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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)

INSIDE INFORMATION

TERMINATION OF PREVIOUS MEMORANDUM OF UNDERSTANDING

MEMORANDUM OF UNDERSTANDING IN RELATION TO A POSSIBLE ACQUISITION

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the inside information provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong).

INTRODUCTION

Reference is made to the announcement of the Company dated 4 August 2014 in relation to the Previous MOU.

On 1 August 2014, the Company and the Target Company entered into the Previous MOU in relation to a possible acquisition of not more than 51% of the equity capital in Hebei Sino-agri Boyuan. Due to a proposed change of structure of the possible acquisition, on 1 December 2014 (after trading hours), (i) the Company and the Target Company entered into a termination agreement to terminate the Previous MOU; and (ii) the Company and Sino-agri Group entered into the non-legally binding New MOU.

THE NEW MOU

Date: 1 December 2014

Parties: (i) the Company; and
(ii) Sino-agri Group.

Pursuant to the New MOU, it is proposed that the Company may acquire not more than 49% equity interest in the Target Company through acquisition of existing shares and/or subscription of new shares. The method of acquisition and the amount of equity capital to be acquired and/or subscribed for by the Company, if at all, shall be subject to further negotiation of the parties to the New MOU.

The parties to the New MOU would continue to negotiate with a view to finalise the Formal Agreement.

Consideration

The consideration of the Possible Acquisition is proposed to be in the range of RMB110 million to RMB250 million (“**Consideration**”).

Financial support to the Target Company

Pursuant to the New MOU, the Company may provide financial support to the Target Group by way of shareholder’s loan or bank borrowings to support the funding needs of the Target Group upon or after the completion of the Possible Acquisition, and the amount of such financial support is expected to be not more than RMB250 million after aggregation of the Consideration.

Conditions precedent

Completion of the Possible Acquisition is expected to be conditional upon the following conditions being fulfilled (or otherwise waived by the Company):

- (i) Sino-agri Group and the Target Group having provided to the Company all information of the Target Group;
- (ii) the completion of financial and legal due diligence review of the Target Group;
- (iii) Sino-agri Group having obtained all necessary approvals or consents (if any) for the completion of the Possible Acquisition; and
- (iv) the passing of the necessary resolution(s) by the respective board of directors and/or the shareholders of the Company and Sino-agri Group; and
- (v) the execution of the Formal Agreement.

Exclusivity

From the date of the New MOU to 28 February 2015 (or such later date as may be agreed by the parties to the New MOU), unless the New MOU is being terminated, Sino-agri Group shall not enter into any discussion, negotiation or transaction with any other party in relation to the sale or disposition of the equity interest of the Target Company or the sale, rental or transfer of the assets of the Target Company.

Nature of the New MOU

The New MOU does not constitute any legally binding commitment in respect of the Possible Acquisition, save for the clauses relating to confidentiality, exclusivity and termination of the New MOU. The Possible Acquisition is subject to the negotiation, execution and completion of the Formal Agreement, if any.

INFORMATION OF SINO-AGRI GROUP AND THE TARGET GROUP

Sino-agri Group is a company established under the laws of the PRC with limited liability and holds the entire equity interest in the Target Company. It is an enterprise which integrates the production, circulation and provision of services in relation to agricultural means of production, such as chemical fertilizer, pesticides, agricultural film, seeds and agricultural machinery.

The Target Company is a company established under the laws of the PRC with limited liability. As at the date of this announcement, the Target Company has a registered capital of RMB200 million and is principally engaged in the manufacturing and sales of agricultural machinery.

The Target Company holds interests in Hebei Sino-agri Boyuan, Sino-agri Shaanxi and Henan Sino-agri Fuan. The Target Group is principally engaged in the manufacturing and sales of agricultural machinery and the provision of after-sales and maintenance services in the PRC.

Hebei Sino-agri Boyuan is a company established under the laws of the PRC with limited liability and is owned as to 55% by the Target Company. As at the date of this announcement, Hebei Sino-agri Boyuan has a registered capital of RMB50 million.

Sino-agri Shaanxi is a company established under the laws of the PRC with limited liability and is owned as to 70% by the Target Company. As at the date of this announcement, Sino-agri Shaanxi has a registered capital of RMB110 million.

Henan Sino-agri Fuan is a company established under the laws of the PRC with limited liability and is owned as to 42% by the Target Company. As at the date of this announcement, Henan Sino-agri Fuan has a registered capital of RMB30 million.

REASONS FOR THE ENTERING INTO THE NEW MOU

The Group is principally engaged in businesses which include rural financial services, trading in agricultural means of production, urbanisation development, and the development, production and sale of IT products in the financial sector.

It is the Company's strategy to review from time to time potential business opportunities and investments to enhance the Shareholders' value. The Group has been trying to identify suitable investment opportunities which could provide a sustainable stream of cash flow and profit in the long run.

The Directors believe that the Possible Acquisition, if materialized, 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.

The Directors are of the view that the Possible Acquisition is a good business opportunity and is in the interests of the Company and the Shareholders as a whole.

GENERAL

If the Possible Acquisition materializes, it may constitute a notifiable transaction of the Company under the Listing Rules. Further announcement(s) will be made by the Company in accordance with all applicable requirements of the Listing Rules as and when appropriate.

Shareholders and potential investors should note that the New MOU only sets out the understanding with regard to the Possible Acquisition, and that the New MOU is not legally binding save and except for the provisions afore-mentioned. As such, the Possible Acquisition may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITION

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Board”	the board of Directors
“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
“Director(s)”	director(s) of the Company
“Formal Agreement”	the formal legally binding sale and purchase agreement which may or may not be entered into in relation to the Possible Acquisition
“Group”	the Company and its subsidiaries
“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

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New MOU”	the non-legally binding memorandum of understanding dated 1 December 2014 entered into between Sino-agri Group and the Company setting out preliminary understanding in relation to the Possible Acquisition
“Possible Acquisition”	the possible acquisition of not more than 49% equity interest in the Target Company by the Company as contemplated under the New MOU and subject to the execution and completion of the Formal Agreement (if any)
“PRC”	The People’s Republic of China which, for the purpose of this announcement only, does not include Hong Kong, the Macau Special Administrative Region and Taiwan
“Previous MOU”	the non-legally binding memorandum of understanding dated 1 August 2014 entered into between the Company and the Target Company in relation to a possible acquisition of not more than 51% of the equity capital in Hebei Sino-agri Boyuan, which has been terminated on 1 December 2014
“Share(s)”	ordinary share(s) of HK\$0.025 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Sino-agri Group”	中國農業生產資料集團公司 (China National Agricultural Means Of Production Group Corporation), a company established in the PRC with limited liability
“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
“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 Sino-agri Group

“Target Group”	the Target Company, Hebei Sino-agri Boyuan, Sino-agri Shaanxi and Henan Sino-agri Fuan
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

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

Hong Kong, 2 December 2014

As at the date of this announcement, the Board of the Company 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. Shum Wan Lung and Mr. Law Yee Kwan Quinn.

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