

14 June 2011

## LETTER FROM THE CHAIRMAN

To the Shareholders of PGG Wrightson Limited

Dear Shareholder

### SPECIAL MEETING

I am pleased to invite you to a Special Meeting (the **Meeting**) of PGG Wrightson Limited (**PGW**) shareholders to be held at the Nightmarch Room, Riccarton Park Function Centre, 165 Racecourse Road, Upper Riccarton, Christchurch on Tuesday 28 June 2011 at 9:30am (registration will commence at 9:00am).

The Meeting has been called to seek shareholder approval for two distinct transactions;

- first, for Ngai Tahu Capital Limited's (**Ngai Tahu Capital**) investment in Agria Asia Investment Limited (Agria Asia);
- second, to approve the sale by PGW of all the shares in PGG Wrightson Finance Limited (**PWF**) to Heartland Building Society (**Heartland**) and related transactions.

I set out below the background to the resolutions that will be put to shareholders at the meeting (the **Resolutions**), as well as their rationale and the recommendations of your directors.

#### Part 1: Approval of Ngai Tahu Capital Limited's investment in Agria Asia Investment Limited (Resolution 1)

Shareholders will be aware that on 2 May 2011, Agria (Singapore) Pte Ltd (**Agria Singapore**) completed a partial takeover offer, taking Agria Singapore's shareholding in PGW to 50.01%.

Agria Singapore is 100% owned by Agria Asia which is in turn owned 88.05% by Agria Group Limited (a wholly owned subsidiary of NYSE listed Agria Corporation) and 11.95% by New Hope International (Hong Kong) Limited (**New Hope**).

On 15 April 2011 Agria Group entered into a conditional sale and purchase agreement (**Agreement**) with Ngai Tahu Capital in respect of the sale of approximately 7.24% of the issued shares in Agria Asia to Ngai Tahu Capital for NZ\$15 million.

The share transfer contemplated by the Agreement is subject to approval by an ordinary resolution of PGW's shareholders who are entitled to vote (**Non-associated Shareholders**). The need for PGW shareholder approval only arises because the share transfer represents an upstream acquisition on the basis that Ngai Tahu Capital, Agria Singapore, Agria Group and New Hope are considered to be associated shareholders for the purposes of the Takeovers Code.

The substance of the transaction is that Ngai Tahu Capital is simply acquiring a minority 7.24% shareholding in Agria Asia which already has indirect control of 50.01% of PGW's shares.

#### Independent Adviser's Report

The directors of PGW not associated with Agria Singapore have engaged Simmons Corporate Finance Limited to prepare an Independent Adviser's Report on the merits of the share acquisition in accordance with Rule 18 of the Takeover's Code. The Independent Adviser's Report forms part of the enclosed Explanatory Memorandum and shareholders are encouraged to read it.

In summarising the merits of the acquisition the Independent Adviser concluded that: *"Given that the Share Acquisition has negligible impact on the Non-associated Shareholders, we see no compelling reason for Non-associated Shareholders to vote against the resolution."*

#### Recommendation (Resolution 1)

Your Directors (other than Alan Lai and Tao Xie who abstain from making a recommendation for the reason that they are interested in the proposed share transfer) unanimously agree with the independent evaluation of the merits of the Ngai Tahu Share acquisition, and for the reasons outlined in that report and as set out in the Explanatory Memorandum, recommend the approval of Resolution 1 to be proposed at the Special Meeting.

## Part 2: Approval for the sale by PGG Wrightson Limited of all the shares in PGG Wrightson Finance Limited to Heartland Building Society and related transactions (Resolution 2)

On 13 June 2011 PGW and Heartland New Zealand Limited (**Heartland New Zealand**) entered into an agreement whereby its wholly owned subsidiary Heartland would, subject to the satisfaction of certain conditions, including Crown approval, acquire all of the ordinary shares in PWF, a provider of a range of financial products and services to New Zealand's rural community. The transaction is expected to be unconditional by and settle on or about 31 August 2011.

### Rationale for the transaction

PGW has adopted a strategy of focusing on its core business activities, that of being a provider of agricultural products and services in New Zealand and internationally. In keeping with that strategy, access to financial services products to assist our clients is a key part of that suite of products and services provided by PGW, however, direct ownership of a financial institution is not required to provide this service.

Accordingly, the Board of PGW has determined that it is in the best interests of PGW to focus its resources on its core business activities, and to divest its PWF finance business, while maintaining arrangements to enable PGW to continue to procure the delivery of financing solutions to its customers.

Heartland's greater scale in financial services, diversity of funding lines and loan book and greater ability to access equity capital to support growth is likely to reduce the risk to debt security holders compared to the position that would exist for the holders of PWF debt securities if the proposed transaction did not proceed.

Furthermore, recent changes in financial markets, including greater regulation and supervision, all of which comes at considerable cost to financial institutions, mean that PGW considers that the provision of financial services is more suited to a specialist financial services provider. In recognition of the specialist demands and nature of financing in today's market, the Board of PGW consider that the time is right to sell its interest in PWF. Not only will the proposed transaction have the impact of seeing PWF form part of a much larger financial institution that specialises in many of the markets that PWF operates in, but it will also significantly deleverage and de-risk PGW's current financial position.

The transaction includes the establishment of a distribution and services agreement which sees Heartland make available financial product offerings that PGW can in turn refer to its customers to assist with their financing of farm activities. In addition, as a further sign of the anticipated close working relationship between PGW and Heartland, as provider of finance to PGW's clients, PGW has undertaken to subscribe for \$10 million of new capital to be issued by Heartland.

The sale of PWF also has the support of our new majority shareholder, Agria Singapore, and is consistent with our ongoing strategy to reduce debt in the parent company, grow our AgriTech and AgriServices operations and seek to introduce a dividend payment policy for shareholders in the medium term.

### Key terms of the transaction

The key terms of the transaction incorporate the following:

- PGW will sell the PWF business to Heartland for an amount equal to the adjusted net tangible assets (**Purchase Price**) of PWF. Although this value will be set based upon the position at completion on or about 31 August 2011, it is anticipated that this value will be in the region of \$100 million;
- Immediately prior to completion of the PWF share sale, PWF will transfer certain excluded loans with a value in aggregate of between \$85 and \$100 million to a wholly owned PGW special purpose vehicle, which will work to realise and/or refinance these facilities over the short to medium term;
- On completion, PGW will sell all its shares in PWF to Heartland in consideration for payment of the Purchase Price. PGW will also enter into a deed of guarantee in favour of Heartland whereby PGW will guarantee certain PWF loans with a value in aggregate of approximately \$30 million for a period of three years (**Guaranteed Loans**). Under the terms of the guarantee Heartland will be entitled to put back to PGW any Guarantee Loans that become impaired during the guarantee term;
- PWF's secured bonds, secured debenture stock and unsecured deposits will, with Crown consent (without which the transaction will not proceed) immediately prior to completion transfer (by way of defeasance) into bonds, debentures and deposits issued by Heartland. PWF bonds, debentures and deposits that enjoy the benefit of the Crown Retail Guarantee will continue to have the benefit of the Crown Retail Guarantee post defeasance into Heartland securities.

### **Approvals and the Independent Appraisal Report**

Given Heartland New Zealand's association with Pyne Gould Corporation Limited the transaction is deemed to be a 'related party' transaction requiring approval by ordinary resolution of PGW shareholders eligible to vote under the requirements of NZX Listing Rules and voting.

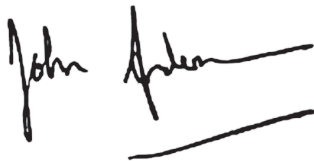
The directors of PGW have engaged Northington Partners to prepare an Independent Appraisal Report in accordance with the requirements of the NZX Listing Rules in order to assess the merits of the proposed transaction and to determine whether the terms and conditions of the transaction are fair to the PGW shareholders. The Independent Appraisal Report forms part of the enclosed Explanatory Memorandum and shareholders are encouraged to read it.

The report concludes that *"the Proposed Transaction is fair from the point of view of PGW shareholders"*.

### **Recommendation (Resolution 2)**

Your Directors (other than Bruce Irvine and George Gould who abstain from making a recommendation for the reason that they are interested in the proposed transaction) consider that approval of the Resolution at the Special Meeting in relation to the PWF transaction is in the best interests of PGW shareholders, and thereby recommend approval of Resolution 2.

Yours faithfully

A handwritten signature in black ink, appearing to read 'John Anderson', with a horizontal line underneath.

**Sir John Anderson**

Chairman, PGG Wrightson Limited

