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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)

SUPPLEMENTAL ANNOUNCEMENT
IN RELATION TO
THE ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015
AND
CLARIFICATION ON THE ANNOUNCEMENT ISSUED ON 18 MAY 2016

Reference is made to the announcement of National Agricultural Holdings Limited (the “**Company**”) dated 31 March 2016 in relation to the annual results for the year ended 31 December 2015 (the “**Announcement**”). Unless otherwise defined, capitalized terms used herein shall have the same meanings as those defined in the Announcement.

OTHER GAINS AND LOSSES

The Company would like to supplement information under the heading “5. Other Gains And Losses” on page 12 as follows:

On 28 January 2015, the Company entered into a placing agreement with a placing agent, pursuant to which, the Company has conditionally agreed to issue and the placing agent has conditionally agreed to procure, on a best effort basis, not less than six placees to subscribe for up to 141,463,000 warrants at an issue price of HK\$0.189 per warrant. The placing warrants will entitle the holders to subscribe for up to 141,463,000 new shares at an exercise price of HK\$3.0 per share (subject to adjustments).

On the same date, the Company also entered into a subscription agreement with Parko, pursuant to which, the Company has conditionally agreed to issue and Parko has conditionally agreed to subscribe for up to 212,194,500 warrants at an issue price of HK\$0.189 per warrant. The subscription warrants will entitle the holders to subscribe for up to 212,194,500 new shares at an exercise price of HK\$3.0 per share (subject to adjustments).

Each warrant carries the right to subscribe for one share within twelve months from the date of the issue of the warrants. 353,657,500 placing and subscription warrants were subsequently issued on 2 June 2015 at the price of HK\$0.189 per warrant and was classified as equity instruments. All the substantive conditions for the issue of the warrants were achieved on 13 May 2015.

The warrants were measured at fair value of HK\$608,400,000 (equivalent to approximately RMB477,290,000) at the initial recognition on 13 May 2015, and were credited to warrant reserve. The excess of the fair value of the warrants over the consideration of issuance of warrants of approximately HK\$66,845,000 (equivalent to approximately RMB52,440,000) amounting to approximately HK\$541,556,000 (equivalent to approximately RMB424,850,000) was recognised as a loss in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015.

The main reason for the differences in fair value of the warrants was due to the differences in key assumptions and parameters adopted, including but not limited to, the share price. The Company had engaged an independent professional external valuer – International Valuation Limited (“**Valuer A**”) for the circular issued on 27 April 2015. Considering the availability of the valuer and cost of valuation, the Company had engaged another independent professional external valuer – Sino Infinite Appraisal Limited (“**Valuer B**”) to perform the assessments and appraisal on the fair value of warrants when all the substantive conditions for the issue of the warrants were achieved on 13 May 2015. Valuer A had adopted the Trinomial Option Pricing Model in valuing the warrants on 27 January 2015, while Valuer B had adopted the Black-Scholes Option Pricing Model in valuing the warrants on 13 May 2015. Both models, are both commonly used valuation models for valuation of warrants. The conclusion of value was based on generally accepted appraisal procedures and practices that rely on assumptions

and considerations. The Company believed that the valuers had exercised their professional judgement in determining the appropriate mode for valuation of the warrants and arriving at the appraisal of the fair value of warrants and all the assumptions made by the valuers were appropriate and reasonable. The key assumptions and parameters used by the valuers are set out below:

Black-Scholes Option Pricing Model

Share price (HK\$)	4.51
Exercise price (HK\$)	3.0
Volatility ⁽¹⁾	49.738%
Remaining life	365 days
Risk free interest rate ⁽²⁾	0.674%

Trinomial Option Pricing Model

Share Price (HK\$)	2.53
Volatility ⁽¹⁾	58.775%
Remaining life	365 days
Risk free interest rate ⁽²⁾	0.455%

Notes:

- (1) The volatility for the Black-Scholes Option Pricing Model is estimated based on historical daily stock prices of the Company for a period with length commensurate to expected term. The volatility for the Trinomial Option Pricing Model is estimated over a one year period immediately preceding 27 April 2015.
- (2) The risk free interest rate for the Black-Scholes Option Pricing Model is based on the yield curve of the HK\$ Hong Kong sovereign bonds as at 13 May 2015 from Bloomberg with length commensurate to the expected term. The risk free interest rate for the Trinomial Option Pricing Model is estimated on the basis of generic Hong Kong government bills and bonds yields for the tenure matched with the warrants.

The relevant details related to the warrants had been disclosed in the Company's circular dated 27 April 2015, the 2015 interim report and the 2015 annual report.

AMOUNT DUE FROM RELATED PARTIES

The Company would like to supplement information under note (a) under the heading “13. Amounts Due From Related Parties” on page 19 as follows:

The amount of RMB1.22 billion fully refunded to the Company has not included accrued interest in the total amount of approximately RMB0.38 million. As of the date of this announcement, such amount of accrued interest has already been refunded to the Company.

Please refer to the announcement of the Company dated 9 May 2016 for supplemental information regarding note (c) under the heading “13. Amounts Due From Related Parties” on page 20.

FINANCE LEASE RECEIVABLES

The Company would like to supplement information under the heading “14. Finance Lease Receivables” on page 22 as follows:

The name of the finance lease lessee is Central China Securities Co., Ltd. (中原證券股份有限公司) (“**Central China Securities**”), which is an independent third party of the Company. Please refer to the announcement of the Company dated 13 May 2015 for the details of those transactions.

China Coop Mengda has made several attempts to demand repayment by phone, in writing and in person. On 12 August 2015, China Coop Mengda has initiated court proceedings against Central China Securities and 上海京文電子科技有限公司, the designated payor of the transactions contemplated under the finance lease agreements at Xicheng District People’s Court of Beijing City (北京市西城區人民法院) in relation to the default of rental payments. For details, please refer to the announcements of the Company dated 24 July 2015 and 14 August 2015, respectively.

As disclosed in the announcement of the Company dated 13 May 2015, China Coop Mengda is entitled to, among others, without recourse to legal action, take physical possession of the relevant leased asset pursuant to the finance lease agreements. However, the Company considers that the leased assets, being IT equipment, may become easily obsolete; have limited resale value; and because of the likelihood of lengthy litigation proceeding, a considerable amount of cost and time shall be incurred to take physical possession of those assets. The Company submits that it has taken into account of the aforesaid factors in assessing the impairment amount.

Please refer to the announcement of the Company dated 16 May 2016 regarding update in respect of potential default of the finance lease agreements.

TRADE AND OTHER RECEIVABLES/DEPOSITS AND PREPAYMENTS

The Company would like to supplement information under the heading “15. Trade And Other Receivables Deposits And Prepayments” on page 23 as follows:

As stated on page 23 of the Announcement, the impairment was made due to (i) the default in loan repayment by two independent corporations in the amount of RMB39,952,000 (the “**Loan A1**” and the “**Loan A2**”); and (ii) the default in loan repayment by another independent corporation in the amount of RMB15,000,000 (the “**Loan B**”).

Loans A1 and A2 represent two separate loans advanced to two independent corporations which were entered into on 3 September 2014 and 29 August 2014, respectively. Loan B was entered into on 28 January 2015. China Coop Mengda provided those loans during its normal and ordinary course of business.

For loans A1 and A2, the amounts have been overdue and the Company had issued legal letters to the borrowers and commenced the legal proceedings against the borrowers, the court cases are still continuing. The Company was not able to obtain the financial information of the borrowers as at 31 December 2015 to assess their financial positions and was unable to assess their recoverability. The directors of the Company determined that there were high uncertainties in respect of the creditability of these two borrowers and were in doubt as to the recoverability of the loans, thus a full provision on RMB39,952,000 was provided as at 31 December 2015.

For loan B, the amount has been overdue and subsequent to the end of the reporting period, the borrower had settled part of the loan amounting to RMB10,000,000. The Company was not able to obtain the financial information of the borrower as at 31 December 2015 to assess its financial position and was unable to assess the recoverability of the loan. The directors of the Company determined that there was high uncertainty in respect of the creditability of the borrower and were in doubt as to the recoverability of the remaining loan amount of RMB15,000,000, thus a full provision was provided as at 31 December 2015.

China Coop Mengda has initiated court proceedings against the borrowers of loans A1 and A2. The Company was advised by its PRC legal adviser that they could have the amount overdue repaid if the court were to grant a judgment in favour of China Coop Menda.

As to loan B, China Coop Mengda is currently communicating with the borrower and demanding repayment. As mentioned above, in March 2016, the Company only managed to receive a repayment amounted to RMB10,000,000.

The above additional information does not affect other information contained in the Announcement and, saved as disclosed in this announcement, the contents of the Announcement remain correct and unchanged.

CLARIFICATION ON THE ANNOUNCEMENT ISSUED ON 18 MAY 2016

Reference is made to the announcement of the Company dated 18 May 2016 (the “**18 May Announcement**”). The Company wishes to clarify that the heading of the 18 May Announcement should be read as follows:

**“INSIDE INFORMATION
FOURTH SUPPLEMENTAL FRAMEWORK AGREEMENT
IN RESPECT OF A POSSIBLE INVESTMENT”**

Save as disclosed above, the contents of the 18 May Announcement remain correct and unchanged.

For and on behalf of
National Agricultural Holdings Limited
Chen Li-Jun
Chairman

Hong Kong, 23 May 2016

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