the emission standard for diesel vehicles imposed by the PRC governmental authority, which are applicable to the production of the agricultural machinery, details of which are disclosed in the paragraph below; and (2) the expiry of the lease of part of the plants for manufacturing which caused a disruption in production process;
- (ii) the decrease in demand on the old models of the agricultural machinery; and
- (iii) the increase in expenses as a result of the development of the New Base and the Western Trading Market.

According to an announcement published by the Ministry of Industry and Information Technology of the PRC in April 2014, 國家第三階段機動車污染物排放標準 (National Phase Three Emission Standard*) (the “**Old Standard**”) for diesel vehicles will be abolished on 31 December 2014, and the relevant diesel vehicles produced under the Old Standard will be prohibited for sale from 1 January 2015. After abolishment of the Old Standard, 國家第四階段機動車污染物排放標準 (National Phase Four Emission Standard*) (the “**New Standard**”) has become the required emission standard for diesel vehicles, which has more stringent requirements on vehicles emission than the Old Standard.

In view of the above, the Target Group has upgraded its production lines so as to meet and comply with the New Standard. In addition, Phase One of the New Base is under the process of applying for the Acceptance Examination. It is expected that the operation capacity will increase when the production lines at Phase One of the New Base could commence operation. Details of the New Base are disclosed in the sub-section headed “Hebei Sino-agri Boyuan – Business description” under the section headed “Information of the Target Group” in this announcement.

Upon Completion, the Company will be beneficially interested in 30% equity interests in the Target Company and the Target Group will be accounted for as an investment of associate in the consolidated financial statements of the Company.

REASONS AND BENEFITS FOR THE TRANSACTIONS

As disclosed in the sub-section headed “Financial information of the Target Company” under the section headed “Information of the Target Group” in this announcement, the Target Company recorded consolidated net profits for the latest three consecutive financial years ended 31 December 2014. Accordingly, the Board believes that the Transactions would enhance the profitability of the Group given the positive track record of the Target Group.

Based on the statistics published by the National Bureau of Statistics of China, the gross output value of agriculture increased from approximately RMB1,814 billion in 2004 to approximately RMB5,150 billion in 2013, representing a compounded annual growth rate of 11%. Further, according to the statistics from the Agricultural Machinery Industry Information Center of China, the agricultural mechanization rate of the PRC increased from 33% in 2004 to 61% in 2014. Accordingly, the Board is of the view that the PRC agriculture industry is in an accelerating growth phase.

In addition, according to 《關於加大改革創新力度加快農業現代化建設的若干意見》 (Opinions on enhanced reform and innovation to accelerate agricultural modernization*) issued by the Central Committee of the Communist Party of China and the State Council of the PRC in February 2015, the PRC government will further speed up the agricultural modernization by encouraging technological innovation for agriculture industry, improving agricultural subsidy policies and implementing financing for agricultural machinery.

Taking into consideration of the potential growth in PRC agricultural industry and the favourable support from the PRC government, the Board is optimistic about the future demand on agricultural machinery and the industry in which the Target Group operates.

The Board further holds the view that the following synergy effects will be achieved through the linkage of similar businesses of the Group and the Target Group, including not limited to:

- (i) the sharing of the technology knowhow for development of new products;
- (ii) the sharing of the existing customer base and distribution channels; and
- (iii) further improvement in the presence and perceived image of the Group in the PRC agriculture industry as the Target Group is one of the active market players in the said industry.

Overall, the Board believes that the Transactions could help the Company to realize its objectives of serving the agricultural sector and expand the scope of the Group's existing business which may enhance its profitability and achieve a better return for the Shareholders. As such, the Board is of the view that the Transactions are on normal commercial terms and ordinary and usual course of business of the Company, and the terms and conditions of the SPA are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

BUSINESS UPDATES OF THE GROUP

Reference is made to the annual result announcement of the Company dated 31 March 2015. As disclosed in the said announcement, the Group intends to dispose of the investment properties located at 25/F, World Plaza, No. 855 Pudong South Road, Shanghai, the PRC, together with 10 carpark spaces and the associated leasehold land (the “**Possible Disposal**”).

Reference is made to the announcements of the Company dated 28 January 2015 and 2 April 2015 and the circular of the Company dated 27 April 2015. The Company entered into (i) a placing agreement dated 28 January 2015 (as supplemented and amended by a supplemental agreement dated 2 April 2015) with Convoy Investment Services Limited (the “**Placing Agent**”), as the placing agent, pursuant to which the Placing Agent has conditionally agreed to procure, on a best effort basis, not less than six placees to subscribe for up to a maximum of 141,463,000 placing warrants at the placing issue Price of HK\$0.189 per placing warrant; and (ii) a subscription agreement dated 28 January 2015 (as supplemented and amended by a supplemental agreement dated 2 April 2015) with Parko, as the subscriber, pursuant to which Parko has conditionally agreed to subscribe for up to 212,194,500 subscription warrants at the subscription issue price of HK\$0.189 per subscription warrant.

Reference is made to the announcement of the Company dated 15 January 2015. The Company entered into a strategic cooperation framework agreement dated 15 January 2015 with 中國人民財產保險股份有限公司北京市分公司 (Beijing branch of PICC Property and Casualty Company Limited*) (“**PICC P&C Beijing**”) regarding the strategic cooperation of the Company and PICC P&C Beijing to develop various insurance products and value-adding services for the agricultural-related industry.

Reference is made to the announcement of the Company dated 24 December 2014. The Company entered into a non-legally binding memorandum of understanding dated 23 December 2014 with Guangdong New Co-Op Skyrise Investment Co., Ltd* (廣東新供銷天成投資有限公司), regarding a cooperation in the possible investment in tea leaves trading platform in the PRC (the “**Possible Platform Investment**”). The investment cost of the Possible Platform Investment is expected to be less than RMB300 million (equivalent to approximately HK\$375 million).

Further, the Company is under preliminary negotiation with an independent third party in respect of a possible investment in the agricultural by-products processing plant in the PRC, with an estimated investment cost of approximately HK\$375 million (the “**Possible Plant Investment**”).

As at the date of this announcement, no concrete terms and plans concerning the Possible Platform Investment and the Possible Plant Investment have been reached.

Save and except for the above, as at the date of this announcement, the Company does not have any other inside information about (i) acquisition of any new business; (ii) any disposal, scaling-down and/or termination of its existing businesses and/or major operating assets; (iii) injection of any new business to the Group; and (iv) any changes in the Company’s shareholding structure, which give rise to disclosure obligations under Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong).

THE LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Transactions exceeds 100%, the Transactions constitute a very substantial acquisition of the Company under Chapter 14 of the Listing Rules, and are therefore subject to the reporting, announcement and Shareholders’ approval requirements.

As at the date of this announcement, China Co-Op Group, the holding company of the Vendor which holds the entire interest in the vendor, holds approximately 83.83% interest in Coopinvest Company which is a substantial shareholder and holds approximately 26.91% interest in China Coop Mendga, an indirect non-wholly owned subsidiary of the Company. China Co-Op Group, Coopinvest Company and the Vendor are connected persons of the Company under the Listing Rules. Accordingly, the Transactions also constitute a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

The Transactions are however only a connected transaction between the Company and a connected person at the subsidiary level on normal commercial terms, therefore such connected transaction is exempted from the circular, independent financial advice and shareholders' approval requirements under rule 14A.101 of the Listing Rules given that (i) the Directors have approved the Transactions; and (ii) the independent non-executive Directors have confirmed that the terms of the Transactions are fair and reasonable, the Transactions are on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

In accordance with the Listing Rules, any Shareholder who has a material interest in the SPA shall abstain from voting on the resolution(s) to approve the SPA and the transactions contemplated thereunder at the EGM. Considering Parko, the controlling shareholder of the Company which holds approximately 51.05% of the issued share capital of the Company, is indirectly controlled by the Vendor (which holds 26% equity interest in Hebei AMP, which in turn holds 51% of the issued share capital of Million Rich, the holding company of Parko), Parko and its associates will abstain from voting on the relevant resolution(s) at the EGM accordingly.

Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Transactions and therefore, no Shareholder is required to abstain from voting at the EGM in respect of the SPA and the transactions contemplated thereunder.

GENERAL

The EGM will be convened and held to consider and, if thought fit, pass the ordinary resolution(s) to approve the SPA and the transactions contemplated thereunder.

A circular containing, among other matters, (i) further details of the SPA and the transactions contemplated thereunder; (ii) financial information of the Group; (iii) financial information of the Target Group; (iv) unaudited pro forma financial statement of the enlarged group; and (v) a notice convening the EGM, is expected to be despatched to the Shareholders on or before 30 June 2015 taking into account the time required to prepare the relevant financial and other information to be included in the circular under the Listing Rules.

Completion is subject to the fulfilment of certain conditions precedent set out in the SPA and therefore may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Interest from the Vendor in accordance with the terms and conditions of the SPA
“Board”	the board of Directors
“Business Day”	a day from Monday to Friday, other than statutory holiday in the PRC
“China Coop Mengda”	中合盟達融資租賃有限公司 (China Coop Financial Leasing Co., Ltd*), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
“China Co-Op Group”	中國供銷集團有限公司 (China Co-Op Group Company Limited*), a company established in the PRC and the wholly owned subsidiary of the Cooperatives
“Company”	National Agricultural Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Acquisition pursuant to the terms and conditions of the SPA
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Consideration”	the total consideration for the Acquisition, being RMB105 million (equivalent to approximately HK\$131.25 million)
“Cooperatives”	中華全國供銷合作總社 (All China Federation of Supply and Marketing Cooperatives*)
“Coopinvest Company”	中合聯投資有限公司 (Coopinvest Company Limited*), a company established in the PRC and a substantial shareholder of China Coop Mengda
“Directors”	directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other things, the SPA and the transactions contemplated thereunder

“Ever Harvest”	Ever Harvest Inc. Limited (禾恒有限公司), a limited company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Fuping Taihong”	富平泰宏農機市場開發有限公司 (Fuping Taihong Agricultural Machinery Marketing Development Company Limited*), a company established in the PRC with limited liability
“Group”	the Company and its subsidiaries
“Hebei AMP”	河北省農業生產資料有限公司 (Hebei Agricultural Means of Production Company Limited*), a company established in the PRC with limited liability
“Hebei New Cooperation Group”	河北省新合作控股集團有限公司 (Hebei New Cooperation Group Holdings Limited*), a company established in the PRC with limited liability
“Hebei New Cooperation Management”	河北省新合作投資管理有限公司 (Hebei New Cooperation Investment Management Company Limited*), a company established in the PRC with limited liability and a wholly-owned subsidiary of Hebei New Cooperation Group
“Hebei Sino-agri Boyuan”	河北中農博遠農業裝備有限公司 (Hebei Sino-agri Boyuan Agricultural Machinery Company Limited*), a company established in the PRC with limited liability and is owned as to 55% by the Target Company
“Henan Sino-agri Fuan”	河南中農福安農業裝備有限公司 (Henan Sino-agri Fuan Machinery Company Limited*), a company established in the PRC with limited liability and is owned as to 42% by the Target Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and its connected persons

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Million Rich”	Million Rich Hong Kong Holdings Company Limited, a limited company incorporated in Hong Kong
“Parko”	Parko (Hong Kong) Limited, a limited company incorporated in Hong Kong
“PRC”	the People’s Republic of China which, for the purpose of this announcement only, does not include Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Proposed Placing and Subscription of Warrants”	collectively, (i) the proposed placing of up to 141,463,000 placing warrants by Convoy Investment Services Limited, as placing agent; and (ii) the subscription of up to 212,194,500 subscription warrants by Parko, as subscriber, as contemplated under their respective placing agreement and subscription agreement dated 28 January 2015 (as supplemented and amended by the respective supplemental agreement dated 2 April 2015)
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest”	30% equity interest in the Target Company owned by the Vendor
“Settlement Date”	within 5 Business Day following the date when all the conditions precedent under the SPA have been fulfilled (or such other dates as the Company and the Vendor may agree in writing)
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Shareholder’s Loan”	the shareholder’s loan in the amount of up to RMB145 million (equivalent to approximately HK\$181.25 million) to be granted by the Company to the Target Company in accordance with the terms and conditions of the SPA
“Sino-agri Shaanxi”	中農集團陝西實業發展有限公司(Sino-agri Shaanxi Development Company Limited*), a company established in the PRC with limited liability and is owned as to 70% by the Target Company

“SPA”	the sale and purchase agreement dated 29 April 2015 and entered into among the Company, the Vendor and the Target Company in relation to the Transactions
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	中農集團農機控股有限公司 (Sino-agri Agricultural Machinery Holdings Company Limited*), a company established in the PRC with limited liability and is wholly owned by the Vendor
“Target Group”	collectively, the Target Company, Hebei Sino-agri Boyuan, Sino-agri Shaanxi, Henan Sino-agri Fuan and Fuping Taihong
“Transactions”	the Acquisition and the provision of the Shareholder’s Loan in accordance with the terms and conditions of the SPA
“Vendor”	中國農業生產資料集團公司 (China National Agricultural Means Of Production Group Corporation*), a collectively-owned enterprise established in the PRC, a wholly owned subsidiary of China Co-Op Group
“%”	per cent

For the purpose of this announcement, conversion of RMB into HK\$ is based on the exchange rate of RMB1.00 to HK\$1.25. The exchange rates have been used, where applicable, for the purposes of illustration only and do not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

For and on behalf of
National Agricultural Holdings Limited
Chen Li-Jun
Chairman

Hong Kong, 29 April 2015

As at the date of this announcement, the Board comprises six executive Directors, being Mr. Chen Li-Jun, Mr. Ren Hai, Mr. Peng Guojiang, Mr. Zhang Yuliang, Ms. Wen Yuanyi and Mr. Liu Yong, and four independent non-executive Directors, being Ms. Chiu Kam Hing Kathy, Mr. Ting Tit Cheung, Mr. Law Yee Kwan Quinn and Mr. Fan William Chung Yue.

* *for identification purposes only and should not be regarded as an official name*