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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)**

### **CLARIFICATION ANNOUNCEMENT**

Reference is made to the announcement of National Agricultural Holdings Limited (the “**Company**”) dated 31 December 2015 in relation to the Joint Cooperation Agreement entered into with Dalian Exchange (the “**Continuing Connected Transactions Announcement**”). Capitalised terms used in this announcement shall have the same meanings as they were defined in the Continuing Connected Transactions Announcement.

#### **(I) Clarification in respect of the Joint Operation Agreement**

The Board would like to clarify that the Transactions had been commenced since June 2015 before the Joint Cooperation Agreement was entered into. Since the cooperation was still at the preliminary stage in the first few months after its commencement, it took a few months for the Company and Dalian Exchange to discuss and finalise the detailed terms of the cooperation and for Dalian Exchange to go through its internal approval procedures to enter into the Joint Cooperation Agreement.

Under the Joint Operation Agreement, the Company shall collect service fees from, amongst other things, fund managing services, financing services, trade membership and transaction handling services, and the size of the service fees will be dependent on, amongst others, size of fund, amount of finance facilities, number of trader members and volume of Transactions. The volume of transactions of the trading platform of Dalian Exchange with other market participants from January to February 2015 was approximately RMB116,116.76 million (the “**Historical Volume of Dalian Exchange**”), and the annual cap in respect of the Transactions for the financial year ended 31 December 2015 as disclosed in the Continuing Connected Transactions Announcement has been determined with reference to (i) the proportionate extension of the Historical Volume of Dalian Exchange for the period between 7 May 2015 to 31 December 2015; (ii) the general trend of the size of domestic commodities trading on integrated trading platform with electronic information networking functions; (iii) the gradual acceptance of executing trade on such integrated trading platform; (iv) the expected increase in trader membership as a result of the gradual acceptance of executing trade on such integrated trading platform; (v) seasonal fluctuations of demand in commodities and (vi) the prevailing economic conditions.

Under Rules 14A.34 and 14A.35 of the Listing Rules, a listed issuer's group must enter into a written agreement for a connected transaction and announce the connected transaction as soon as practicable after its terms have been agreed. The Company admits that the failure to timely comply with the above requirement constituted a breach of Rules 14A.34 and 14A.35 of the Listing Rules, and has forthwith taken step to rectify the breach as soon as possible and publish the Continuing Connected Transactions Announcement on the same date of the Joint Operation Agreement. In order to enhance the internal control of the Company in respect of compliance with the Listing Rules, the Company has performed the following:

- the Company has adopted a risk management and internal control policy in 2015 which sets out the reporting, monitoring and approval procedures to be followed by the group companies. For instance, management is required to report the latest progress of the ongoing projects to the Board on a weekly basis, all first draft investment agreements are required to be reported and submitted to the “investment agreements review unit (投資協議審閱組)” comprises members from several compliance departments of the Company and shall be sent to the legal adviser, financial adviser and/or the reporting accountant of the Company for review, and the group companies are reminded of the relevant obligations of the Company under the Listing Rules;
- the management of the Company conducted a meeting on 26 November 2015 to discuss the reporting, monitoring and approval procedures to be followed by the group companies;
- the Company recruited an investment director who has over 18 years' experience in investment and financing industry and a senior accounting manager who has over 15 years' experience in accounting, auditing and financing, in November 2015 and July 2015 respectively to assist in the monitoring of the compliance with the Listing Rules; and
- the Company is recruiting an in-house compliance officer with relevant and adequate knowledge and experience in compliance with the Listing Rules with an aim to strengthen the internal control of the Company.

## **(II) Variation to the terms of the Joint Operation Agreement**

Subsequent to the publication of the Continuing Connected Transactions Announcement, the parties have entered into another agreement on 20 January 2016 to rectify and further elaborate certain detailed operation arrangements in relation to the Transactions (the “**New Joint Operation Agreement**”). The New Joint Operation Agreement has replaced the Joint Operation Agreement entirely. Below are the detailed operation arrangements set forth in the New Joint Operation Agreement:

### **(i) Fund management services (資金管理服務)**

The Company shall collect and manage funds for Dalian Exchange, and earn proceeds deriving from the respective deposits. The interests earned from processing the funds shall be calculated based on the People's Bank of China's benchmark time deposit rate for the comparable period plus 20%.

(ii) Financing (融資服務)

If member of Dalian Exchange enters into a transaction at Dalian Exchange as a buyer, it can apply for finance facilities from the Company for an amount up to 50% of the total amount of funds it has deposited at the Agripay System and the total amount of each financing shall not exceed 50% of the total amount of the transaction. The interests earned from providing the finance facilities will be belonged to the Company and shall be calculated based on the People's Bank of China's benchmark lending rate for the comparable period to a maximum of 12%.

(iii) Membership registration fee (席位費)

Depending on the type of product, a one-off member registration fee would be charged on an average of about RMB3 million from each member of Dalian Exchange. The relevant income will be shared equally between the Company and Dalian Exchange. The exact fee shall be according to the relevant contract entered into between Dalian Exchange and the member.

(iv) Transaction handling fee (交易手續費)

For each transaction, a transaction handling fee would be charged ranging from 0.01% to 0.1% of the total transaction amount from each party of the transaction depending on the type of transactions. The relevant income will be shared equally between the Company and Dalian Exchange.

(v) Membership fee (買賣商會員費)

A membership fee of not exceeding RMB1 million would be charged from each member of Dalian Exchange. The relevant income will be shared equally between the Company and Dalian Exchange. The exact fee shall be according to the relevant contract entered into between Dalian Exchange and the member.

Save for the above terms, the terms of the Joint Operation Agreement and the New Joint Operation Agreement are substantially the same.

The Company currently continues to provide relevant services under the Joint Cooperation Agreement to Dalian Exchange and the parties have entered into a separate cooperation agreement on 20 January 2016 to govern the terms of cooperation for period from 1 January 2016 to 31 December 2018. Please refer to the announcement of the Company dated 20 January 2016 for further details.

Save as stated above, all other information in the Continuing Connected Transactions Announcement remains unchanged.

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

Hong Kong, 21 January 2016

*As at the date of this announcement, the Board comprises five executive Directors, being Mr. Chen Li-Jun, Mr. Ren Hai, Mr. Peng Guojiang, 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. Chan Siu Wing Raymond.*