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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)**

### **CONTINUING CONNECTED TRANSACTIONS RENEWED JOINT OPERATION AGREEMENT**

#### **RENEWED JOINT OPERATION AGREEMENT**

On 20 January 2016, the Company and Dalian Exchange entered into the Renewed Joint Operation Agreement pursuant to which the Company shall provide, among others, fund management services to Dalian Exchange.

#### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, China Co-Op Group, the holding company of Dalian Exchange, holds approximately 83.83% interest in Coopinvest Company which is a substantial shareholder and holds approximately 12.96% interest in China Coop Mengda, an indirect non-wholly owned subsidiary of the Company. Dalian Exchange is therefore a connected person of the Company at the subsidiary level. Accordingly, the transactions contemplated under the Renewed Joint Operation Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

By virtue of Rule 14A.101 of the Listing Rules, as (i) Dalian Exchange is a connected person of the Company at the subsidiary level; (ii) the Transactions are on normal commercial terms; (iii) the Board have approved the Transactions; and (iv) the independent non-executive Directors have confirmed that the terms of Transactions are fair and reasonable and that the Transactions are on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, the Transactions are subject to the reporting and announcement requirements but are exempted from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Reference is made to (i) the announcement of the Company dated 7 May 2015 in relation to the framework agreement regarding the possible cooperation in fund management with Dalian Exchange and (ii) the announcement of the Company dated 31 December 2015 in relation to the joint operation agreement for the period from 7 May 2015 to 31 December 2015.

## **RENEWED JOINT OPERATION AGREEMENT**

On 20 January 2016, the Company and Dalian Exchange entered into the Renewed Joint Operation Agreement which, among others, sets out the service fees for the Company to provide certain fund management services to Dalian Exchange.

The principal terms of the Renewed Joint Operation Agreement are set out below:

### **Date**

20 January 2016

### **Parties**

- (a) The Company; and
- (b) Dalian Exchange

### **Subject matter**

Pursuant to the Renewed Joint Operation Agreement, the parties agreed with the following:

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

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

#### **(ii) Financing (融資服務)**

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

**(iii) Membership registration fee (席位費)**

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

**(iv) Transaction handling fee (交易手續費)**

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

**(v) Membership fee (買賣商會員費)**

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

**Pricing policy**

The above mentioned service fees are at rates no less favourable to the Group than rates at which the Group charged to Independent Third Parties. The service fees were determined based on a number of factors, including but not limited to, size of the fund, amount of finance facilities, number of members, volume of transactions.

**Term**

The term of the Renewed Joint Operation Agreement shall be a period of three years commencing on 1 January 2016 and expiring on 31 December 2018, provided that the Renewed Joint Operation Agreement shall be automatically renewed every three years unless terminated by either party and subject to compliance with the relevant Listing Rules requirements.

## Historical transaction volume of Dalian Exchange and Proposed Caps for 2016-2018

### *Historical transaction volume and historical annual cap*

The following table sets out (i) the volume of transactions that were executed at Dalian Exchange for the years ended 31 December 2014 and 31 December 2015 and (ii) the 2015 annual cap as disclosed in the announcement of the Company dated 31 December 2015:

<i>(RMB million)</i>	<b>For the year ended 31 December 2014</b>	<b>For the year ended 31 December 2015</b>
Volume of transactions	800,000	1,012,500
2015 annual cap	N/A	400

### *Estimated transaction volume for 2016-2018 and Proposed Caps for 2016-2018*

The following table sets out (i) the estimated volume of transactions that are to be executed at Dalian Exchange for 2016-2018 and (ii) Proposed Caps for 2016-2018:

<i>(RMB million)</i>	<b>For the year ending 31 December 2016</b>	<b>For the year ending 31 December 2017</b>	<b>For the year ending 31 December 2018</b>
Estimated volume of transactions	1,215,000	1,458,000	1,749,000
Proposed Caps	821.25	985.50	1,182.60

Under the Renewed Joint Operation Agreement, the Company shall collect service fees from, amongst other things, fund management services, financing services, membership fee and transaction handling services, and the size of the service fees will be dependent on, amongst other things, size of fund, amount of finance facilities to be provided, number of trader members and volume of transactions. In respect of the volume of transactions, the estimated volume for the years ending 31 December 2016, 2017 and 2018 represents an increment of around 20% as compared to the estimated volume for the prior financial year. Such estimation is based on (i) the increase in volume of transactions between the financial years 2015 and 2014 as stated above which is about 25%; (ii) the general trend of the size of domestic commodities trading on integrated trading platform with electronic information networking functions; (iii) the gradual acceptance of executing trade on such integrated trading platform; (iv) seasonal fluctuations of demand in commodities and (v) the prevailing economic conditions. As such, the Proposed Caps for 2016-2018 has been determined with reference to (i) the expected increase in volume of transactions as stated above; (ii) the anticipated demand level of financing facilities for the relevant transactions based on the demand level in 2015 and (iii) the expected increase in membership fee as a result of the gradual acceptance of executing trade on such integrated trading platform.

## **INFORMATION ABOUT THE PARTIES**

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

Dalian Exchange is a company established in the PRC with limited liability. It is principally engaged in operating an integrated commodities and services trading platform for renewable energy, agricultural by-products, agricultural means of production and Dalian petroleum, and providing logistics, settlement, informatics, financing and training service in the PRC.

## **REASONS FOR AND BENEFITS OF THE TRANSACTIONS**

The Company is of the view that the cooperation with Dalian Exchange will further enhance the usage and development of the Agripay System and could help the Company to realize its objectives of developing the agricultural finance sector.

Having considered the above, the Directors are of the view that the Transactions are in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, China Co-Op Group, the holding company of Dalian Exchange, holds approximately 83.83% interest in Coopinvest Company which is a substantial shareholder and holds approximately 12.96% interest in China Coop Mengda, an indirect non-wholly owned subsidiary of the Company. Dalian Exchange is therefore a connected person of the Company at the subsidiary level. Accordingly, the transactions contemplated under the Renewed Joint Operation Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

By virtue of Rule 14A.101 of the Listing Rules, as (i) Dalian Exchange is a connected person of the Company at the subsidiary level; (ii) the Transactions are on normal commercial terms; (iii) the Board have approved the Transactions; and (iv) the independent non-executive Directors have confirmed that the terms of Transactions are fair and reasonable and that the Transactions are on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, the Transactions are subject to the reporting and announcement requirements but are exempted from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the date of this announcement, none of the Directors has a material interest in the Renewed Joint Operation Agreement and is required to be abstained from voting on the relevant board resolutions to approve the Renewed Joint Operation Agreement and the transactions contemplated thereunder.

## DEFINITIONS

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

“Agripay System”	a cash settlement system jointly established by the Company and 廣州銀聯網絡支付有限公司 (Guangzhou UnionPay Network Payment Co., Ltd) and Agricultural Bank of China Limited
“Board”	the board of Directors
“China Co-Op Group”	中國供銷集團有限公司 (China Co-Op Group Company Limited*), a company established in the PRC and the wholly owned subsidiary of 中華全國供銷合作總社 (All China Federation of Supply and Marketing Cooperatives*)
“China Coop Mengda”	中合盟達融資租賃有限公司 (China Coop Financial Leasing Co., Ltd*), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
“Company”	National Agricultural Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
“Coopinvest Company”	中合聯投資有限公司 (Coopinvest Company Limited*), a company established in the PRC and a substantial shareholder of China Coop Mengda
“Dalian Exchange”	大連再生資源交易所有限公司 (Dalian Renewable Energy Exchange Company Limited*), a company established in the PRC with limited liability
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China which, for the purpose of this announcement only, does not include Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Renewed Joint Operation Agreement”	the agreement entered into between the Company and Dalian Exchange on 20 January 2016
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the transactions under the Renewed Joint Operation Agreement
“%”	per cent

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

Hong Kong, 20 January 2016

*As at the date of this announcement, the Board comprises five executive Directors, being Mr. Chen Li-Jun, Mr. Ren Hai, Mr. Peng Guojiang, Ms. Wen Yuanyi and Mr. Liu Yong, and four independent non-executive Directors, being Ms. Chiu Kam Hing Kathy, Mr. Ting Tit Cheung, Mr. Fan William Chung Yue and Mr. Chan Siu Wing Raymond.*

*\* for identification only and shall not be regarded as its official name*