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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)**

### **CONNECTED TRANSACTION FINANCE LEASE AGREEMENT**

#### **FINANCE LEASE AGREEMENT**

On 17 August 2015 (after trading hours), China Coop Mengda, an indirect non-wholly owned subsidiary of the Company, as the lessor, has entered into the Finance Lease Agreement with Shandong United Pesticide, as the lessee, pursuant to which China Coop Mengda agreed to purchase the Lease Assets as specified in the Finance Lease Agreement from Shandong United Pesticide and such Lease Assets will be leased back to Shandong United Pesticide. The total rental payment under the Finance Lease Agreement was approximately RMB38.16 million (equivalent to approximately HK\$46.17 million).

#### **LISTING RULES IMPLICATIONS**

As Shandong United Pesticide is an associate of Coopinvest Company, which is a substantial shareholder of China Coop Mengda, Shandong United Pesticide is a connected person of the Company at subsidiary level. Accordingly, the transactions contemplated under the Finance Lease Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As all of the applicable ratios for the transactions contemplated under the Finance Lease Agreement calculated under Rule 14.07 of the Listing Rules are less than 5% but the total consideration is more than HK\$3,000,000, the transactions contemplated under the Finance Lease Agreement are subject to reporting and announcement requirement but are exempted from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

This announcement is made to inform the Shareholders of the major terms of the Finance Lease Agreement.

The Board announces that on 17 August 2015 (after trading hours), China Coop Mengda and Shandong United Pesticide entered into the Finance Lease Agreement. The principal terms of the Finance Lease Agreement are set out below.

## **THE FINANCE LEASE AGREEMENT**

### **Date**

17 August 2015

### **Parties**

Lessor: China Coop Mengda

Lessee: Shandong United Pesticide

### **Principal terms**

China Coop Mengda agreed to purchase the Lease Assets as specified in the Finance Lease Agreement from Shandong United Pesticide and the Lease Assets will be leased back to Shandong United Pesticide for a term of 3 years commencing from 30 July 2015.

The total amount of consideration paid by China Coop Mengda for purchasing the Lease Assets amounted to approximately RMB38.16 million (equivalent to approximately HK\$46.17 million) (the “**Consideration**”) which was financed by bank borrowings. The Consideration was determined after arm’s length negotiation between the parties with reference to the book value of the Lease Assets of approximately RMB34.19 million (equivalent to approximately HK\$41.37 million) as at the date of the Finance Lease Agreement.

The Lease Assets were purchased by Shandong United Pesticides at its sole discretion from various suppliers at its own choice. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, suppliers of the Lease Assets and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

A fixed sum of rental payment (including the principal and interest payment) shall be paid by Shandong United Pesticide to China Coop Mengda in 12 equal quarterly instalments in accordance with the repayment schedule set out in the Finance Lease Agreement. The total rental payment (including the interest payment) of the Finance Lease Agreement was approximately RMB38.16 million (equivalent to approximately HK\$46.17 million).

Shandong United Pesticide is required to pay to China Coop Mengda an non-refundable handling fee of RMB400,000 (equivalent to approximately HK\$484,000) under the Finance Lease Agreement. The handling fee shall be paid one business day before the payment of Consideration by China Coop Mengda.

### **Ownership of the Lease Assets**

China Coop Mengda has the ownership of the Lease Assets during the lease term. During the lease term, Shandong United Pesticide shall have the right to occupy and use the Lease Assets. Shandong United Pesticide shall be responsible for the maintenance and repair of the Lease Assets and the related expenses and shall also bear the risk and rewards of ownership of the Lease Assets. Upon expiry of the lease term, given that Shandong United Pesticide has made full payment of the rental payment and other amounts payable by it and has not been in breach of the Finance Lease Agreement, it shall have the option to (i) purchase the Lease Assets at an agreed nominal amount of RMB100 (equivalent to approximately HK\$121) upon which the title of the Lease Assets shall vest in Shandong United Pesticide; (ii) renew the lease on such terms and conditions to be agreed between the parties; or (iii) return the Lease Assets to China Coop Pesticide Mengda provided that Shandong United Pesticide confirmed that the value of the Lease Assets has not been devalued (except for ordinary depreciation) and the Lease Assets are free from encumbrances at the expiry of the lease term.

### **Default**

If default is committed on the part of Shandong United Pesticide, China Coop Mengda shall be entitled to, among other things, (a) demand Shandong United Pesticide to take rectification measures within a specified time period; (b) request the maintenance service provider to suspend relevant services or prohibit Shandong United Pesticide from using all or part of the Lease Assets; (c) demand repayment of all rent and other monies, whether it has become due and payable by Shandong United Pesticide; (d) without recourse to legal action, take physical possession of the relevant lease asset; (e) claim for compensation for any losses incurred against Shandong United Pesticide; (f) terminate the Finance Lease Agreement; and (g) take other remedies under relevant laws and regulations.

### **Guarantee**

The payment of the consideration by China Coop Mengda for the purchase of Lease Assets shall be conditional upon, among other things, (i) a guarantee agreement having been entered into among China Coop Mengda, Shandong United Pesticide and/or other third party; (ii) the guarantee documents and the guarantee obligations relating to the transactions contemplated under the Finance Lease Agreement having been effective and a consent to provide guarantee issued by the relevant authority having been provided by the guarantor to China Coop Mengda; and (iii) in the event that registration of the guarantee is required under the law or an agreement, the documents evidencing effective registration of the guarantee having been received by China Coop Mengda.

Pursuant to the Finance Lease Agreement, Shandong United Pesticide shall also provide a guarantee of RMB2.0 million (equivalent to approximately HK\$2.42 million) to China Coop Mengda one business day before the payment of Consideration by China Coop Mengda.

## **INFORMATION OF THE GROUP AND CHINA COOP MENGDA**

The principal activities of the Group are finance leasing, research, development, distribution of software and provision of related maintenance usage and information services in the PRC. China Coop Mengda is principally engaged in the provision of the finance leasing services.

## **INFORMATION OF SHANDONG UNITED PESTICIDE**

Shandong United Pesticide is a company incorporated in the PRC with limited liability which primarily engages in production of pesticides. It is a subsidiary of 中國農業生產資料集團公司 (China National Agricultural Means of Production Group Corporation\*), which is the holding company of Coopinvest Company, and hence it is an associate of Coopinvest Company under the Listing Rules.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE FINANCE LEASE AGREEMENT**

The terms of the Finance Lease Agreement including the rental payments and lease interest rates have been agreed after arm's length negotiation between the parties with reference to the prevailing market rates for finance lease for similar asset(s).

The entering into of the Finance Lease Agreement is in the ordinary and usual course of business of China Coop Mengda. It is expected that China Coop Mengda will earn an aggregate interest income of approximately RMB3.97 million (equivalent to approximately HK\$4.80 million), being the total rental payment under the Finance Lease Agreement after deducting the Consideration paid for the purchase of the Lease Assets.

As at the date of this announcement, none of the Directors has material interests in the transactions contemplated under the Finance Lease Agreement and are required to abstain from voting on the relevant board resolutions to approve the Finance Lease Agreement and the transactions contemplated thereunder.

## **LISTING RULES IMPLICATIONS**

As Shandong United Pesticide is an associate of Coopinvest Company, which is a substantial shareholder of China Coop Mengda, Shandong United Pesticide is a connected person of the Company at subsidiary level. Accordingly, the transactions contemplated under the Finance Lease Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As all of the applicable ratios for the transactions contemplated under the Finance Lease Agreement calculated under Rule 14.07 of the Listing Rules are less than 5% but the total consideration is more than HK\$3,000,000, the transactions contemplated under the Finance Lease Agreement are subject to reporting and announcement requirement but are exempted from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors) are of the view that (i) the terms of the Finance Lease Agreement are fair and reasonable; (ii) the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of business of the Group; and (iii) such transactions are also in the interest of the Company and the Shareholders as a whole.

## DEFINITIONS

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

“Board”	the board of Directors
“China Coop Mengda”	中合盟達融資租賃有限公司 (China Coop Mengda Financial Leasing Co., Ltd*), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
“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
“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”	the directors of the Company
“Finance Lease Agreement”	the finance lease agreement entered into between China Coop Mengda and Shandong United Pesticide on 17 August 2015
“Group”	the Company and its subsidiaries as at the date of this announcement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Lease Assets”	certain equipment and facilities as set out in the Finance Lease Agreement, including among others, pesticides production equipment and environmental protection facilities

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shandong United Pesticide”	山東省聯合農藥工業有限公司 (Shandong United Pesticides Industrial Co., Ltd*), a company incorporated in the PRC which primarily engages in production of pesticides
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

*For the purpose of this announcement, conversion of RMB into HK\$ is based on the exchange rate of RMB1.00 to HK\$1.21. 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 identification purpose only

By order of the Board  
**National Agricultural Holdings Limited**  
**Chen Li-Jun**  
*Chairman*

Hong Kong, 17 August 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. Fan William Chung Yue and Mr. Chu Kin Wang Pelens.*