

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

**If you have sold** or transferred all your shares in National Agricultural Holdings Limited, you should hand this circular together with the accompanying form of proxy at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)**

**(1) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE  
AND  
(2) SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE  
AND  
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent financial adviser to the Independent Board Committee  
and the Independent Shareholders**

**ALTUS CAPITAL LIMITED**

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular. A letter from the Board is set out on pages 5 to 19 of this circular.

A notice convening the EGM to be held at Suites 1604–5, Prudential Tower, Harbour City, 21 Canton Road, Tsimshatsui, Kowloon, Hong Kong at 10:00 a.m. on Friday, 19 September 2014 is set out on pages 57 to 59 of this circular. A form of proxy for use at the EGM is also enclosed. Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to Computershare Hong Kong Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

3 September 2014

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## DEFINITIONS

*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“Announcement”	the announcement dated 14 August 2014 made by the Company in relation to, among others, the Placing and the Subscription
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are open for business during their normal business hours
“CCBI”	CCB International Capital Limited (建銀國際金融有限公司), a licensed corporation under the SFO permitted to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities for the purposes of the SFO
“China Coop Mengda”	China Coop Financial Leasing Co., Ltd.* (中合盟達融資租賃有限公司), a limited liability company established in the PRC on 17 August 2012
“Company”	National Agricultural Holdings Limited (國農控股有限公司), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the Placing, the Subscription and the respective 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

## DEFINITIONS

“Group”	collectively, the Company and its subsidiaries from time to time
“Guosen”	Guosen Securities (HK) Capital Company Limited (國信證券(香港)融資有限公司), a licensed corporation under the SFO permitted to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities for the purposes of the SFO
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“ICBCI”	ICBC International Securities Limited (工銀國際證券有限公司), a licensed corporation under the SFO permitted to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 4 (advising on securities) regulated activities for the purposes of the SFO
“Independent Board Committee”	the independent Board committee, comprising all independent non-executive Directors, namely Ms. Chiu Kam Hing Kathy, Mr. Ting Tit Cheung, Mr. Shum Wan Lung and Mr. Law Yee Kwan Quinn, which has been formed to advise the Independent Shareholders in respect of the Placing, the Subscription and the transactions contemplated thereunder
“Independent Financial Adviser” or “Altus Capital”	Altus Capital Limited, a licensed corporation to conduct type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities for the purposes of the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Placing Agreement and the Subscription Agreement
“Independent Shareholders”	Shareholders other than the Subscriber and its associates
“June 2014 Circular”	the circular of the Company dated 6 June 2014

## DEFINITIONS

“Latest Practicable Date”	3 September 2014, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placee(s)”	investor(s) procured by the Placing Agents to subscribe for any of the Placing Shares pursuant to the Placing Agreement
“Placing”	the placing of up to 243,900,000 new Shares by the Placing Agents, on a best effort basis, pursuant to the terms and conditions of the Placing Agreement
“Placing Agents”	CCBI, ICBCI and Guosen
“Placing Agreement”	the conditional agreement dated 14 August 2014 entered into between the Company and the Placing Agents in relation to the Placing
“Placing Completion”	completion of the Placing in accordance with the terms and conditions of the Placing Agreement
“Placing Price”	the final placing price within the Placing Price Range to be determined by the Company and the Placing Agents by the execution of the Price Determination Agreement on the Price Determination Date
“Placing Price Range”	HK\$2.80 to HK\$3.28 per Placing Share
“Placing Share(s)”	up to 243,900,000 new Shares to be placed under the Placing
“Price Determination Agreement”	the agreement to be entered into between the Company and the Placing Agents on or before the Price Determination Date to fix and record the Placing Price
“Price Determination Date”	the date which shall be not later than 5 Business Days after the date of the EGM (or such other date as may be agreed between the Company and the Placing Agents) by which the Placing Price shall be agreed upon between the Company and the Placing Agents by entering into the Price Determination Agreement

## DEFINITIONS

“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.025 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber” or “Parko”	Parko (Hong Kong) Limited, a company incorporated under the laws of Hong Kong and a controlling shareholder of the Company which held 677,438,392 Shares, representing approximately 51.00% of the issued share capital of the Company as at the Latest Practicable Date
“Subscription”	subscription of the Subscription Shares by the Subscriber at the Subscription Price pursuant to the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 14 August 2014 entered into between the Company and the Subscriber in respect of the Subscription
“Subscription Completion”	completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement
“Subscription Price”	the subscription price per Subscription Share which shall be equivalent to the Placing Price
“Subscription Shares”	up to 256,100,000 new Shares to be allotted and issued by the Company to the Subscriber under the Subscription, which shall be equivalent to 1.05 times of the number of Placing Shares actually placed under the Placing Agreement
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“%”	per cent.

\* for identification purpose only



**NATIONAL AGRICULTURAL HOLDINGS LIMITED**  
**國農控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1236)**

*Executive Directors:*

Mr. Chen Li-Jun (*Chairman*)

Mr. Ren Hai

Mr. Peng Guojiang

Mr. Zhang Yuliang

Ms. Wen Yuanyi

Mr. Liu Yong

*Registered office:*

P.O. Box 309, Ugland House

Grand Cayman, KY1-1104

Cayman Islands

*Head office and principal place of  
business in Hong Kong:*

Suites 1604-5, Prudential Tower

Harbour City, 21 Canton Road

Tsimshatsui, Kowloon, Hong Kong

*Independent non-executive Directors:*

Ms. Chiu Kam Hing Kathy

Mr. Ting Tit Cheung

Mr. Shum Wan Lung

Mr. Law Yee Kwan Quinn

3 September 2014

*To the Shareholders*

Dear Sir or Madam,

**(1) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE  
AND  
(2) SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE**

**I. INTRODUCTION**

Reference is made to the Announcement. On 14 August 2014 (after trading hours), the Company and the Placing Agents entered into the Placing Agreement pursuant to which the Placing Agents have severally and conditionally agreed to procure, on a best effort basis, a total of not less than six Placees to subscribe for up to a maximum of 243,900,000 Placing Shares within the Placing Price Range of HK\$2.80 to HK\$3.28 per Placing Share. The Placing is subject to the conditions set out below in the paragraphs headed "Conditions precedent to the Placing". Since completion of the Placing Agreement and the Subscription Agreement are inter-conditional, a specific mandate to issue the Placing Shares will be sought from the Independent Shareholders at the EGM. The final Placing Price is to be determined among the Company and the Placing Agents on the Price Determination Date by the execution of the Price Determination Agreement.

## LETTER FROM THE BOARD

In addition, on 14 August 2014 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue Shares in a number equivalent to 1.05 times of the number of Placing Shares actually placed under the Placing Agreement up to a maximum of 256,100,000 new Shares at a price equivalent to the Placing Price. The Subscription is subject to the conditions set out below in the paragraphs headed "Conditions precedent to the Subscription".

The aggregate of the maximum number of Placing Shares and Subscription Shares represents (i) approximately 37.64% of the existing issued share capital of the Company of 1,328,310,568 Shares as at the Latest Practicable Date; and (ii) approximately 27.35 % of the issued share capital of the Company of 1,828,310,568 Shares as enlarged by the allotment and issue of the Placing Shares and the Subscription Shares in aggregate (assuming there will be no other changes in the issued share capital of the Company). Completion of the Placing Agreement and the Subscription Agreement are inter-conditional and shall take place simultaneously.

The Placing Shares and the Subscription Shares will be allotted and issued under specific mandates approved by ordinary resolution to be proposed for passing by the Independent Shareholders at the EGM. The general mandate of the Company will not be used for the issue of the Placing Shares and the Subscription Shares.

As at the Latest Practicable Date, the Subscriber held 677,438,392 Shares, representing approximately 51.00% of the issued share capital of the Company. Since the Subscriber is a substantial Shareholder and hence a connected person of the Company under Rule 14A.07(1) of the Listing Rules, the Subscription will constitute a connected transaction for the Company, and is subject to the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will seek the Independent Shareholders' approval for the Subscription Agreement at the EGM.

The purpose of this circular is to provide you, among other things, (i) further details of the Placing and the Subscription and the transactions contemplated thereunder, including the issue of the Placing Shares and the Subscription Shares under specific mandates; (ii) the advice from the Independent Financial Adviser in relation to the Placing and the Subscription and the transactions contemplated thereunder; (iii) the letter from the Independent Board Committee to the Independent Shareholders in relation to the Placing and the Subscription and the transactions contemplated thereunder; and (iv) a notice convening the EGM.

## II. PLACING

### **Date of the Placing Agreement**

14 August 2014 (after trading hours)

### **Issuer**

The Company



## LETTER FROM THE BOARD

### **Placing Agents**

CCB International Capital Limited (建銀國際金融有限公司)

ICBC International Securities Limited (工銀國際證券有限公司)

Guosen Securities (HK) Capital Company Limited (國信證券(香港)融資有限公司)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for the warrants held by CCB International Securities Limited (建銀國際證券有限公司) (a fellow subsidiary of CCBI) with purchase right to purchase 47,368,421 Shares (representing approximately 3.6% of the issued share capital of the Company as at the Latest Practicable Date), each of the Placing Agents is a third party independent of and is not connected with the Company and its connected persons. For the avoidance of doubt, CCB International Securities Limited and its associates did not hold any Shares as at the Latest Practicable Date.

### **Number of the Placing Shares**

CCBI, ICBCI and Guosen have severally and conditionally agreed to procure, on a best effort basis, a total of not less than six Placees to subscribe for up to a maximum of 243,900,000 Placing Shares, who are to the best knowledge, information and belief of the Placing Agents, independent of and not connected with any of the directors, chief executive or substantial shareholders of the Company or its subsidiaries or their respective associates. It is expected that none of the Placees will become a substantial shareholder of the Company immediately after completion of the Placing and the Subscription. If any of the Placees becomes a new substantial shareholder of the Company after the completion of the Placing and the Subscription, further announcement will be made by the Company.

The maximum number of 243,900,000 Placing Shares represents (i) approximately 18.4% of the existing issued share capital of the Company of 1,328,310,568 Shares as at the Latest Practicable Date; and (ii) approximately 13.3% of the issued share capital of the Company of 1,828,310,568 Shares as enlarged by the allotment and issue of the maximum number of the Placing Shares and the Subscription Shares in aggregate (assuming there will be no other changes in the issued share capital of the Company).

### **Ranking of Placing Shares**

The Placing Shares will rank *pari passu* in all respects among themselves and with Shares in issue as at the date of allotment and issue of the Placing Shares. The Placing Price Range was determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length basis between the Company and the Placing Agents.

## LETTER FROM THE BOARD

### Placing Price

The Placing Price Range is HK\$2.80 to HK\$3.28 per Placing Share. The Placing Price will be determined by the Company and the Placing Agents by entering into the Price Determination Agreement on the Price Determination Date.

The maximum Placing Price of HK\$3.28 per Placing Share represents:

- (i) a premium of approximately 13.10% to the closing price of HK\$2.90 per Share as quoted on the Stock Exchange on the date of the Placing Agreement;
- (ii) a premium of approximately 12.25% to the average closing price of approximately HK\$2.92 per Share as quoted on the Stock Exchange for the last five consecutive trading days of the Shares prior to the date of the Placing Agreement; and
- (iii) a premium of approximately 14.29% to the closing price of HK\$2.87 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The minimum Placing Price of HK\$2.80 per Placing Share represents:

- (i) a discount of approximately 3.45% to the closing price of HK\$2.90 per Share as quoted on the Stock Exchange on the date of the Placing Agreement;
- (ii) a discount of approximately 4.18% to the average closing price of approximately HK\$2.92 per Share as quoted on the Stock Exchange for the last five consecutive trading days of the Shares prior to the date of the Placing Agreement; and
- (iii) a discount of approximately 2.44% to the closing price of HK\$2.87 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

### Conditions precedent to the Placing

Placing Completion is conditional upon fulfillment of the following conditions:

- (i) the listing committee of the Stock Exchange granting the listing of and permission to deal in the Placing Shares (and such listing approval not being subsequently revoked);
- (ii) the Independent Shareholders approving the Placing Agreement and the transactions contemplated thereunder at the EGM;
- (iii) the Price Determination Agreement having been entered into by the Company and the Placing Agents and becoming effective on the Price Determination Date;

## LETTER FROM THE BOARD

- (iv) the conditions precedent under the Subscription Agreement having been fulfilled (save for the condition requiring the Placing Agreement to become unconditional) and completion of the Subscription Agreement taking place in accordance with its terms simultaneously with the Placing Agreement; and
- (v) no representation, warranty or undertaking under the Placing Agreement having been breached by the Company or is otherwise rendered inaccurate, untrue or misleading in any material respect or no failure by the Company to perform its obligations under the Placing Agreement, in each case on or prior to the Placing Completion.

If any of the conditions precedents under the Placing Agreement is not fulfilled on or before 9 October 2014 (save for the condition set out in paragraph (iv) above which shall take place simultaneously with the Placing Completion), the Placing Agreement shall terminate with immediate effect and all obligations of each of the parties shall cease and no party shall have any claim against any other party in respect of the Placing Agreement, except for any antecedent breach under the Placing Agreement.

### **Placing Completion**

Placing Completion will take place on the fifth Business Day immediately after the date on which all conditions precedent under the Placing Agreement are fulfilled (or such other date as the Company and the Placing Agents may agree in writing) (save that the condition set out in paragraph (iv) above which shall take place simultaneously with the Placing Completion). Completion of the Placing Agreement and the Subscription Agreement are inter-conditional and shall take place simultaneously. If the Subscription does not proceed to completion, the Placing Completion would not take place and both the Placing Agreement and the Subscription Agreement will terminate in accordance with their respective terms.

## **III. SUBSCRIPTION**

### **Date of the Subscription Agreement**

14 August 2014 (after trading hours)

### **Issuer**

The Company (as issuer)

### **Subscriber**

Parko, a company incorporated under Hong Kong law with limited liability, a Shareholder which held 677,438,392 Shares, representing approximately 51.00% of the issued share capital of the Company as at the Latest Practicable Date.

## LETTER FROM THE BOARD

### **The Subscription Shares**

The Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue Shares in a number equivalent to 1.05 times of the number of Placing Shares actually placed under the Placing Agreement up to a maximum of 256,100,000 Shares at the Subscription Price. The Subscription Price shall be equivalent to the Placing Price to be determined on the Price Determination Date. The Subscriber shall make or procure the making of payments to the Company in Hong Kong dollars in an amount equivalent to the Subscription Price multiplied by the total number of the Subscription Shares upon Subscription Completion.

The maximum number of 256,100,000 Subscription Shares represents (i) approximately 19.3% of the existing issued share capital of the Company of 1,328,310,568 Shares as at the Latest Practicable Date; and (ii) approximately 14.0% of the issued share capital of the Company of 1,828,310,568 Shares as enlarged by the allotment and issue of the maximum number of Placing Shares and the Subscription Shares in aggregate (assuming there will be no other changes in the issued share capital of the Company).

After the Subscription Completion, the Subscriber will hold up to 933,538,392 Shares (assuming that the maximum number of 256,100,000 Subscription Shares are subscribed for), representing approximately 51.1% of the issued share capital of the Company as enlarged by the allotment and issue of the maximum number of Placing Shares and the Subscription Shares in aggregate (assuming there will be no other changes in the issued share capital of the Company).

### **Ranking of the Subscription Shares**

The Subscription Shares will rank *pari passu* in all respects among themselves and with Shares in issue as at the date of allotment and issue of the Subscription Shares.

### **Conditions precedent to the Subscription**

Subscription Completion is conditional upon fulfillment of the following conditions:

- (i) the listing committee of the Stock Exchange granting the listing of and permission to deal in the Subscription Shares (and such listing approval not being subsequently revoked);
- (ii) the Independent Shareholders approving the Subscription Agreement and the transactions contemplated thereunder at the EGM;
- (iii) the conditions precedent under the Placing Agreement having been fulfilled (save for the condition requiring the Subscription Agreement to become unconditional) and completion of the Placing Agreement taking place in accordance with its terms simultaneously with the Subscription Agreement; and

## LETTER FROM THE BOARD

- (iv) no representation, warranty or undertaking under the Subscription Agreement having been breached by the Company or is otherwise rendered inaccurate, untrue or misleading in any material respect, in each case on or prior to the Subscription Completion.

If any of the conditions precedents under the Subscription Agreement is not fulfilled on or before 9 October 2014 (save for the condition set out in paragraph (iii) above which shall take place simultaneously with the Subscription Completion), the Subscription Agreement shall terminate with immediate effect and all obligations of each of the parties shall cease and no party shall have any claim against any other party in respect of the Subscription Agreement, except for any antecedent breach under the Subscription Agreement.

### **Subscription Completion**

Completion of the Subscription Agreement and the Placing Agreement are inter-conditional and the Subscription Completion will take place simultaneously with the Placing Completion. If the Placing does not proceed to completion, the Subscription Completion will not take place and both the Subscription Agreement and the Placing Agreement will terminate in accordance with their respective terms.

## **IV. GENERAL**

### **Information of the Group**

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.

### **Specific mandates**

The Placing Shares and the Subscription Shares will be allotted and issued under specific mandates approved by an ordinary resolution to be proposed for passing by the Independent Shareholders at the EGM. The general mandate of the Company will not be used for the issue of the Placing Shares and the Subscription Shares.

### **Implications of the Listing Rules**

As at the Latest Practicable Date, the Subscriber was a substantial shareholder which holds 677,438,392 Shares, representing approximately 51.0% of the issued share capital of the Company. Since the Subscriber is a substantial shareholder and hence a connected person of the Company under Rule 14A.07(1) of the Listing Rules, the Subscription will constitute a connected transaction for the Company, and is subject to the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## LETTER FROM THE BOARD

### **EGM**

The EGM will be convened before the Placing Completion and the Subscription Completion at which an ordinary resolution will be proposed for the purpose of considering, if thought fit, to approve the Placing, the Subscription and the respective transactions contemplated thereunder.

A notice convening the EGM to be held at Suites 1604–5, Prudential Tower, Harbour City, 21 Canton Road, Tsimshatsui, Kowloon, Hong Kong at 10:00 a.m. on Friday, 19 September 2014 is set out on pages 57 to 59 of this circular. Whether or not you are able to attend, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours before the time appointed for the holding of such meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at such meeting or any adjournment thereof should you so wish.

In accordance with the Listing Rules, any Shareholder who has a material interest in the Placing and/or the Subscription shall abstain from voting on the resolution to approve the Placing or the Subscription and the respective transactions contemplated thereunder at the EGM. The Subscriber will abstain from voting on the relevant resolution at the EGM accordingly. Save for the Subscriber, to the best of knowledge, information and belief of the Directors, no other Shareholder has a material interest in the transactions contemplated under the Placing Agreement or the Subscription Agreement and will be required to abstain from voting on the resolution to approve the Placing or the Subscription and the respective transactions contemplated thereunder at the EGM.

The ordinary resolution to approve the Placing and the Subscription and the transactions contemplated thereunder at the EGM will be taken by poll and an announcement will be made by the Company after the EGM on the results of the EGM.

### **Application for listing**

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Placing Shares and the Subscription Shares.

## LETTER FROM THE BOARD

### V. USE OF PROCEEDS AND THE REASONS FOR THE PLACING AND THE SUBSCRIPTION

Assuming the maximum Placing Shares and Subscription Shares are placed and subscribed for, the gross proceeds from the Placing and the Subscription are expected to be approximately HK\$1,400 million (based on the minimum Placing Price and Subscription Price of HK\$2.80 per Share) to HK\$1,640 million (based on the maximum Placing Price and Subscription Price of HK\$3.28 per Share). The net proceeds of the Placing and the Subscription (after deducting related placing commissions, professional fees and related expenses) are expected to be in the range of approximately HK\$1,382 million to HK\$1,619 million.

The Company currently intends to apply such net proceeds in the following manner if the net proceeds from the Placing and the Subscription are at the high-end of HK\$1,619 million:

- approximately 30% (or approximately HK\$485.7 million based on the maximum Placing Price and Subscription Price) for the further capital injection into China Coop Mengda by Ever Harvest pursuant to the capital contribution agreement dated 14 August 2014 entered into between Ever Harvest and China Coop Mengda, to enhance its capability to take on general leasing and financial leasing business. According to the Measures on Administration of Investment of Foreign Enterprises in Leasing Business (外商投資租賃業管理辦法), China Coop Mengda is only allowed to engage in general leasing and financial leasing projects with a maximum aggregate leasing value of about 10 times of its net asset value. This has restricted China Coop Mengda to take on leasing transactions of higher leasing value thus has limited its capability to capture the market opportunities driven by the increasing demand of finance leasing of movable properties in the PRC. Increasing the registered capital of China Coop Mengda through the capital injection by Ever Harvest within the range of RMB200,000,000 to RMB391,124,000 could raise the maximum aggregate leasing value that China Coop Mengda could engage in, therefore providing a gateway for it to generate more revenue for the Group. It is currently expected that, subject to completion of the Placing and the Subscription, the further capital injection into China Coop Mengda will be made in the first half of 2015. Such capital injection into China Coop Mengda will be used as funding for the purchase of assets for leasing to its customers. As at the Latest Practicable Date, the aggregate leasing value of financial leasing projects that China Coop Mengda was engaging in or negotiating amounted to not less than RMB4.6 billion. It is necessary for China Coop Mengda to increase such amount of registered capital so as to capture these opportunities should they materialise. For further information, please refer to the announcement of the Company dated 14 August 2014 relating to such proposed further capital injection into China Coop Mengda;



## LETTER FROM THE BOARD

- approximately 60% (or approximately HK\$971.4 million based on the maximum Placing Price and Subscription Price) for the development of the agricultural products trading business in cooperation with Guangzhou Commodity Exchange Limited (廣州商品交易所有限公司) (“**Guangzhou Commodity Exchange**”) (for further information of Guangzhou Commodity Exchange, please refer to the announcement of the Company dated 4 June 2014):
  - approximately 30% (or approximately HK\$485.7 million based on the maximum Placing Price and Subscription Price) for the acquisition of land and/or warehouse(s) and the building and/or renovation of about 20 to 30 warehouses with total gross floor area of around 20,000 to 30,000 square metres in Guangzhou and such other regions in China for the storage of agricultural products, such as tea leaves, chemical fertilizers, Chinese traditional medicines and fruits for settlement, custody and tax clearance purposes. The Company has identified certain land and warehouses in Guangzhou, however no legally binding agreement has been entered into by the Company as at the Latest Practicable Date. The Company currently plans to buy and/or build 20 warehouses for the storage of tea leaves and chemical fertilizers in around six months to one year after the acquisition of land and/or warehouse(s);
  - approximately 24% (or approximately HK\$388.6 million based on the maximum Placing Price and Subscription Price) for the acquisition of land and/or building(s) and the establishment of two trading centres for trading of agricultural products and rural land property rights in Guangzhou and Hebei Province respectively. Each trading centre will consist of trading town halls, showrooms, back office, company storage rooms and electronic equipments. It is expected that the gross floor area of each trading centre will be about 5,000 sq. m.. As at the Latest Practicable Date, the Company was in the process of identifying suitable land and/or building(s) for the establishment of the two trading centres and it currently plans to commence the establishment of the two trading centres in around six months after the acquisition of land and/or building(s); and
  - approximately 6% (or approximately HK\$97.1 million based on the maximum Placing Price and Subscription Price) for the development of online transaction management system for the trading platforms of agricultural products and rural land property rights in around end of 2014 or the first half of 2015, including the purchase of softwares, hardwares and server systems; and



## LETTER FROM THE BOARD

- approximately 10% (or approximately HK\$161.9 million based on the maximum Placing Price and Subscription Price) for the funding of such other new investments which the Group may from time to time identify and for general working capital purposes.

In the event that the net proceeds from the Placing and the Subscription are below the high-end of HK\$1,619 million, the amounts intended to be used for such purposes set forth above will be adjusted according to the actual amount of proceeds raised. The Company currently intends to apply the net proceeds in the following order for those business plans which shall materialise: (a) firstly, further capital injection into China Coop Mengda; (b) secondly, acquisition of land/or building(s) and the construction of warehouses for storage of tea leaves and chemical fertilizers; (c) thirdly, acquisition of land and/or buildings and the construction of warehouses for storage of Chinese traditional medicines and fruits; (d) fourthly, acquisition of land and/or building(s) and the construction of trading centres for the trading of agricultural products and rural land property rights; and (e) lastly, the other uses as set forth above.

For illustration purposes, (i) in the event that the net proceeds of the Placing and the Subscription are above HK\$1,000 million but below HK\$1,500 million, approximately HK\$485.7 million will be used for further capital injection into China Coop Mengda and a maximum of approximately HK\$971.4 million will be used for the development of agricultural products trading business in cooperation with the Guangzhou Commodity Exchange, and the remainder (if any) will be used for general working capital purposes; (ii) in the event that the net proceeds of the Placing and the Subscription are above HK\$500 million but below HK\$1,000 million, approximately HK\$485.7 million will be used for further capital injection into China Coop Mengda and a maximum of approximately HK\$485.7 million will be used for the acquisition of land and/or warehouses(s) and the building and/or renovation of warehouses for the storage of agricultural products, and the remainder (if any) will be served for acquisition of land and/or buildings and the establishment of trading centre(s) for trading of agricultural products and rural land property rights; and (iii) in the event that the net proceeds of the Placing and the Subscription are below HK\$500 million, approximately HK\$485.7 million will be used for further capital injection into China Coop Mengda and the remainder (if any) will be served for the development of the acquisition of land and/or warehouses(s) for storage of tea leaves and chemical fertilizers.

The Company will comply with the applicable announcement, reporting and shareholders' approval requirements of the Listing Rules in the event that any of the aforementioned transactions constitutes a notifiable transaction of the Company.

On 19 November 2013, the Company raised funds by issuing Convertible Bonds in the principal amount of approximately HK\$151 million to Parko. As at the Latest Practicable Date, approximately HK\$88 million has been used for the capital contribution for the investment in China Coop Mengda as disclosed in the June 2014 Circular. Out of the utilised funds raised in the amount of approximately HK\$60 million, HK\$44 million has already been ear-marked by the Company for funding the investment in the new joint venture focusing on the provision of agricultural financial services as disclosed in the June

## LETTER FROM THE BOARD

2014 Circular. As such, the Directors consider that it is in the interests of the Company to raise additional capital from the equity market by the Placing and the Subscription in order to enhance the cash position of the Group and also the capital and shareholder base of the Company for long-term development and to further strengthen its financial position.

The Directors have also considered other ways of fund raising such as debt financing, bank borrowing, rights issue or open offer. As regards to debt financing and bank borrowing, having considered that it would increase the gearing level of the Group and the interest expenses and finance costs would impose additional financial burden to the Group's future cash flow, the Board considered that such fund raising method is currently not the most appropriate method to the Group. As regards to the viability of a rights issue or an open offer, given that there was a change of control of the Company in October 2013 thus the Company would be unable to demonstrate to potential investors or underwriter(s) of rights issue a proven track record for a considerable period of time, the Directors consider that they may have difficulty to find an independent underwriter in Hong Kong which is interested to underwrite a rights issue or open offer of the Company to raise the proposed amount of funds. The Directors consider that even if such an independent underwriter were identified, the rights issue or open offer would incur costly underwriting commission and the process would be relatively time consuming.

The Directors consider that the Subscription reflects the confidence and commitment of Parko, the controlling shareholder of the Company, towards the long-term and sustainable development of the Company, and that the continuing support of the controlling shareholder of the Company is crucial to ensure the business stability and long-term development of the Group.

In light of the above, the Board is of the view that the Placing and the Subscription are the most appropriate fund raising method and are beneficial to the Company.

Overall, the Directors (excluding the Independent Board Committee), after taking into account the factors, reasons and circumstances disclosed above, consider that the terms of the Placing Agreement and the Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Mr. Chen Li-Jun and Mr. Peng Guojiang are the directors of the Subscriber and have material interest in the Placing and the Subscription, and they have abstained from voting on the resolutions in respect of approving the Placing and the Subscription at the Board meeting.

## LETTER FROM THE BOARD

### VI. FUND RAISING ACTIVITY OF THE COMPANY IN THE PAST 12 MONTHS

The Company conducted the following fund raising activity in the past 12 months immediately before the Latest Practicable Date.

Date of announcement/ circular	Fund raising activity	Net proceeds	Intended use of proceeds as announced	Actual use of proceeds as at the Latest Practicable Date
16 August 2013, 13 September 2013, 19 November 2013 and 28 January 2014	The Company issued convertible bonds (“Convertible Bonds”) in the principal amount of approximately HK\$151 million to Parko on 19 November 2013. On 28 January 2014, Parko fully exercised the Convertible Bonds and the Company allotted and issued a total of 79,477,642 shares of HK\$0.10 each (representing 317,910,568 Shares after the share subdivision) as a result of the conversion.	Approximately HK\$148 million	For funding of new investments which the Group may from time to time identify and for general working capital purposes.	(i) Approximately HK\$88 million was used for the capital contribution for the investment in China Coop Mengda on 4 June 2014 (please refer to the June 2014 Circular for further details relating to China Coop Mengda); and

<b>LETTER FROM THE BOARD</b>
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Date of announcement/ circular	Fund raising activity	Net proceeds	Intended use of proceeds as announced	Actual use of proceeds as at the Latest Practicable Date
				(ii) approximately HK\$44 million is expected to be used for funding the investment in the new joint venture focusing on the provision of agricultural financial services as disclosed in the June 2014 Circular and approximately HK\$16 million is expected to be used for such other new investment(s) which the Group may from time to time identify and general working capital purposes.

Save as disclosed above, the Company did not conduct any fund raising activity in the 12 months immediately before the date of this circular.

## LETTER FROM THE BOARD

### VII. CHANGES TO THE SHAREHOLDING STRUCTURE AS A RESULT OF THE SUBSCRIPTION AND THE PLACING

Assuming that the maximum number of Placing Shares and Subscription Shares will be issued, the expected changes in the share capital and shareholding structure of the Company resulting from the Placing and the Subscription are as follows:

Name of Shareholder	At the Latest Practicable Date		Immediately after the Placing Completion and the Subscription Completion	
	<i>No. of Shares</i>	%	<i>No. of Shares</i>	%
Subscriber	677,438,392	51.00	933,538,392	51.06
Placees	–	–	243,900,000	13.34
Mr. Chou Shih Chung <sup>(note)</sup>	91,792,000	6.91	91,792,000	5.02
Other public shareholders	559,080,176	42.09	559,080,176	30.58
Total	1,328,310,568	100.00	1,828,310,568	100.00

*Note:* Save as being a shareholder of the Company, Mr. Chou Shih Chung was independent of the Company and the Subscriber as at the Latest Practicable Date.

### VIII. RECOMMENDATION

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the Placing Agreement and the Subscription Agreement are fair and reasonable and the entering into of the Placing Agreement and the Subscription Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to approve the Placing Agreement, the Subscription Agreement and the transactions contemplated thereunder, including the issue of Placing Shares and Subscription Shares under specific mandates. The text of the letter from Independent Board Committee is set out on pages 20 to 21 of this circular.

### IX. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

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

\* for identification purpose only

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

*The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Placing Agreement and the Subscription Agreement and the transactions contemplated thereunder:*



# NATIONAL AGRICULTURAL HOLDINGS LIMITED 國農控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1236)**

*To the Independent Shareholders*

Dear Sir or Madam,

### **(1) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE AND (2) SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE**

We refer to the circular dated 3 September 2014 (the “**Circular**”) to the shareholders of the Company of which this letter forms part. Unless otherwise specified, terms defined in the Circular shall have the same meanings in this letter.

As the Independent non-executive Directors who are independent of the parties to the Placing Agreement, the Subscription Agreement and the transactions contemplated thereunder, we have been appointed to form this Independent Board Committee to advise you as to whether, in our opinion, the respective terms of the Placing Agreement and the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Altus Capital Limited has been appointed as the Independent Financial Adviser to advise this Independent Board Committee on the fairness and reasonableness of the respective terms of the Placing Agreement and the Subscription Agreement and the transactions contemplated thereunder.

We wish to draw your attention to the letter from the Board, as set out on pages 5 to 19 of the Circular, and the letter of advice from the Independent Financial Adviser, as set out on pages 22 to 48 of the Circular, both of which provide details of Placing Agreement and the Subscription Agreement and the transactions contemplated thereunder. Having considered the advice rendered by the Independent Financial Adviser and the principal factors and reasons taken into consideration by it in arriving its advice, we are of the opinion that the terms of the Placing Agreement and the Subscription Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and are fair and reasonable. Accordingly, we

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

recommend the Independent Shareholders to vote in favour of the ordinary resolution which will be proposed at the EGM to approve the respective terms of the Placing Agreement and the Subscription Agreement and the transactions contemplated thereunder, including the issue of Placing Shares and Subscription Shares under the specific mandates.

Yours faithfully,  
For and on behalf of  
**Independent Board Committee**

**Chiu Kam Hing Kathy**  
*Independent*  
*non-executive Director*

**Ting Tit Cheung**  
*Independent*  
*non-executive Director*

**Shum Wan Lung**  
*Independent*  
*non-executive Director*

**Law Yee Kwan Quinn**  
*Independent*  
*non-executive Director*

## LETTER FROM ALTUS CAPITAL

*The following is the text of a letter of advice from Altus Capital to the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Placing Agreement and the Subscription Agreement which has been prepared for the purpose of incorporation in this circular.*

### **ALTUS CAPITAL LIMITED**

21 Wing Wo Street  
Central, Hong Kong

3 September 2014

*To the Independent Board Committee and  
the Independent Shareholders*

#### **National Agricultural Holdings Limited**

Suites 1604-05  
Block 3, Prudential Tower  
Harbour City, 21 Canton Road  
Tsimshatsui  
Kowloon  
Hong Kong

Dear Sirs,

### **PLACING OF NEW SHARES UNDER SPECIFIC MANDATE AND SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Placing of new Shares to Placees and the Subscription of new Shares by Parko, a controlling shareholder of the Company, under the Placing Agreement and the Subscription Agreement respectively. Details of the Placing Agreement and the Subscription Agreement are set out in the "Letter from the Board" contained in the circular of the Company dated 3 September 2014 (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meaning as those defined in the Circular unless the context requires otherwise.

On 14 August 2014 (after trading hours), the Company and the Placing Agents entered into the Placing Agreement pursuant to which the Placing Agents have severally and conditionally agreed to procure, on a best effort basis, a total of not less than six Placees (who are to the best knowledge, information and belief of the Placing Agents, independent of and not connected with any of the Directors, chief executive or substantial shareholders of the Company or its subsidiaries or their respective associates) to subscribe



## LETTER FROM ALTUS CAPITAL

for up to a maximum of 243,900,000 Placing Shares within the Placing Price Range of HK\$2.80 to HK\$3.28 per Placing Share. The Placing is subject to conditions set out in the section headed “Conditions precedent to the Placing” of the “Letter from the Board” of the Circular. Since completion of the Placing Agreement and the Subscription Agreement (as described below) are inter-conditional, a specific mandate to issue the Placing Shares will be sought from the Independent Shareholders at the EGM. The final Placing Price is to be determined among the Company and the Placing Agents on the Price Determination Date by the execution of the Price Determination Agreement.

In addition, on 14 August 2014 (after trading hours), the Company entered into the Subscription Agreement with Parko, pursuant to which Parko has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue Subscription Shares in a number equivalent to 1.05 times of the number of Placing Shares actually placed under the Placing Agreement but up to a maximum of 256,100,000 Subscription Shares at a price equivalent to the Placing Price. The Subscription is subject to conditions set out in the section headed “Conditions precedent to the Subscription” of the “Letter from the Board” of the Circular. Specific mandates to issue the Placing Shares and the Subscription Shares will be sought from the Independent Shareholders at the EGM.

Completion of the Placing Agreement and the Subscription Agreement are inter-conditional and shall take place simultaneously.

The Placing Shares and the Subscription Shares will be allotted and issued under specific mandates to allot, issue and deal with Shares by an ordinary resolution to be proposed for passing by the Shareholders or Independent Shareholders (where applicable) at the EGM. The general mandate of the Company approved by the Shareholders at the annual general meeting held on 12 June 2014 will not be used for the issue of the Placing Shares and the Subscription Shares.

Assuming the maximum number of Placing Shares and Subscription Shares are placed and subscribed for, the gross proceeds from the Placing and the Subscription are expected to be approximately HK\$1,400 million (based on the minimum Placing Price and Subscription Price of HK\$2.80 per Share) to HK\$1,640 million (based on the maximum Placing Price and Subscription Price of HK\$3.28 per Share). The net proceeds of the Placing and the Subscription (after deducting related placing commissions, professional fees and related expenses) are expected to be in the range of approximately HK\$1,382 million to HK\$1,619 million. Details of the intended use of the net proceeds from the Placing and the Subscription are set out in the section headed “Use of proceeds and the reasons for the Placing and the Subscription” of the “Letter from the Board” of the Circular.

## LETTER FROM ALTUS CAPITAL

As at the Latest Practicable Date, Parko is a controlling shareholder which holds 677,438,392 Shares, representing approximately 51.00% of the issued share capital of the Company. Since Parko is a controlling shareholder and hence a connected person of the Company under Rule 14A.07(1) of the Listing Rules, the Subscription will constitute a connected transaction for the Company, and is subject to the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. As disclosed in the "Letter from the Board" of the Circular, Parko and its associates will abstain from voting at the EGM to consider and approve the resolution relating to the Placing Agreement and the Subscription Agreement.

### THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Ms. Chiu Kam Hing, Kathy, Mr. Ting Tit Cheung, Mr. Shum Wan Lung and Mr. Law Yee Kwan, Quinn has been established to advise the Independent Shareholders as to (i) whether the Placing Agreement and the Subscription Agreement are entered into in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; (ii) whether the terms of the Placing Agreement and the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) how the Independent Shareholders should vote in respect of the ordinary resolution to be proposed at the EGM to approve the transactions contemplated under the Placing Agreement and the Subscription Agreement.

As the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the Placing Agreement and the Subscription Agreement are entered into in the ordinary and usual course of business of the Group and are in the interests of Company and the Shareholders as a whole; (ii) whether the terms of the Placing Agreement and the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) how the Independent Shareholders should vote in respect of the ordinary resolution to be proposed at the EGM to approve the transactions contemplated under the Placing Agreement and the Subscription Agreement.

### BASIS OF OUR ADVICE

In formulating our opinion, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (the "Management"). We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at the date of the Circular.

## LETTER FROM ALTUS CAPITAL

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Company, the Directors and the Management have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions and representations and have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

#### 1. Information of the Group

##### *1.1. Recent development relating to the change in control of the Company*

Reference is made to an announcement of the Company dated 15 July 2013 whereby Parko and certain vendors entered into a share purchase agreement, pursuant to which the vendors agreed to sell and Parko agreed to acquire 87,250,000 shares (of HK\$0.10 each) of the Company in aggregate (representing approximately 34.54% of the then issued share capital of the Company). Conditions of the aforesaid share purchase agreement were satisfied and completion took place on 11 October 2013.

Following completion of the abovementioned share purchase agreement, Parko made a mandatory conditional general cash offer for all the then issued shares of the Company (other than those already owned or agreed to be acquired by Parko and parties acting in concert with it) pursuant to Rule 26.1 of the Hong Kong Code on Takeovers and Mergers (the “**Cash Offer**”). Following the completion of the Cash Offer on 12 November 2013, Parko and parties acting in concert with it were interested in an aggregate of 138,259,200 shares (of HK\$0.10 each) of the Company, representing approximately 54.73% of the total issued share capital of the Company as at 12 November 2013.

Also disclosed in a joint announcement issued by Parko and the Company dated 16 August 2013 and the circular issued by the Company dated 13 September 2013, in accordance with a subscription agreement dated 15 July 2013, Parko would subscribe for the convertible bonds of the Company (the “**Convertible Bonds**”) in the maximum aggregate amount of HK\$247,925,000. As the total consideration payable to the holders of the shares who had accepted the Cash Offer was HK\$96,917,480, the principal amount of the Convertible Bonds subscribed for by Parko was HK\$151,007,520. Conditions of the aforesaid subscription agreement were satisfied and completion took place on 19 November 2013.

## LETTER FROM ALTUS CAPITAL

On 28 January 2014, the Company received conversion notice from Parko in respect of the full conversion of all of the Convertible Bonds in the principal amount of HK\$151,007,520. As a result of this conversion, the Company allotted and issued a total of 79,477,642 shares (of HK\$0.10 each) of the Company to Parko on 28 January 2014. Immediately after the issue and allotment of 79,477,642 shares (of HK\$0.10 each) to Parko, Parko transferred a total of 26,911,855 shares (of HK\$0.10 each) of the Company to third parties. Consequently, as at 28 January 2014, Parko was interested in 185,564,987 shares (of HK\$0.10 each) of the Company, representing approximately 55.88% of the then issued share capital of the Company.

### *1.2 Principal activities of the Group*

During 2013, notwithstanding that there was a change in control of the Company in October 2013, the principal activities of the Company and its subsidiaries remained to be the research, development and distribution of software, and provision of related maintenance, usage and information services in the PRC.

Parko has stated in the composite offer document for the Cash Offer issued jointly by Parko and the Company on 15 October 2013 that it intended to continue the existing business of the Company and would explore other business opportunities and consider whether any assets and/or business acquisitions by the Group would be appropriate in order to enhance its growth.

As disclosed in a circular of the Company dated 6 June 2014, (i) Ever Harvest Inc. Limited ("**Ever Harvest**"), a wholly-owned subsidiary of the Company, entered into a joint venture agreement dated 21 March 2014 with Xinyuan Taiafeng Agricultural Asset Management (Beijing) Company Limited ("**Xinyuan**") (a company controlled by Coopinvest Company Limited, which is an indirect subsidiary of All China Federation of Supply and Market Cooperatives, an institutional organisation under the State Council of the Central People's Government of the PRC) to form the new joint venture ("**New Joint Venture 1**") which will engage in agricultural finance services in the PRC; and (ii) Ever Harvest entered into a joint venture agreement dated 21 March 2014 and a capital contribution agreement dated 14 August 2014 with the shareholders of China Coop Financial Leasing Co., Ltd. ("**China Coop Mengda**"), to form a new joint venture ("**New Joint Venture 2**") which will principally engage in the general leasing and financial leasing business.

As disclosed in an announcement issued by the Company dated 4 June 2014, a wholly-owned subsidiary of the Company, entered into a cooperation framework agreement dated 4 June 2014 with Guangzhou Exchange Group Co., Ltd. for the cooperation in the development and operation of agricultural products trading business and rural land property rights transfer business in the PRC (the "**Cooperation**").

## LETTER FROM ALTUS CAPITAL

As disclosed in an announcement issued by the Company dated 4 August 2014, the Company entered into a memorandum of understanding with Sinoagri Agricultural Machinery Holdings Company Limited in relation to the possible acquisition by the Company of an interest in Hebei Sinoagri Boyuan Agricultural Machinery Company Limited, which is principally engaged in the manufacturing and sales of agricultural machinery in the PRC.

In other words, since the change in control and as at the Latest Practicable Date, the Group has expanded its business scope where the Company is an investment holding company and its subsidiaries are principally engaged in rural financial services, trading in agricultural products and means of production, urbanisation, and the development, production and sale of information technology products in the financial sector.

### 1.3 Latest available financial information of the Group

Set out below is a summary of financial highlights of the Group for the two years ended 31 December 2012 and 2013 and for the six months ended 30 June 2014 as extracted from the annual report of the Group for the year ended 31 December 2013 (the “**2013 Annual Report**”) and the announcement of interim results for the six months ended 30 June 2014 (the “**2014 Interim Announcement**”) respectively. We wish to draw your attention to the fact that the information below reflects the financial information of the Group before the change in control of the Company with effect from October 2013 and does not reflect new ventures and/or investments that were recently made in 2014.

	<b>Year ended 31 December</b>		<b>Six months ended</b>
	<b>2012</b>	<b>2013</b>	<b>30 June 2014</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(unaudited)
Turnover	105,747	95,659	53,442
Gross profit	75,628	67,217	39,440
Profit/(loss) for the year/period	4,765	(25,961)	(5,436)
			<b>As at</b>
	<b>As at 31 December</b>		<b>30 June</b>
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(unaudited)
Cash and cash equivalents	130,061	180,020	184,209
Net asset value	158,452	170,214	335,904

Source: 2013 Annual Report, 2014 Interim Announcement

## LETTER FROM ALTUS CAPITAL

As mentioned in section 1.2 above, during the year ended 31 December 2013, notwithstanding that there was a change in control of the Company in October 2013, the Group remained to be engaged in the research, development and distribution of software, and provision of related maintenance, usage and information services in the PRC.

According to the 2013 Annual Report, the PRC stock market experienced a correction throughout 2013. Given the close correlation between the financial services sector and the condition of the securities markets in the PRC, the enthusiasm and confidence of stock investors was dampened by the market downturn in the PRC, which in turn negatively affected the demand for financial information services. Consequently, the number of the Group's financial services clients declined in 2013 and in turn, affected the software sales. For the year ended 31 December 2013, the Group reported a turnover of approximately RMB95.7 million, representing a decrease of approximately 9.5% as compared to the previous year. Consequently, gross profit decreased by approximately 11.1% to approximately RMB67.2 million.

As shown in the 2013 Annual Report, for the year ended 31 December 2013 the amount recorded under (i) the other income; (ii) the selling and distribution costs; and (iii) the research and development costs remained relatively stable as compared to the previous year.

However, the Group recorded a loss of approximately RMB26.0 million for the year ended 31 December 2013 as compared to a profit of approximately RMB4.8 million in the previous year. Such loss was mainly attributable to (i) the increase in administrative expenses from approximately RMB16.8 million in 2012 to approximately RMB28.9 million for the year ended 31 December 2013 incurred in compliance with the Company's obligations under the Hong Kong Code on Takeovers and Mergers in relation to the acquisition of a controlling interest in the Company by Parko and the Cash Offer; (ii) the fair value of the Convertible Bonds as at 31 December 2013 having exceeded the consideration proceeds received by the Company, which in turn, gave rise to a loss on initial recognition of the Convertible Bonds of approximately RMB11.1 million; and (iii) the professional fees incurred in relation to a one-off strategic review of the Group's financial information services and software terminal operations.

For the six months ended 30 June 2014, the Group recorded a loss of approximately RMB5.4 million which was mainly attributable to (i) the increase in total expenditure of the Group in view of the increase in staff costs, expenses on rental payment and administration for the Group's office in Hong Kong which became operational in January 2014; and (ii) the increase in expenses incurred for business development and fees paid to independent financial advisers, accountants and legal advisers.

1.4 *Business outlook*

As described in the 2013 Annual Report, given that China Securities Regulatory Commission has approved the opening of a large number of Type-C business offices while traditional brokerages have been moving towards integrated services such as wealth management, this presents an opportunity for the future development of the financial information service industry. However, the Management believes the current market is still at its early stage of development and the overall financial market environment has to improve in order to generate positive results. The Group, facing intra-sector competition, has dedicated more resources towards new product research and development. Since these new products are still in promotional trial stage, the cost remains relatively high. Time is required for these new products to become profitable.

The 2013 Annual Report also stated the Management's belief that for 2014, the global economy is expected to improve further, and PRC's economy is expected to grow at a rate of about 7.5%. Accordingly, income and consumption per capita are expected to continue to rise, with domestic consumption expected to grow in tandem with the acceleration of urbanisation development in the PRC amid a moderate pick-up in economic growth. In addition, per capita income in cash is also expected to continue to rise, with growth expected to continue to outpace that of urban residents.

Following the PRC government's policy of "helping farmers, improving their living standards and strengthening the agricultural sector" and striving to drive the development of "agricultural sector, rural areas and farmers", the Group has clearly defined the focus of its future business with the strategic goals in line with the aforesaid policy.

Parko is ultimately controlled by Hebei Supply and Marketing Cooperative ("**Hebei SMC**"), which is one of the largest integrated agricultural economic and trade service providers in the PRC. Hebei SMC's development direction and staff appointments are advised and administered by the Hebei Provincial People's Government. Its business covers conventional agricultural means of production and the cotton and salt industries as well as new areas of development – county town commercial complexes, e-commerce and the rural financial industry – providing comprehensive and integrated agriculture, economic and trade services. According to the Management, the Group is expected to leverage on the full support of Hebei SMC and its own competitive advantages to capture the robust market opportunities arising from the favorable business environment. In addition, the Group is optimistic about its long-term development and will better position itself to take on the challenges and opportunities arising in the years to come – by integrating internal and external resources and leveraging its advantages in terms of cooperation in a more effective manner – in order to contribute to solving issues relating to "agricultural sector, rural areas and farmers" issues in the PRC.



## LETTER FROM ALTUS CAPITAL

Further, as disclosed in the 2014 Interim Announcement, going forward, the Group expects that the pace of the development of the PRC's "agriculture sector, rural areas and farmers" will increase against the backdrop of PRC's economy being back on a rising track and the central government's strenuous support for such development. The expedited development of rural areas will bring forth sustainable upgrade of farmers' lives and in turn their consumption power. As the only overseas capital market platform for PRC's nationwide supply and marketing system, the Group will leverage on the full support from Hebei SMC and its own competitive strengths to grasp market opportunities amidst a favorable business environment. It will work pragmatically on its three business segments namely "rural finance services", "trading in agricultural means of production" and "urbanisation development". By combining internal and external resources and taking advantage of cooperation in terms of uplifted efficiency, the Group will strive for a more favorable position to grasp the business opportunities presented in the area of "agriculture sector, rural areas and farmers".

The Management expects (i) New Joint Venture 1 to bring together the Group's expertise in financial information technology with Xinyuan's financing capabilities; (ii) New Joint Venture 2 to allow the Group to expand its products coverage to financial leasing; and (iii) the Cooperation to further widen the exposure to the Group's agricultural products, all of which in turn drive towards a strategic goal of "helping farmers, improving their living standards and strengthening the agricultural sector".

We are of the view that the recent developments of the Group of setting up two different joint ventures and cooperation, and the stated future directions going forward provide clarity to the Shareholders in respect of the Group's future corporate directions.

## **2. Use of proceeds and the Group's reasons for and benefits of entering into the Placing Agreement and the Subscription Agreement**

### *2.1. Use of proceeds*

As stated in the "Letter from the Board" of the Circular, the Group intends to use the net proceeds from the Placing and the Subscription in the following manner if the net proceeds from the Placing and the Subscription are at the high-end of HK\$1,619 million: (i) approximately 30% (being approximately HK\$485.7 million based on the maximum Placing Price) for the capital injection into China Coop Financial Leasing Co., Ltd. to enhance the Company's capability to take on the general leasing and financial leasing business as disclosed in the circular of the Company dated 6 June 2014 and the announcement dated 14 August 2014, (ii) approximately 60% (being approximately HK\$971.4 million based on the maximum Placing Price) for the development of agricultural products trading platform in cooperation with Guangzhou Commodity Exchange Limited as disclosed in the announcement of the Company dated 8 July 2014, and (iii) approximately 10% (being approximately HK\$161.9 million based on the maximum Placing Price) for the funding of other new investments which the Group may from time to time



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identify, and for general working capital purposes. We note that the above is in line with the Group's stated business strategy as discussed in section 1 above.

We also note that in the event that the net proceeds from the Placing and the Subscription are below the high-end of HK\$1,619 million, the amounts intended to be used for the aforementioned purposes will be adjusted according to the actual amount of proceeds raised as further described in the "Letter from the Board" of the Circular.

### *2.2. Reasons for and benefits of entering into the Placing Agreement and the Subscription Agreement*

Based on our discussion with the Management, we note the reasons for and benefits of entering into the Placing Agreement and the Subscription Agreement as described below:

- (i) regarding the Cooperation, as disclosed in the announcement of the Company dated 4 June 2014, the Group has entered into a joint venture with the Guangzhou Commodity Exchange Limited for the development and operation of agricultural products trading business and rural land property rights transfer business in the PRC. Based on its current stage of development, the Management foresees the need for additional capital. Thus, the Group has proposed the Placing and the Subscription to raise funds for the continued development of the Cooperation, which is in the normal course of business of the Group;
- (ii) regarding the New Joint Venture 1 and New Joint Venture 2, as disclosed in the circular of the Company dated 6 June 2014, the Group has (i) entered into a joint venture agreement with Xinyuan for the provision of agricultural financial services; and (ii) entered into a joint venture with China Coop Financial Leasing Co., Ltd. for the provisions of general leasing and financial leasing business. Subsequently, on 14 August 2014, the Company announced that Ever Harvest has entered into a capital contribution agreement with China Coop Mengda to further enhance the Company's capability to take on the general leasing and financial leasing. The funds previously raised for these joint ventures have been allocated and/or utilised. The Management believes additional capital resources will allow the expansion of the agricultural financial services business and leasing business to be continued. Thus, the Group has proposed the Placing and the Subscription to provide more capital for the continued development of New Joint Venture 1 and New Joint Venture 2, which is in the normal course of business of the Group; and
- (iii) based on our discussion with the Management, we note that the Group also explores from time to time potential business opportunities and investments to enhance shareholder value by identifying suitable investment opportunities which could provide a sustainable stream of cash flow and profit in the long run. Although no new investment targets have been identified as at the Latest Practicable Date, the

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Directors believe that the additional capital from the net proceeds of the Placing and the Subscription will facilitate the efficient and timely execution of such potential investment projects as and when they arise.

In view of the use of proceeds and the Group's reasons for and benefits of entering into the Placing and the Subscription mentioned above, we concur with the Directors' view that the Placing and the Subscription will strengthen the financial position of the Group and are in the interests of the Company and the Shareholders as a whole. Please refer to the section headed "Financial effects of the Placing Agreement and Subscription Agreement" of this letter for analysis of their financial effects on the Group.

### **3. The Placing Agreement**

As detailed in the "Letter from the Board" of the Circular, the Company and the Placing Agents entered into the Placing Agreement on 14 August 2014 pursuant to which the Placing Agents have conditionally agreed to procure, on a best effort basis, not less than six Placées to subscribe for up to a maximum of 243,900,000 Placing Shares within the Placing Price Range of HK\$2.80 to HK\$3.28 per Placing Share, representing (i) a discount of approximately 3.45% to a premium of approximately 13.10% respectively to the closing price of HK\$2.90 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and (ii) a discount of approximately 4.18% to a premium of approximately 12.25% respectively to the average closing price of approximately HK\$2.92 per Share as quoted on the Stock Exchange for the last five consecutive trading days of the Shares immediately prior to the date of the Placing Agreement. The maximum number of 243,900,000 Placing Shares represents (i) approximately 18.4% of the existing issued share capital of the Company of 1,328,310,568 Shares as at the Latest Practicable Date; and (ii) approximately 13.3% of the issued share capital of the Company of 1,828,310,568 Shares as enlarged by the allotment and issue of the Placing Shares and the Subscription Shares in aggregate.

As stated in the "Letter from the Board" of the Circular, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, apart from the warrants held by CCB International Securities Limited with the purchase right to purchase which can be exercised into 47,368,421 Shares, each of the Placing Agents is a third party independent of and is not connected with the Company and its connected persons.

The Placing Completion is conditional upon the fulfilment of the conditions precedents as detailed in the "Letter from the Board" of the Circular, in particular, inter-conditional on the completion of the Subscription. If any of the conditions precedents under the Placing Agreement is not fulfilled on or before 9 October 2014, the Placing Agreement shall terminate with immediate effect and all obligations of each of the parties shall cease and no party shall have any claim against any other party in respect of the Placing Agreement, except for any antecedent breach under the Placing Agreement.

The final Placing Price will be determined among the Company and the Placing Agents on the Price Determination Date by the execution of the Price Determination Agreement.

#### **4. The Subscription Agreement**

As detailed in the “Letter from the Board” of the Circular, on 14 August 2014, the Company entered into the Subscription Agreement with Parko pursuant to which Parko has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue Subscription Shares in a number equivalent to 1.05 times of the number of Placing Shares actually placed under the Placing Agreement up to a maximum of 256,100,000 new Shares at a price equivalent to the Placing Price. The maximum number of 256,100,000 Subscription Shares represents (i) approximately 19.3% of the existing issued share capital of the Company of 1,328,310,568 Shares as at the Latest Practicable Date; and (ii) approximately 14.0% of the issued share capital of the Company of 1,828,310,568 Shares as enlarged by the allotment and issue of the Placing Shares and the Subscription Shares in aggregate. Discussion on the aforesaid ratio of the number of Subscription Shares to the Placing Shares is further elaborated under the section headed “Dilution effects on the Independent Shareholders” below.

The Subscription Price shall be equivalent to the Placing Price to be determined by the Company and the Placing Agents on the Price Determination Date. The Subscription Completion is conditional upon the fulfilment of the conditions precedents as detailed in the “Letter from the Board” of the Circular. If any of the conditions precedents under the Subscription Agreement is not fulfilled on or before 9 October 2014, the Subscription Agreement shall terminate with immediate effect and all obligations of each of the parties shall cease and no party shall have any claim against any other party in respect of the Subscription Agreement, except for any antecedent breach under the Subscription Agreement.

Based on our discussion with the Management, we note that the Directors have considered the advantages and disadvantages of various means of fund raising for the Group, such as debt offering, bank financing and rights issue, details of which are further elaborated under the section headed “Other alternatives available for fund raising” below. The Directors believe that by having the Subscription in place along with the Placing, it is able to demonstrate the controlling Shareholders’ commitment toward the Company, which in turn can help the marketability of the Placing.

In particular, completion of the Placing Agreement and the Subscription Agreement are inter-conditional and shall take place simultaneously. Under the inter-conditional arrangement of the Placing and the Subscription, if the Placing does not proceed to completion, the Subscription Completion will not take place, and both the Placing Agreement and Subscription Agreement would be terminated. Based on our discussion with the Management, we note that the Directors are of the view that the inter-conditional arrangement of the Placing Agreement and the Subscription Agreement allows the Group to raise a substantial amount of funds while balancing the existing diversified shareholding base between Parko and the Independent Shareholders. The Directors consider that if the Placing were not made conditional upon the completion of the Subscription, this may affect the marketability of the Placing.

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If only the Subscription were to proceed, it would (i) lower the amount of funds raised by about half; (ii) lower the level of public float of the Shares; and (iii) may increase the Group's reliance on Parko. On balance, the Directors consider that the implementation of the Placing and the Subscription simultaneously is a balanced approach and is in the interests of the Company and the Shareholders as a whole. Taking into account the above and our analysis below, we concur with the views of the Directors.

### **5. Other alternatives available for fund raising**

As discussed with the Management, we note that apart from the Placing and the Subscription of new Shares, the Directors have considered other means of fund raising, including debt financing, bank borrowing and rights issue. However, the Directors are of the view that the feasibility of these alternatives has been impeded by the recent change in control of the Company in October 2013 and limited track record of the Group's new business ventures. A summary of the Director's consideration of these alternatives are described below:

#### *(i) Debt financing*

Based on our discussion with the Management, we understand that the Directors consider that it will not be commercially viable for the Group to make debt financing to potential investors since (i) the Group had incurred nominal loss for the year ended 31 December 2013, mainly due to administration expenses incurred from the Cash Offer; (ii) the Group also incurred a loss for the six months ended 30 June 2014; and (iii) the Group has a limited track record under the new management since the change in control of the Company in October 2013. The Directors are of the view that potential investors would generally hesitate in investing in debt instruments of companies with such limitations.

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We have also reviewed the announcements of Hong Kong listed companies with recent debt financing in the market that have raised a similar range of funds as the aggregate net proceeds of the Placing and the Subscription during the 2 months ended 14 August 2014, and noted that those companies are having certain track record or asset backing.

### *US Dollar denominated notes*

Date of announcement	Stock code	Company	Amount issued (USD)	Interest rate per annum (%)	Standard and Poor's issuer rating (Note 4)	Net Assets (RMB'000) (Note 1)
2-Aug-14	1862	Jingrui Holdings Limited	150,000,000	13.625	B2 (Note 3)	3,354,321
1-Aug-14	337	Greenland Hong Kong Holdings Limited	500,000,000	4.375	BBB	5,707,073
29-Jul-14	1813	KWG Property Holding Limited	400,000,000	8.250	BB-	17,842,162
25-Jul-14	1622	Redco Properties Group Limited	125,000,000	13.750	B	1,151,505
25-Jul-14	1186	China Railway Construction Corporation Limited	800,000,000	3.950	A-	83,824,716
24-Jul-14	1107	Modern Land (China) Co., Limited	125,000,000	12.750	B2 (Note 3)	2,470,993
24-Jul-14	3377	Sino-Ocean Land Holdings Limited	700,000,000	6.000	BBB-	43,445,045
24-Jul-14	3377	Sino-Ocean Land Holdings Limited	500,000,000	4.625	BBB-	43,445,045
15-Jul-14	267	CITIC Pacific Limited	110,000,000	4.700	BB	86,000,522 (Note 2)
14-Jul-14	1030	Future Land Development Holdings Limited	350,000,000	10.250	BB-	10,597,959
20-Jun-14	1378	China Hongqiao Group Limited	400,000,000	7.625	BB	26,882,545
17-Jun-14	3360	Far East Horizon Limited	200,000,000	5.550	BBB-	14,164,870

<b>LETTER FROM ALTUS CAPITAL</b>
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*RMB dominated notes*

Date of announcement	Stock code	Company	Amount issued (RMB)	Interest rate per annum (%)	Standard and Poor's issuer rating (Note 4)	Net Assets (RMB'000) (Note 1)
9-Jul-14	1233	Times Property Holdings Limited	900,000,000	10.375	B+	4,008,421
<i>Total</i>						
<b>Average</b>				8.140		26,376,552
<i>Investment grade</i>						
<b>Average</b>				4.900		38,117,350
<i>Non-investment grade</i>						
<b>Average</b>				10.166		19,038,554

*Notes:*

1. Based on the latest annual report published by the respective companies
2. Originally disclosed in HK\$ in the annual report. Translated to RMB at a rate of HK\$1 = RMB0.794
3. Based on Moody's issuer credit rating
4. For Standard and Poor's issuer credit rating, a credit rating of BBB- and above represents investment grade notes; and a credit rating of below BBB- represents non-investment grade notes. For Moody's issuer credit rating, a credit rating of Baa3 and above represents investment grade notes; and a credit rating of below Baa3 represents non-investment grade notes

Of the companies identified, those with investment grade – credit rating issued notes at interest rates ranging from 4.375% to 6.000% with an average interest rate of approximately 4.900%. Those companies with a non-investment grade – credit rating issued notes at interest rates ranging from 4.700% to 13.750% with an average interest rate of approximately 10.166%. We are of the view that the above companies provide sufficient number of comparables for reference to the terms which are applicable to listed companies, in general, in order for them to raise funds by way of debt offering under the prevailing market conditions. We are of the view that the above companies and the 2 month period can reflect the prevailing market trend in relation to debt offering.

## LETTER FROM ALTUS CAPITAL

As illustrated in the table above, we note that the above listed companies which had an average net asset value of approximately RMB26,377 million were able to raise debt capital at an average interest rate of approximately 8.140% per annum. Based on the above, and that the Company has net assets of approximately RMB170 million as at 31 December 2013 and approximately RMB336 million as at 30 June 2014, we are of the view that debt financing would not likely be commercially justifiable for the Company.

We are of the view that given the Company's (i) short track record under the new management since the change in control of the Company in October 2013; (ii) lack of credit rating; and (iii) the Group's relatively small asset base compared to the funds to be raised by the Placing and the Subscription, the terms for any debt financing, even if available, would likely be worse off than those which we have reviewed; and the interest rates of such debt financing will not likely be commercially justifiable.

### *(ii) Bank borrowing*

Based on our discussion with the Management, we understand that the Directors consider that it will not be commercially viable for the Group to obtain bank borrowings of the scale compared to the amount to be raised from the Placing and the Subscription since, apart from the reasons considered for debt financing discussed above, the target amount of funds to be raised (being the aggregate proceeds of the Placing and the Subscription) is relatively large as compared to the Group's asset base as a matter of collateral. Meanwhile, the Directors are also of the view that even if banks are willing to offer loans of this scale, banks are likely to offer with terms that the Group may not possibly be affordable.

In view of the difficulties in procuring potential investors for debt financing and the likely unfavourable loan terms from banks if such loans would be granted, we concur with the Directors' view that the debt financing and the bank borrowing, as mentioned above, are not a practicable or commercially viable means of raising funds at the moment.

### *(iii) Rights issue*

Based on our discussion with the Management, we understand that the Directors have also considered rights issue as a possible means of raising the proposed funds but have concluded that it will not be commercially practicable in terms of timing, costs and from the perspective of the underwriter(s).

The time required for raising the proposed funds is a factor for consideration. The Management noted that a rights issue exercise would require a relatively longer timeframe compared to the Placing and the Subscription. As the Group intends to deploy a portion of the proceeds to the financial leasing business, of which returns are expected to be generated immediately, the Directors are of the view that the time required for rights issue is comparatively less advantageous as compared to the Placing and the Subscription.



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A rights issue also incurs relatively higher costs than the Placing and the Subscription. The additional costs would lower the net proceeds accruing to the Group. The Directors believe that it is commercially justifiable to opt for Placing and Subscription over rights issue since the Placing and the Subscription are more cost-effective.

More importantly, we concur with the Directors' view that while it is recognised that a rights issue exercise would give equal opportunities to all existing Shareholders to participate in a fund raising exercise, it would be difficult to find suitable underwriter(s) to underwrite the Shares because of the relatively low trading volume and the limited operating track record under the new management since the change in control of the Company. Pursuant to the Listing Rules, rights issue of a listed issuer on the Stock Exchange must be fully underwritten in normal circumstances. In addition, the Company has conducted preliminary enquiry in relation to the feasibility of conducting a rights issue exercise and the response was unfavourable.

We also note that the Independent Shareholders' interest in the Company is not disadvantaged by the dilution of shares from the Placing and the Subscription since the net asset value ("NAV") per Share will be enhanced and the dilution on earnings per Share will be nominal as further elaborated below.

Taking into account of the aforementioned alternatives for fund raising, we concur with the Directors' view that fund raising by way of the Placing and the Subscription are relatively more suitable and viable for the Group at this juncture. The Placing and the Subscription would also enable the Group to be in an overall better financial position due to the increase in net asset value, as further discussed in the section headed "Financial effects of the Placing Agreement and Subscription Agreement" below. We consider that they are in the interests of the Company and the Shareholders as a whole.

### 6. Dilution effects on the Independent Shareholders

Assuming that the maximum number of Placing Shares and Subscription Shares will be issued, the expected changes in the share capital and shareholding structure of the Company resulting from the Placing and the Subscription are as follows:

Name of Shareholder	As at the Latest Practicable Date		Immediately after the Completion of the Placing and the Subscription	
	No. of Shares	%	No. of Shares	%
Parko	677,438,392	51.00	933,538,392	51.06
Placees	–	–	243,900,000	13.34
Chou Shih Chung	91,792,000	6.91	91,792,000	5.02
Other public Shareholders	559,080,176	42.09	559,080,176	30.58
<b>Total</b>	<b>1,328,310,568</b>	<b>100.00</b>	<b>1,828,310,568</b>	<b>100.00</b>



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Upon the completion of the Placing and the Subscription, we note that the level of shareholding interest of the Independent Shareholders, being Mr. Chou Shih Chung and the other public Shareholders, would decrease from approximately 49.81% as at the Latest Practicable Date to approximately 35.60% as the total number of issued Shares will be enlarged by the issue and allotment of the Placing Shares and the Subscription Shares. We also note that Parko will be able to maintain a similar level of shareholding interest as before the Placing and the Subscription, with a nominal increase of shareholding interest of approximately 0.06%, upon the completion of the Placing and the Subscription. We consider that the ratio of the number of Subscription Shares to the number of Placing Shares of 1.05 times reflects Parko's commitment to the Company and allows the shareholding base of the Company between Parko and the Independent Shareholders to remain balanced.

Despite the effects of dilution in terms of percentage of shareholdings to the Independent Shareholders, having considered the immediate enhancement on the Group's NAV per Share attributable to the Independent Shareholders after the Placing and the Subscription as discussed in the section headed "Financial effects of the Placing and the Subscription" below and also the favourable Placing Price and Subscription Price, as further discussed under the section headed "Analysis of the Placing Price" below, we are of the view that the dilution effect to the Independent Shareholders would be offset by the enhancement to their shareholding interest on a NAV per Share basis.

In addition, based on the 2013 Annual Report, we note that the Group had recorded a loss for the year ended 31 December 2013 due to certain one-off losses and expenses as described in section 1.3 above. As discussed with Management, we understand that excluding such one-off losses and expenses, the Group would have only made a made nominal profits. We are of the view that based on such nominal profits, the dilution effects on earnings per Share to the Independent Shareholders will be nominal.

### **7. Financial effects of the Placing and Subscription**

#### *(i) Cashflow and cash position*

As disclosed in the 2013 Annual Report, the Group had cash and cash equivalent of approximately RMB180.0 million as at 31 December 2013. Upon completion of the Placing and the Subscription, the liquidity and cash position of the Group will improve as the Placing and the Subscription will raise net proceeds of approximately HK\$1,382 million (based on the minimum Placing Price and Subscription Price of HK\$2.80 per Share) to HK\$1,619 million (based on the maximum Placing Price and Subscription Price of HK\$3.28 per Share). In turn, the net current assets and current ratio of the Group are expected to improve upon completion of the Placing and the Subscription.

#### *(ii) Earnings*

Based on our discussion with the Management, we understand that a certain amount of the proceeds raised from the Placing and the Subscription will be deployed to the financial leasing business of New Joint Venture 2 once available,

## LETTER FROM ALTUS CAPITAL

which is expected to be able to generate returns immediately. Taking into account of the positive impact of the Placing and the Subscription on the earnings while certain expenses will be incurred for the Placing and the Subscription, we are of the view that the Placing and the Subscription will, on balance, have a positive impact on the earnings of the Group.

*(iii) Net asset value and net asset value per Share*

As disclosed in the 2013 Annual Report, the net asset value of the Group as at 31 December 2013 amounted to approximately RMB170.2 million. Upon completion of the Placing and the Subscription, the net asset value of the Group will improve as the Group will receive the net proceeds of HK\$1,382 million (based on the minimum Placing Price and Subscription Price of HK\$2.80 per Share) to HK\$1,619 million (based on the maximum Placing Price and Subscription Price of HK\$3.28 per Share). The Placing and the Subscription will therefore have an overall positive impact on the net asset value of the Group immediately after the completion of the Placing and the Subscription.

On a per Share basis, based on the audited consolidated net assets of the Group of approximately RMB170.2 million and 1,328,310,568 Shares in issue as at the Latest Practicable Date, the NAV per Share is RMB0.128. Upon the completion of the Placing and the Subscription, with the additional 500,000,000 Shares (being 243,900,000 Placing Shares and 256,100,000 Subscription Shares), the NAV per Share is expected to increase from approximately RMB0.128 to the range of approximately RMB0.819 to approximately RMB0.979 (based on the minimum and maximum Placing Price and Subscription Price respectively). The NAV per Share will therefore be enhanced immediately after the Placing Completion and the Subscription Completion and we are of the view that such enhancement is favourable to the Group and the Independent Shareholders.

*(iv) Gearing ratio*

As disclosed in the 2013 Annual Report, the gearing ratio of the Group as at 31 December 2013 was approximately 42.5%. Upon completion of the Placing and the Subscription, and assuming that the interest-bearing liabilities of the Group would remain the same, the gearing level of the Group will be improved as a result of the net proceeds from the Placing and the Subscription.

Based on the above financial effects of the Placing and the Subscription, we are of the view that the Placing and the Subscription will have an overall positive effect on the Group's financial position and we consider that the Placing and the Subscription are in the interests of the Company and the Shareholders as a whole.

**8. Analysis of the Placing Price and the Subscription Price**

In assessing the reasonableness of the Placing Price and the Subscription Price, we have reviewed the closing price level of the Shares traded on the Stock Exchange during the last twelve months preceding the date of the Subscription Agreement, up to the last trading day prior to the date of the Announcement (the “**Review Period**”).

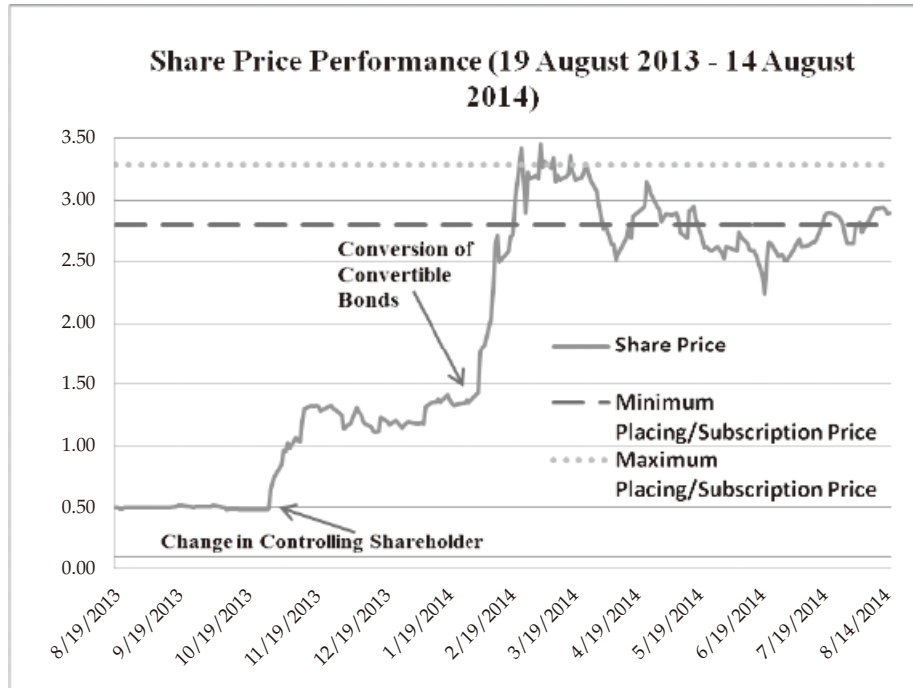
*(i) Review of Share price performance*

During the Review Period, the lowest closing Share price was HK\$0.478 and the highest closing Share price was HK\$3.46. The daily average and median closing Share price during the Review Period were approximately HK\$1.913 and HK\$2.510 respectively. The Placing Price and the Subscription Price represent a premium of approximately 46.4% and 71.5% over the daily average closing Share price and a premium of approximately 11.6% and 30.7% over the median closing Share price respectively for the Review Period; and represent a premium of approximately 8.57% over the closing price of HK\$2.90 per Share as of the last trading day. The Shares had been traded below the Placing Price Range from 19 August 2013 to 20 February 2014. It traded mostly within the Placing Price Range from 21 February 2014 to 16 May 2014; and thereafter, as the Share price retreated, the Shares traded mostly below the Placing Price Range up to the last trading day prior to the date of the Announcement.

As shown in the chart below, the Share price was relatively stable at around the level of HK\$0.50 per Share during the beginning of the Review Period. We note that subsequent to the announcement on 29 October 2013 that the cash offer by Parko has become unconditional in all respects, the Share price increased to the level of approximately HK\$1.25 and remained relatively stable for the next few months up to around the end of January 2014. Thereafter, the Share price increased substantially from the HK\$1.25 level to the HK\$3.25 level. There has not been any announcement on the material developments of the Company other than the announcement of the conversion of the Convertible Bonds by Parko on 28 January 2014 and the subdivision of the issued Shares effective on 11 February 2014. Since then, the Share price has regressed slightly, particularly after the profit warning announcement on 13 February 2014, but remained relatively stable around the price level of approximately HK\$2.80 since February 2014.

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The chart below illustrates the movement of the daily closing Share prices during the Review Period from 19 August 2013 to 14 August 2014:

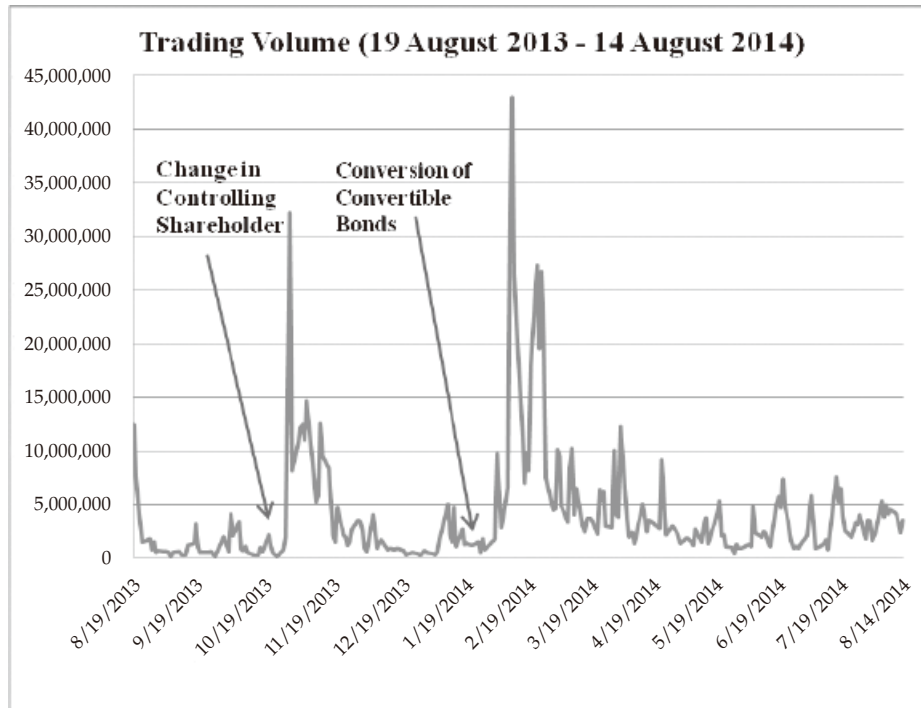


Source: Hong Kong Exchanges and Clearing Limited

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(ii) *Review on trading volume of the Shares*

For the purpose of assessing the trading volume of the Shares, we set out below the monthly trading volume, the average daily number of Shares traded per month expressed in (i) number of Shares; and (ii) a percentage to the total number of Shares in issue during the Review Period:



Source: Hong Kong Exchanges and Clearing Limited

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Month	Highest daily Turnover <i>(in number of shares)</i>	Lowest daily Turnover <i>(in number of shares)</i>	Average daily Turnover <i>(in number of shares)</i>	Percentage of average daily turnover over total number of Shares in issue <i>(Approx.)*</i>
<b>2013</b>				
August	12,418,000	464,000	3,480,000	1.3777%
September	3,112,000	56,000	742,900	0.2941%
October	32,216,000	142,000	3,352,000	1.3270%
November	14,618,000	1,184,000	6,719,890	2.6603%
December	4,020,000	168,000	1,362,635	0.5394%
<b>2014</b>				
January	5,022,000	252,000	1,589,201	0.4786%
February	42,983,000	1,790,000	16,078,526	1.2104%
March	10,180,001	2,248,000	5,148,048	0.3876%
April	12,264,000	1,360,000	4,216,200	0.3174%
May	5,260,000	424,000	1,971,613	0.1484%
June	7,328,000	862,000	2,719,400	0.2047%
July	7,522,000	750,000	3,094,909	0.2330%
August**	5,296,000	2,310,000	3,803,900	0.2864%

Source: *Hong Kong Exchanges and Clearing Limited*

\* We note that there was an increase in the total number of Shares due to the conversion of Convertible Bonds on 28 January 2014 and the subdivision of Shares on 11 February 2014. For illustration purposes, the percentage of average daily turnover over the total number of Shares in issue is based on the total number of issued Shares as at the last trading day of the respective month, being 252,600,000 shares from August 2013 to December 2013, 332,077,642 shares in January 2014, and 1,328,310,568 shares from February 2014 up to the last trading day prior to the date of the Announcement.

\*\* Up to the last trading day prior to the date of the Announcement

As shown in the table above, since the completion of the change in control of the Company, we note that the average daily trading volume has been less than approximately 0.54% of the total number of issued Shares, other than (i) in November 2013 after the announcement that the cash offer by Parko has become unconditional in all respects; and (ii) in February 2014 after the announcement of the conversion of the Convertible Bonds by Parko. As illustrated in the table and the graph above, the trading volume of the Shares during the Review Period had been relatively thin. During that period, the highest daily trading volume was approximately 42,983,000 Shares after the announcement of Parko's conversion of Convertible Bonds, representing approximately 3.23% of the total number of existing issued Shares.

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As illustrated in the graph of trading volume and table of average daily turnover in number of Shares as illustrated above, the Directors are of the view, and we concur, that given the relatively inactive trading of the Shares in the open market, it may be difficult to attract investors to purchase Shares. In this case of the Placing and the Subscription where the Company is able to raise funds by issuing new Shares at a premium over the market price is therefore favourable to the Company and the Shareholders as a whole.

*(iii) Comparison of the premium/discount of the Placing Price and the Subscription Price*

Based on the information available from the Stock Exchange's website, we have identified a list of 20 companies, which we believe is exhaustive, listed on the Main Board or Growth Enterprise Market of the Stock Exchange which had announced the issuance of new shares to their respective connected person(s) under specific mandates during the 2 months ended 14 August 2014 (the "Comparables"). We are of the view that these Comparables provide sufficient number of companies for reference to the terms which are applicable to listed companies, in general, in order for them to raise funds in the Stock Exchange by way of placing under the prevailing market conditions. We are of the view that the Comparables and the 2 month period can reflect the prevailing market trend in relation to issuing of new shares. Details of the Comparables are summarised in the following table:

Date of announcement	Stock code	Company	Placing price (HK\$)	Premium/ (Discount) of the placing price over/to the closing share price on the last trading day prior to the date of the corresponding announcement (%)	Premium/ (Discount) of the placing price over/to the average closing price of the last 5 trading days prior to the date of the corresponding announcement (%)
6-Aug-14	444	Sincere Watch (Hong Kong) Limited	1.34	(18.29%)	(18.29%)
4-Aug-14	209	China Tycoon Beverage Holdings Limited	0.205	(19.61%)	(15.64%)
1-Aug-14	8009	Chinese Energy Holdings Limited	0.18	(14.29%)	(18.77%)
23-Jul-14	1355	Legend Strategy International Holdings Group Company Limited	0.79	(17.71%)	(19.72%)
16-Jul-14	8063	Well Way Group Limited	0.09	(28.00%)	(24.87%)
16-Jul-14	1069	China Agroforestry Low-Carbon Holdings Limited	1.65	(10.81%)	(13.16%)
9-Jul-14	8351	Larry Jewelry International Company Limited	0.10	3.09%	(8.59%)

**LETTER FROM ALTUS CAPITAL**

<b>Date of announcement</b>	<b>Stock code</b>	<b>Company</b>	<b>Placing price (HK\$)</b>	<b>Premium/ (Discount) of the placing price over/to the closing share price on the last trading day prior to the date of the corresponding announcement (%)</b>	<b>Premium/ (Discount) of the placing price over/to the average closing price of the last 5 trading days prior to the date of the corresponding announcement (%)</b>
8-Jul-14	705	CVM Minerals Limited	0.15	(2.60%)	(1.57%)
8-Jul-14	139	ICube Technology Holdings Limited	0.125	(13.79%)	(16.44%)
3-Jul-14	8310	Gamma Logistics Corporation	0.25	(15.25%)	(18.83%)
3-Jul-14	8356	CNC Holdings Limited	0.25	(13.80%)	(14.70%)
2-Jul-14	8017	Long Success International (Holdings) Limited	0.46	13.58%	(18.87%)
30-Jun-14	8130	Zhi Cheng Holdings Limited	0.40	(3.15%)	(11.99%)
24-Jun-14	8082	Sage International Group Limited	0.044	(15.38%)	(18.82%)
24-Jun-14	872	Jinheng Automotive Safety Technology Holdings Limited	0.37	(15.91%)	(19.04%)
23-Jun-14	1046	Universe International Holdings Limited	0.10	(13.79%)	(13.64%)
20-Jun-14	706	Beautiful China Holdings Company Limited	0.40	(3.61%)	(10.11%)
20-Jun-14	8037	Rui King Pharmaceutical Group Investments Limited	0.18	(8.16%)	(12.02%)
19-Jun-14	727	VXL Capital Limited	0.36	(15.29%)	(17.81%)
16-Jun-14	8150	Seamless Green China (Holdings) Limited	0.80	(12.09%)	(8.26%)
Minimum				(28.00%)	(24.87%)
Maximum				13.58%	(1.57%)
Average				(11.24%)	(15.06%)
The Placing and the Subscription			2.80 3.28	(3.45%) 13.10%	(4.11%) 12.33%

Source: The website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))



## LETTER FROM ALTUS CAPITAL

As shown in the table above, the premium/discount of which the placing prices of the Comparables represented over/to (i) the relevant closing share price on the last trading day ranged from a discount of approximately 28.00% to a premium of approximately 13.58%, with the average being a discount of approximately 11.24%; and (ii) the average closing share price of the last 5 trading days ranged from a discount of approximately 24.87% to a discount of approximately 1.57%, with the average being a discount of approximately 15.06%.

As seen from the table above, we note that the Placing Price Range represents (i) a discount of approximately 3.45% to a premium of approximately 13.10% respectively to the closing price of the Shares as quoted on the Stock Exchange on the last trading day; and (ii) a discount of approximately 4.18% to a premium of approximately 12.25% respectively to the average closing price of the Shares as quoted on the Stock Exchange for the last five consecutive trading days of the Shares, which falls within the range of Comparables and are more favourable compared to the averages of the Comparables.

Based on the fact that (i) most of the Comparables have issued new shares at a discount to their market price while the minimum Placing Price and the Subscription Price represents a only a slight discount to the closing Share price on the last trading day and a premium over the average closing Share price on the last 5 trading days; (ii) the Placing Price Range falls within the range of the Comparables; and (iii) the Placing Price Range is more favourable compared to the average of the Comparables, we are of the view that the minimum Placing Price and Subscription Price is commercially justifiable as it is comparable to the Comparables; and if the Placing Price and the Subscription price can be set higher, the terms of the Placing and the Subscription would be even more favourable to the Company and the Shareholders as a whole.

### RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that (i) the transactions contemplated under the Placing Agreement and the Subscription Agreement are in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Placing Agreement and the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution to be proposed at the EGM to approve the transactions contemplated under the Placing Agreement and the Subscription Agreement at the EGM.

Yours faithfully  
For and on behalf of  
**Altus Capital Limited**  
**Chang Sean Pey**  
*Executive Director*

## LETTER FROM ALTUS CAPITAL

*Mr. Chang Sean Pey ("Mr. Chang") is a Responsible Officer of Altus Capital Limited licensed to carry on type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO and permitted to undertake work as a sponsor. He is also a Responsible Officer of Altus Investments Limited licensed to carry on type 1 (dealing in securities) regulated activity under the SFO. Mr. Chang has over 15 years of experience in banking, corporate finance and advisory, and investment management. In particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.*

*Pursuant to Rule 13.84 of the Listing Rules, Altus Capital Limited is independent from National Agricultural Holdings Limited. In particular, Altus Capital Limited has not acted as independent financial adviser of the Company's other transactions in the last two years from the date of the Circular.*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE SECURITIES

### (i) Share capital

Set out below are the authorised and issued share capital of the Company (i) as at the Latest Practicable Date; (ii) immediately upon the Placing Completion and the Subscription Completion, assuming that the maximum number of Placing Shares and Subscription Shares are issued.

<i>Authorised</i>		<i>HK\$</i>
	Shares as at the Latest Practicable Date	
4,000,000,000		100,000,000.0
	<i>Issued and fully paid or credited as fully paid</i>	
	Shares as at the Latest Practicable Date	
1,328,310,568		33,207,764.2
<u>500,000,000</u>	Allotment and issue of the Placing Shares and the Subscription Shares	<u>12,500,000</u>
<u>1,828,310,568</u>		<u>45,707,764.2</u>

All the issued Shares including the Placing Shares and the Subscription Shares will rank pari passu with each other in all respects including the rights in respect of capital, dividend and voting.

Save for the issuance of 79,477,642 shares in the Company of HK\$0.10 each (representing 317,910,568 Shares after the share subdivision) to Parko on 19 November 2013 in relation to the full exercise of convertible bonds by Parko (for further details, please refer to the announcement of the Company dated 28 January 2014), there has been no increase in the issued share capital of the Company since 31 December 2013 and up to and including the Latest Practicable Date.

**(ii) Share options**

As at the Latest Practicable Date, the Company had not granted any share option under the share option scheme of the Company.

**(iii) Warrants/convertible securities**

As at the Latest Practicable Date, the Company had no warrants or convertible securities in issue.

Save as disclosed above and as at the Latest Practicable Date, the Company had no other outstanding options, warrants or conversion rights affecting the Shares.

**3. DISCLOSURE OF INTEREST****Interests of the Directors and chief executive in the Company and its associated corporations**

As at the Latest Practicable Date, save as disclosed below, the interests and short positions, if any, of each Director and chief executive of the Company in any Shares, underlying shares and debentures of the Company and any associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

*(a) Interests in issued ordinary shares of the Company*

<b>Name of Director</b>	<b>Nature of interest</b>	<b>Number of Shares held</b>	<b>Approximate % of the Company's issued share capital</b>
Wen Yuanyi	Personal interest (Note)	107,864	0.00008

*Note:* These Shares were held by Precursor Management Inc. ("PMI"), which was wholly owned by Cai Weiheng, the husband of Wen Yuanyi ("Ms. Wen"), a Director. By virtue of the SFO, Ms. Wen was deemed to be interested in the Shares held by PMI for the purpose of Part XV of the SFO.

*(b) Interests in issued shares of associated corporations*

As at the Latest Practicable Date, the Director below had interests or short positions in the Shares, underlying shares or debentures of the Company's associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) entered in the register pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules:

Name of Director	Nature of interest	Name of associated corporation	Number of Shares held	Long/short position	Approximate % of the issued share capital of the associated corporation
Chen Li-Jun	Corporate interest (Note)	Hebei Agricultural Means of Production Company Limited* (河北省農業生產資料有限公司) ("Hebei AMP")	13,950,000	Long position	15.50

*Note 1:* Hebei AMP owned 51% of Million Rich Hong Kong Holdings Company Limited which in turn owned 100% of issued share capital in Parko. Parko owned approximately 51.00% of the issued share capital in the Company. As such, Hebei AMP was a holding company of and therefore an associated corporation of the Company pursuant to section 308 of the SFO. Chen Li-Jun held 15.5% interests in Hebei AMP.

*Note 2:* The entering into of the Subscription Agreement by Parko would not be treated as a dealing by Mr. Chen Li-Jun for the purposes of Part XV of the SFO due to his interest in Hebei AMP, and therefore would not be subject to the restrictions under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules.

**Disclosure of interests of substantial shareholders**

As at the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of the SFO and, so far as is known to the Directors or chief executive of the Company, the following shareholders (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was,

directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of Shareholder	Nature of interest	Number of Shares	Approximate % of the issued share capital of the associated corporation
Parko	Beneficial owner	677,438,392 (Note)	51.00%
Million Rich Hong Kong Holdings Company Limited ("Million Rich")	Beneficial owner/ interest of a controlled corporation	677,438,392 (Note)	51.00%
Hebei AMP	Beneficial owner/ interest of a controlled corporation	677,438,392 (Note)	51.00%
Hebei New Cooperation Group Holdings Limited* (河北省新合作控股集團有限公司) ("Hebei New Cooperation")	Beneficial owner/ interest of a controlled corporation	677,438,392 (Note)	51.00%
Chou Shih Chung	Beneficial owner	91,792,000	5.02%

*Note:* Hebei AMP and Hebei New Cooperation owned 51% and 49% of Million Rich respectively. Million Rich in turn owned 100% issued share capital in Parko which owned approximately 51.00% of the issued share capital in the Company. Million Rich, Hebei AMP and Hebei New Cooperation are deemed to be interested in the Shares held by Parko for the purpose of Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company was aware of any other person, other than a Director or the chief executive of the Company, who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all

circumstances at general meetings of any other member of the Group, or which was recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

#### 4. DIRECTORS' INTERESTS

- (a) As at the Latest Practicable Date, none of the Directors had any interest, either directly or indirectly, in any assets which have, since 31 December 2013 (being the date to which the latest published audited consolidated financial statements of the Group were made up), been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.
- (b) As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting and which is significant in relation to the business of the Group.
- (c) As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which will not expire or is not determinable by the employer within a year without payment of compensation (other than statutory compensation).
- (d) As at the Latest Practicable Date, so far as the Directors are aware of, none of the Directors and their respective associates had any interests in business which competes, or are likely to compete, either directly or indirectly, with the businesses of the Group.

#### 5. LITIGATION

As at the Latest Practicable Date, so far as was known to the Directors, none of the members of the Group was engaged in any litigation, arbitration or administration proceedings of material importance and there was no litigation, arbitration or administration proceedings or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

#### 6. MATERIAL CONTRACTS

The members of the Group had, after the date of two years immediately preceding the date of this circular, entered into the following contracts which were or might be material, other than contracts in the ordinary course of business of the Group:

- (a) the subscription agreement dated 15 July 2013 (as supplemented by two supplemental agreements dated 16 August 2013 and 10 October 2013 respectively) entered into between the Company and Parko in respect of the subscription and issue of the convertible bonds in the maximum aggregate principal amount of HK\$247,925,000 by the Company;

- (b) the joint venture agreement dated 21 March 2014 entered into between Ever Harvest and Xinyuan Taifeng Agricultural Asset Management (Beijing) Company Limited\* (新源泰豐農業資產管理(北京)有限公司);
- (c) the joint venture agreement dated 21 March 2014 entered into among Ever Harvest, Coopinvest Company Limited\* (中合聯投資有限公司), 789 Investments Limited, Shandong Jindu Dazhan Group Company Limited\* (山東金都大展集團有限公司) and Hebei Mingde Machinery Limited Liability Company\* (河北明德機械有限責任公司);
- (d) joint operation agreement dated 4 June 2014 entered into between the Company and Guangzhou Exchange Group Co., Ltd. (廣州交易所集團有限公司);
- (e) the capital contribution agreement entered into between Ever Harvest and China Coop Mengda dated 14 August 2014;
- (f) the Placing Agreement; and
- (g) the Subscription Agreement.

## 7. GENERAL

- (a) The secretary of the Company is Mr. Ip Pui Sum who is a member of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.
- (c) The Company's head office and principal place of business in Hong Kong is at Suites 1604-5, Prudential Tower, Harbour City, 21 Canton Road, Tsimshatsui, Kowloon, Hong Kong.
- (d) The branch share registrar of the Company is Computershare Hong Kong Investor Services Limited at 17M, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (e) The English language text of this circular shall prevail over the Chinese language in case of inconsistency.

## 8. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there had been no material adverse change in the financial or trading position of the Company since 31 December 2013, the date to which the latest published audited consolidate financial statements of the Company have been made up.



**9. DOCUMENTS AVAILABLE FOR INSPECTION**

A copy of each of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Suites 1604–5, Prudential Tower, Harbour City, 21 Canton Road, Tsimshatsui, Kowloon, Hong Kong for a period of 14 days from the date of this circular:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the years ended 31 December 2012 and 31 December 2013;
- (c) the letter from the Independent Board Committee, the texts of which are set out on pages 20 to 21 in this circular;
- (d) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which are set out on pages 22 to 48 of this circular;
- (e) the written consent of Altus Capital as referred to in the paragraph headed “10. Experts” of this circular;
- (f) the material contracts referred to in the paragraph headed “Material Contracts” in this Appendix;
- (g) the circular of the Company dated 13 September 2013;
- (h) the circular of the Company dated 13 May 2014;
- (i) the circular of the Company dated 20 January 2014;
- (j) the circular of the Company dated 6 June 2014;
- (k) the Placing Agreement; and
- (l) the Subscription Agreement.

**10. EXPERTS**

The qualification of the expert who has given its opinion or advice which is contained in this circular is set out below:

<b>Name</b>	<b>Qualification</b>
Altus Capital Limited	a licensed corporation to conduct type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities for the purposes of the SFO

As at the Latest Practicable Date, Altus Capital (i) had no shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group; (ii) had no direct or indirect interest in any assets which had been, since 31 December 2013 (the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group; and (iii) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the reference to its name included herein in the form and context in which it appears.

\* *for identification purpose only*

## NOTICE OF EGM



# NATIONAL AGRICULTURAL HOLDINGS LIMITED 國農控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1236)**

## NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (“EGM”) of National Agricultural Holdings Limited (the “**Company**”) will be held at Suites 1604–5, Prudential Tower, Harbour City, 21 Canton Road, Tsimshatsui, Kowloon, Hong Kong at 10:00 a.m. on Friday, 19 September 2014 for the purposes of considering and, if thought fit, passing with or without modifications, the following resolution which will be proposed as ordinary resolution of the Company:

### ORDINARY RESOLUTION

**“THAT**

- (a) subject to and conditional upon the fulfillment of the conditions in the placing agreement (“**Placing Agreement**”) dated 14 August 2014 entered into among the Company as issuer and CCB International Capital Limited, ICBC International Securities Limited and Guosen Securities (HK) Capital Company Limited as placing agents in relation to the proposed placing (“**Placing**”) of a maximum of 243,900,000 shares of HK\$0.025 each in the capital of the Company (“**Placing Shares**”) (a copy of the Placing Agreement is marked “A” and signed by the chairman of the EGM for identification purpose has been tabled at the meeting) the form and substance of the Placing Agreement be and is hereby approved, ratified and confirmed and any one director of the Company (“**Director**”) be and is hereby authorised to approve any changes and amendments thereto as he may consider necessary, desirable or appropriate;
- (b) subject to and conditional upon the fulfilment of the conditions in the subscription agreement (“**Subscription Agreement**”) dated 14 August 2014 entered into between the Company as issuer and Parko (Hong Kong) Limited as subscriber in relation to the proposed subscription of a maximum of 256,100,000 shares of HK\$0.025 each in the share capital of the Company (each a “**Subscription Share**”, and collectively, the “**Subscription Shares**”) (a copy of the Subscription Agreement is marked “B” and signed by the chairman of the EGM for identification purpose has been tabled at the meeting), the form and substance of the Subscription Agreement be and is hereby approved, ratified and confirmed and any one Director be and is hereby authorised to approve any changes and amendments thereto as he may consider necessary, desirable or appropriate;

## NOTICE OF EGM

- (c) subject to the fulfillment of the conditions of the Placing Agreement and the Subscription Agreement, any one Director be and are hereby authorised to exercise all the powers of the Company and to take all steps as might in his opinion be desirable or necessary in connection with the Placing Agreement and the Subscription Agreement to, including without limitation, allot and issue the Placing Shares and the Subscription Shares;
- (d) all other transactions contemplated under the Placing Agreement and the Subscription Agreement be and are hereby approved and any one Director be and is authorised to do all such acts and things, to sign and execute such documents or agreements or deeds on behalf of the Company and to do such other things and to take all such actions as he considers necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with the Placing Agreement and the Subscription Agreement, the allotment and issue of the Placing Shares and the Subscription Shares and to agree to such variation, amendments or waiver of matters relating thereto as are, in the opinion of the such Director, in the interests of the Company and its shareholders as a whole; and
- (e) subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Placing Shares and the Subscription Shares, the unconditional specific mandates granted to the directors of the Company to exercise the powers of the Company to allot, issue and deal with the Placing Shares and the Subscription Shares pursuant to the Placing Agreement and the Subscription Agreement be and is hereby confirmed and approved.”

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

Hong Kong, 3 September 2014

*Notes:*

1. A member of the Company entitled to attend and vote at the EGM convened by the above notice is entitled to appoint one or if he/she is the holder of two or more shares, more than one proxy to attend and, subject to the provisions of the memorandum of association and articles of association of the Company, to vote on his/her behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the office of the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or adjourned meeting. Completion and return of the form of proxy will not preclude a member of the Company from attending and voting in person at the EGM or any adjournment thereof, should he so wish.

## NOTICE OF EGM

3. Completion and return of an instrument appointing a proxy will not preclude a member of the Company from attending and voting in person at the meeting and/or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. As required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the above resolutions will be decided by way of poll.
5. The form of proxy for use at the EGM is enclosed herewith.