

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you have sold or transferred all your shares in National Agricultural Holdings Limited, you should at once hand this circular and the accompanying forms of proxy to the purchaser or the transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the 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) PROPOSED PLACING OF UNLISTED WARRANTS
UNDER SPECIFIC MANDATE;**
**(2) CONNECTED TRANSACTION INVOLVING PROPOSED
SUBSCRIPTION OF UNLISTED WARRANTS
UNDER SPECIFIC MANDATE;**
AND
(3) NOTICE OF EGM

Financial Adviser to the Company

AMASSE CAPITAL
寶 積 資 本

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**

ALTUS CAPITAL LIMITED

Placing Agent

Convoy Investment Services Limited
康宏証券投資服務有限公司

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular unless otherwise stated.

A letter from the Board is set out on pages 6 to 23 of this circular. A letter from the Independent Board Committee is set out on pages 24 to 25 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 26 to 53 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, on Wednesday, 13 May 2015 at 10:00 a.m. is set out on pages 72 to 75 of this circular. A form of proxy for the EGM is enclosed with this circular. Whether or not you intend to attend the EGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon, and return the same 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.

27 April 2015

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DEFINITIONS

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

“Agreements”	collectively, the Placing Agreement and the Subscription Agreement
“associates”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday, Sunday or public holidays) on which licensed banks in Hong Kong are open for normal banking business during their normal business hours
“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
“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 ascribed to it in the Listing Rules
“Co-Op Funds (V)”	China Co-Op V (Shanghai) Equity Investment Funds Limited Partnership (中合供銷五期(上海)股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC
“Director(s)”	director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be held and convened for the purposes of considering, and if thought fit, approving the Placing Agreement, the Subscription Agreement and the respective transactions contemplated thereunder
“Exercise Price”	the Placing Exercise Price or the Subscription Exercise Price
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	the independent board committee, comprising all independent non-executive Directors, which has been formed to advise the Independent Shareholders in respect of the Placing Agreement, the Subscription Agreement and the respective transactions contemplated thereunder
“Independent Financial Adviser” or “Altus Capital”	Altus Capital Limited, a corporation licensed to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Placing Agreement, the Subscription Agreement and the respective transactions contemplated thereunder
“Independent Shareholders”	the Shareholders other than the Subscriber
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company
“Independent Valuer”	International Valuation Limited
“Issue Price”	the Placing Issue Price or the Subscription Issue Price
“Latest Practicable Date”	21 April 2015, being the latest practicable date for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placees”	investor(s) to be procured by the Placing Agent to subscribe for the Placing Warrants pursuant to the Placing Agreement
“Placing”	the placing of the Placing Warrants by the Placing Agent pursuant to terms and conditions of the Placing Agreement

DEFINITIONS

“Placing Agent”	Convoy Investment Services Limited, a licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO
“Placing Agreement”	the conditional placing agreement dated 28 January 2015 (as supplemented and amended by a supplemental agreement dated 2 April 2015) entered into between the Company and the Placing Agent in relation to the Placing
“Placing Completion”	the completion of the Placing in accordance with the terms and conditions of the Placing Agreement
“Placing Completion Date”	within fifth Business Day after the date on which all the conditions precedent of the Placing Agreement are fulfilled or such other date as the Company and the Placing Agent may agree in writing
“Placing Exercise Price”	HK\$3.0 per Placing Warrant Share (subject to adjustment)
“Placing Issue Price”	HK\$0.189 per Placing Warrant
“Placing Long Stop Date”	within 30 days from the date of the EGM or 30 June 2015, whichever is earlier (or such other date as the Company and the Placing Agent may agree in writing)
“Placing Warrants”	a maximum of 141,463,000 unlisted warrants to be issued by the Company in registered form entitling the holders thereof to subscribe in cash for up to 141,463,000 new Shares at the initial Placing Exercise Price of HK\$3.0 per Share (subject to adjustment), at any time during the period of 12 months from the date of issue of the Placing Warrants, subject to the terms and conditions set out in its instrument
“Placing Warrant Share(s)”	new Share(s) which may fall to be allotted and issued upon the exercise of the subscription rights attaching to the Placing Warrants
“PRC”	The People’s Republic of China, for the purpose of this circular, excluding Hong Kong, Macao Special Administrative Region of the PRC and Taiwan

DEFINITIONS

“Previous Placing and Subscriptions”	collectively, (i) the placing of up to 82,928,000 new placing Shares by CCB International Capital Limited and the Placing Agent; (ii) the subscription of 100,000,000 new subscription Shares by Co-Op Funds (V) or its nominee(s); and (iii) the subscription of a maximum of 192,074,400 new subscription Shares by the Subscriber, as contemplated under their respective placing agreement and subscription agreements all dated 20 November 2014 (as supplemented and amended by the respective supplemental agreements all dated 4 December 2014)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shares”	ordinary share(s) of HK\$0.025 each in the share capital of the Company
“Shareholders”	the registered holder(s) of the Shares
“Specific Mandates”	the specific mandates for the issue of the Warrant Shares to be granted to the Directors by the Independent Shareholders at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Parko (Hong Kong) Limited, a limited company incorporated in Hong Kong and the controlling Shareholder
“Subscription”	the subscription of the Subscription Warrants by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 28 January 2015 (as supplemented and amended by a supplemental agreement dated 2 April 2015) entered into between the Company and the Subscriber in relation to the Subscription
“Subscription Completion”	the completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement

DEFINITIONS

“Subscription Completion Date”	within fifth Business Day after the date on which all the conditions precedent of the Subscription Agreement are fulfilled or such later date as the Company and the Subscriber may agree in writing
“Subscription Exercise Price”	HK\$3.0 per Subscription Warrant Share (subject to adjustment)
“Subscription Issue Price”	HK\$0.189 per Subscription Warrant
“Subscription Long Stop Date”	within 30 days from the date of the EGM or 30 June 2015, whichever is earlier (or such other date as the Company and the Subscriber may agree in writing)
“Subscription Warrants”	a maximum of 212,194,500 unlisted warrants to be issued by the Company in registered form entitling the holders thereof to subscribe in cash for up to 212,194,500 new Shares at the initial Subscription Exercise Price of HK\$3.0 per Share (subject to adjustment), at any time during the period of 12 months from the date of issue of the Subscription Warrants, subject to the terms and conditions set out in its instrument
“Subscription Warrant Share(s)”	new Share(s) which may fall to be allotted and issued upon the exercise of the subscription rights attaching to the Subscription Warrants
“Warrant(s)”	collectively, the Placing Warrant(s) and the Subscription Warrant(s)
“Warrant Share(s)”	collectively, the Placing Warrant Share(s) and the Subscription Warrant Share(s)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

For the purpose of this circular, conversion of RMB into HK\$ is based on the exchange rate of RMB1.00 to HK\$1.25. The exchange rates have been used, where applicable, for the purposes of illustration only and do not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

* 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

Independent non-executive Directors:

Ms. Chiu Kam-Hing Kathy
Mr. Ting Tit Cheung
Mr. Fan William Chung Yue
Mr. Law Yee Kwan Quinn

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

27 April 2015

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED PLACING OF UNLISTED WARRANTS
UNDER SPECIFIC MANDATE;
AND
(2) CONNECTED TRANSACTION INVOLVING PROPOSED
SUBSCRIPTION OF UNLISTED WARRANTS
UNDER SPECIFIC MANDATE**

INTRODUCTION

On 28 January 2015 (after trading hours), the Company entered into the Placing Agreement with the 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 Placées to subscribe for up to 141,463,000 Placing Warrants at the Placing Issue Price of HK\$0.189 per Placing Warrant.

LETTER FROM THE BOARD

In addition, on 28 January 2015 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which, the Company has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for up to 212,194,500 Subscription Warrants at the Subscription Issue Price of HK\$0.189 per Subscription Warrant.

As at the Latest Practicable Date, the Subscriber is a controlling Shareholder which holds 903,007,792 Shares, representing approximately 51.05% of the issued share capital of the Company. Therefore, the Subscriber is a connected person of the Company. As such, the Subscription constitutes a connected transaction for the Company and is subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee (comprising all the independent non-executive Directors) has been formed to advise the Independent Shareholders (i) as to whether the Placing Agreement, the Subscription Agreement and the respective transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

The purpose of this circular is to provide you with, among other things, (i) further details relating to the Placing Agreement, the Subscription Agreement and the respective transactions contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Placing Agreement, the Subscription Agreement and the respective transactions contemplated thereunder; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Placing Agreement, the Subscription Agreement and the respective transactions contemplated thereunder; and (iv) a notice convening the EGM.

THE PLACING AGREEMENT

Date

28 January 2015 (as supplemented and amended by a supplemental agreement dated 2 April 2015)

Parties

Issuer : The Company

Placing Agent : Convoy Investment Services Limited

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties.

LETTER FROM THE BOARD

Placees

Under the Placing Agreement, the Placing Warrants will be placed, on a best efforts basis, to not less than six Placees and each of the Placees to be procured by the Placing Agent and its ultimate beneficial owner(s) will be Independent Third Parties.

As at the Latest Practicable Date, no Placees have been identified by the Placing Agent yet. However, it is anticipated that apart from the Agreements, there will not be any other agreement or arrangement between (i) the Company and each of the Placees; and (ii) the Subscriber or any its associates and each of the Placees.

If there is any other agreement or arrangement between (i) the Company and each of the Placees; and (ii) the Subscriber or any its associates and each of the Placees, the Company will publish an announcement in this regard in accordance with the Listing Rules requirements, as and when appropriate.

Placing commission

The Placing Agent will receive a placing commission equal to 2% of the product of the Placing Issue Price multiplied by the actual number of the Placing Warrants successfully placed by the Placing Agent. The placing commission was determined after arm's length negotiations between the Company and the Placing Agent and with reference to prevailing placing commission charged by other placing agents in the market.

Conditions precedent of the Placing

Placing Completion is conditional upon the fulfilment of the following conditions:

- (i) the listing committee of the Stock Exchange granting the listing of and permission to deal in the Placing Warrant Shares having been obtained and not being subsequently revoked prior to the Placing Completion;
- (ii) the approval of the Shareholders of the Placing Agreement and the transactions contemplated thereunder at the EGM subject to and in accordance with the requirements under the Listing Rules;
- (iii) completion of the Previous Placing and Subscriptions; and
- (iv) no representations, warranties or undertakings under the Placing Agreement having been breached by the Company or failure to perform by the Company of the obligations thereunder or is otherwise rendered inaccurate, untrue or misleading in any material respect, in each case on or prior to the Placing Completion.

LETTER FROM THE BOARD

Pursuant to the Placing Agreement, none of the above conditions precedent are waivable. If any of the above conditions precedents is not fulfilled on or before the Placing Long Stop Date, all obligations of each of the parties under the Placing Agreement shall cease and determine and no party shall have any claim of any obligations against any other party in respect of any matter arising out of or in connection with the Placing Agreement, except for any antecedent breach under the Placing Agreement.

As at the Latest Practicable Date, condition (iii) has been fulfilled.

Placing Completion

Placing Completion shall take place on the Placing Completion Date.

THE SUBSCRIPTION AGREEMENT

Date

28 January 2015 (as supplemented and amended by a supplemental agreement dated 2 April 2015)

Parties

Issuer : The Company

Subscriber : Parko (Hong Kong) Limited

As at the Latest Practicable Date, the Subscriber is a controlling Shareholder holding 903,007,792 Shares, which represent approximately 51.05% of the issued share capital of the Company. Therefore, the Subscriber is a connected person of the Company.

Conditions precedent of the Subscription

Subscription Completion is conditional upon the fulfilment of the following conditions:

- (i) the listing committee of the Stock Exchange granting the listing of and permission to deal in the Subscription Warrant Shares having been obtained and not being subsequently revoked prior to the Subscription Completion;
- (ii) the approval of the Independent Shareholders of the Subscription Agreement and the transactions contemplated thereunder at the EGM subject to and in accordance with the requirements under the Listing Rules;
- (iii) completion of the Previous Placing and Subscriptions;

LETTER FROM THE BOARD

- (iv) no representations, warranties or undertakings 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; and
- (v) the Subscriber having obtained such approval and completed such filings and registrations with the relevant PRC governmental authorities as required in accordance with the relevant applicable laws in the PRC for the execution, delivery and completion of the Subscription Agreement and the performance of its obligations pursuant to the Subscription Agreement.

Pursuant to the Subscription Agreement, none of the above conditions precedent are waivable. If the above conditions precedent are not fulfilled on or before the Subscription Long Stop Date, 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.

As at the Latest Practicable Date, condition (iii) has been fulfilled.

Mandatory subscription

The Subscriber has undertaken to the Company that so long as it remains a holder of any of the Subscription Warrants, the Company shall have the right to request, at any time during the subscription period (as defined in the principal terms of the Warrants below), the Subscriber to exercise in whole or in part the Subscription Warrants it holds from time to time to subscribe for the Subscription Warrant Shares.

Further, on 21 April 2015, the Subscriber has irrevocably undertaken to the Company ("**Subscriber Further Undertaking**") that it will not transfer or dispose of any of the Subscription Warrants without (i) the Company's prior written consent of such transfer or disposal; and (ii) having obtained from the proposed transferee of the Subscription Warrants an undertaking that the proposed transferee shall observe, perform and be bound by all the provisions of the Subscription Agreement and the Subscriber Further Undertaking in all respects as if it were the Subscriber in the Subscription Agreement and the Subscriber Further Undertaking.

Subscription Completion

Subscription Completion shall take place on the Subscription Completion Date.

OTHER TERMS OF THE AGREEMENTS

Pursuant to the Agreements, the aggregate number of Warrants to be issued shall be such that the total number of Subscription Warrant Shares and Placing Warrant Shares to be issued upon the exercise in full of all such Warrants shall not be exceed 20% of the issued share capital of the Company (the "**Cap**") at the date of the EGM. In the event that the sum of the Subscription Warrant Shares and Placing Warrant Shares to be issued upon

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full exercise of all such Warrants exceeds the Cap, the total number of the Placing Warrants and Subscribing Warrants shall be reduced by the excess amount on a pro rata basis.

PRINCIPAL TERMS OF THE WARRANTS

The principal terms of the Warrants are as follows:

- Number of Warrants and Warrant Shares : A maximum of 353,657,500 Warrants, comprising 141,463,000 Placing Warrants and 212,194,500 Subscription Warrants. Each Warrant carries the right to subscribe for one Warrant Share.
- Status : The Warrants will be constituted by way of deed poll to be executed by the Company. The Warrants will rank *pari passu* in all respects among themselves.
- Form : The Warrants will be issued upon completion in registered form. Warrant certificates will be issued to the holders of the Warrants.
- Exercise Price : HK\$3.0 per Warrant Share, subject to adjustment upon occurrence of the following events:-
- (i) an alteration of the nominal amount of the Shares by reason of any consolidation, sub-division or reclassification;
 - (ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);
 - (iii) a capital distribution being made by the Company, whether on a reduction of capital or otherwise, to the Shareholders in their capacity as such;
 - (iv) an offer or grant being made by the Company to the Shareholders by way of rights or options or warrants to subscribe for new Shares at a price which is less than 80% of the market price of the Shares;

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- (v) an issue wholly for cash being made by the Company or any other company of securities convertible into or exchangeable for or carrying rights of subscription for Shares, if in any case the total effective consideration per Share is less than 80% of the market price of the Shares, or the terms of any such issue being altered so that the said total effective consideration is less than 80% of the market price of the Shares;
- (vi) an issue being made by the Company wholly for cash of Shares (other than pursuant to any Share Option Scheme) at a price less than 80% of the market price of the Shares; and
- (vii) the purchase by the Company of Shares or securities convertible into Shares or any rights to acquire Shares (excluding any such purchase made on the Stock Exchange or any other stock exchange recognised for this purpose by the SFC or equivalent authority and the Stock Exchange) in circumstances where the Directors consider that it may be appropriate to make an adjustment to the subscription price.

Any adjustment to the Exercise Price shall be made to the nearest cent so that any amount under half a cent shall be rounded down and an amount of half a cent or more shall be rounded up and in no event shall any adjustment (otherwise than upon the consolidation of Shares into Shares of a larger nominal amount or upon a purchase of Shares) involve an increase in the Exercise Price. In addition to any determination which may be made by the Directors, every adjustment to the Exercise Price shall be certified to be fair and appropriate either (at the option of the Company) by the auditors of the Company or by an approved merchant bank. In giving any certificate or making any adjustment hereunder, the auditors of the Company or the approved merchant bank shall be deemed to be acting as experts and not as arbitrators and, in the absence of manifest error, their decision shall be conclusive and binding on the Company and the holders of the Warrants and all persons claiming through or under them respectively.

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- Subscription period : The subscription rights attaching to the Warrants may be exercised at the discretion of the warrant holder(s) at any time from the date of issue of the Warrants until the close of business on the first anniversary of the issue date (or, if that is not a business day, the first business day immediately following such date) (both dates inclusive).
- Ranking of the Warrant Shares : The Warrant Shares will rank *pari passu* in all respects with the Shares in issue on the relevant date of registration of the name of the relevant holder(s) of the Warrants on the register of members of the Company as holder of such Warrant Shares.
- Transferability : The Warrants are transferable, provided that the amount of the Warrants to be transferred at any one time is at least 100,000 Warrants (or if at the time of transfer, the outstanding number of the Warrants is less than 100,000, the whole but not in part of the outstanding Warrants) by instrument of transfer in any usual or common form or such other form as may be approved by the Directors.
- Winding up : In the event a notice is given by the Company to the Shareholders to convene a Shareholders' meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to each holder of the Warrants and thereupon, every holder of the Warrants shall be entitled by irrevocable surrender of his Warrant certificate(s) to the Company (such surrender to occur not later than two Business Days prior to the proposed shareholders' meeting referred to above) with the relevant subscription form(s) duly completed, together with the relevant payment, to exercise the relevant subscription rights attaching to the Warrants and the Company shall as soon as possible and in any event no later than the day immediately prior to the date of the proposed shareholders' meeting allot such number of Shares to the holders of the Warrants which fall to be issued. The Company shall give notice to the holders of the Warrants of the passing of such resolution within seven days after the passing thereof.

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Subject to the foregoing, if the Company is wound up, all subscription rights attaching to the Warrants which have not been exercised at the commencement of the winding up shall lapse and each Warrant certificate shall cease to be valid for any purpose.

Voting rights : The holder(s) of the Warrants will not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of being a holder of the Warrants.

BASES FOR DETERMINING THE ISSUE PRICE AND THE EXERCISE PRICE

The Exercise Price is HK\$3.0 per Warrant Share, subject to adjustment, which represents:

- (i) a premium of approximately 17.65% over the closing price of HK\$2.550 per Share as quoted on the Stock Exchange as at the date of the Agreements;
- (ii) a premium of approximately 19.62% over the average closing price of HK\$2.508 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Agreements;
- (iii) a premium of approximately 18.34% over the average closing price of HK\$2.535 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the date of the Agreements; and
- (iv) a premium of approximately 6.38% over the closing price of HK\$2.820 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The aggregate of the Issue Price of HK\$0.189 per Warrant and the Exercise Price of HK\$3.0 per Warrant Share, i.e. HK\$3.189 (the "**Aggregate Price**"), represents:

- (i) a premium of approximately 25.06% over the closing price of HK\$2.550 per Share as quoted on the Stock Exchange as at the date of the Agreements;
- (ii) a premium of approximately 27.15% over the average closing price of HK\$2.508 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Agreements;
- (iii) a premium of approximately 25.80% over the average closing price of HK\$2.535 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the date of the Agreements; and
- (iv) a premium of approximately 13.09% over the closing price of HK\$2.820 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

LETTER FROM THE BOARD

Both the Issue Price and the Exercise Price were determined based on negotiations on an arm's length basis with reference to (i) the current market sentiment; (ii) the historical Share price; and (iii) the fair issue price per Warrant of approximately HK\$0.189 (which was derived from an initial fair issue price of approximately HK\$0.4307 and a discount for non-marketability of approximately 56.1995%) as at 27 January 2015 assessed by the Independent Valuer, details of which are set out on "Appendix I — Valuation Report from the Independent Valuer" to this circular.

During the period from 29 October 2014, being the 3 months period prior to the Agreements, up to 28 January 2015 (the "Review Period"), the closing price per Share ranged from the lowest of HK\$2.30 on 28 November 2014 to the highest of HK\$2.82 on 2 December 2014 with an average closing price of approximately HK\$2.62. The Aggregate Price of HK\$3.189 represents (i) a premium of approximately 13.09% over the highest closing price per Share during the Review Period; (ii) a premium of approximately 21.72% over the average closing price per Share during the Review Period; and (iii) a premium of approximately 38.65% over the lowest closing price per Share during the Review Period.

During the Review Period, the average daily volume of the Shares ranged from approximately 0.07% to 0.16% of the total number of issued Shares as at the date of the Agreements. As such, the trading volume of the Shares was relatively weak.

Having considered the above, the Directors consider that both the Issue Price and the Exercise Price are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

WARRANT SHARES

The maximum nominal value of the Warrant Shares will be approximately HK\$8.8 million.

Pursuant to Rule 15.02(1) of the Listing Rules, the Warrant Shares to be issued upon exercise of the Warrants must not, when aggregated with all other equity securities which remain to be issued on exercise of any other subscription rights, if all such rights were immediately exercised, whether or not such exercise is permissible, exceed 20% of the issued share capital of the Company at the time the Warrants are issued. Options granted under employee or executive share schemes which comply with Chapter 17 of the Listing Rules are excluded for the purpose of such limit.

As at the Latest Practicable Date the Company has no outstanding warrant.

Assuming full exercise of the subscription rights attaching to the Warrants, 353,657,500 Warrant Shares (which represent approximately 19.995% of the total issued share as at the Latest Practicable Date) will be allotted and issued. Accordingly, the issue of the Warrants is expected to be in compliance with Rule 15.02(1) of the Listing Rules.

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APPLICATION FOR LISTING

The Company will apply to the listing committee of the Stock Exchange for the listing of, and permission to deal in, the Warrant Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Warrants. No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges.

SPECIFIC MANDATES

The Warrant Shares shall be allotted and issued under the Specific Mandates to be granted to the Directors by the Independent Shareholders at the EGM.

INFORMATION OF THE GROUP

The Group is principally engaged in businesses which include rural finance, agricultural product trading, urbanisation planning, operating and managing; research, development and distribution of software, and provision of related software maintenance, usage and information services.

USE OF PROCEEDS AND REASONS AND BENEFITS FOR ENTERING INTO THE AGREEMENTS

Assuming the maximum of the Warrants are placed and subscribed for, the gross proceeds and net proceeds from the issue of the Warrants will be approximately HK\$66.8 million and HK\$66.3 million respectively. The net issue price per Warrant is approximately HK\$0.187.

Assuming full exercise of the subscription rights attaching to the maximum of the Warrants at the Exercise Price, it is expected that an additional gross proceeds and net proceeds of approximately HK\$1,061 million will be raised. The net exercise price per Warrant is approximately HK\$3.0.

The Company intends to apply the aforesaid total net proceeds of approximately HK\$1,127 million in the following manner:

- (a) approximately one-third (or equivalent to approximately HK\$375 million) of the total net proceeds is to be allocated for investment of the tea leaves trading platform (details of which are disclosed in the Company's announcement dated 24 December 2014) should it materialise;
- (b) approximately one-third (or equivalent to approximately HK\$375 million) of the total net proceeds is to be allocated for investment in a processing plant for agricultural by-products; and
- (c) the remaining approximately one-third (or equivalent to approximately HK\$377 million) of the total net proceeds is to be allocated for future investment(s) and/or acquisition(s), as and when appropriate including but not limited to a possible acquisition of 中農集團農機控股有限公司 (Sino-agri

LETTER FROM THE BOARD

Agricultural Machinery Holdings Company Limited*) (“**Sino-agri Holdings**”), a company established in the PRC with limited liability (details of which are disclosed in the Company’s announcement dated 2 December 2014).

Reference is made to the announcement of the Company dated 24 December 2014. The Company entered into a non-legally binding memorandum of understanding dated 23 December 2014 with Guangdong New Co-Op Skyrise Investment Co., Ltd* (廣東新供銷天成投資有限公司), regarding a cooperation in the possible investment in tea leaves trading platform in the PRC (the “**Possible Platform Investment**”). The investment cost of the Possible Platform Investment is expected to be less than RMB300 million (equivalent to approximately HK\$375 million).

Reference is made to the announcement of the Company dated 2 December 2014. The Company entered into a non-legally binding memorandum of understanding dated 1 December 2014 with 中國農業生產資料集團公司 (China National Agricultural Means Of Production Group Corporation*) (the “**Potential Vendor**”), regarding a possible acquisition of not more than 49% equity interest in Sino-agri Holdings through acquisition of existing shares and/or subscription of new shares (the “**Possible Acquisition**”). The consideration for the Possible Acquisition is proposed to be in the range of RMB110 million (equivalent to approximately HK\$137.5 million) to RMB250 million (equivalent to approximately HK\$312.5 million).

Further, the Company is under preliminary negotiation with an independent third party in respect of a possible investment in the agricultural by-products processing plant in the PRC, with an estimated investment cost of approximately HK\$375 million (the “**Possible Plant Investment**”).

As at the Latest Practicable Date, (i) no concrete terms and plans concerning the Possible Platform Investment and the Possible Plant Investment has been reached; and (ii) the Company is in the process of finalising the terms for the Possible Acquisition with the Potential Vendor.

In the event that the total net proceeds are below the high-end of approximately HK\$1,127 million, the amounts intended to be used for such purposes set forth above will be adjusted according to the actual amount of proceeds raised and applied in an order depending on the progress of the aforesaid investments and acquisitions shall they be materialised.

After taking into the account:

- (i) the Group’s intention to maintain sufficient working capital;
- (ii) the Group’s cash position as at 31 December 2014;
- (iii) the earmarked and expected cash outflow in respect of (a) certain capital contributions and (b) certain possible and proposed acquisitions as previously announced by the Company; and

LETTER FROM THE BOARD

(iv) the cash inflow from the previous two placing and subscription of new shares, in the event that the Warrants are not being exercised, it is expected that the Company might not have sufficient funding for all the proposed uses as disclosed above.

As at the Latest Practicable Date, save for disclosed above and those as previously announced by the Company, the Company has no other plans or negotiations in relation to other new investment opportunities and/or acquisition.

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 the Subscriber, the controlling Shareholder, towards the long-term and sustainable development of the Company, and that the continuing support of the controlling Shareholder is crucial to ensure the business stability and long-term development of the Group.

The issue of the Warrants provides an opportunity to the Group to issue new shares at a premium to the prevailing market price of the Shares with an immediate funding of approximately HK\$66.3 million to the Group. Further, provided that the one year subscription period of the Warrants which is relatively short, the Company would face lesser uncertainty from getting further funding should the Warrants are not being exercised. The issue of the Warrants will provide immediate funding without immediate dilution of the shareholdings of the existing Shareholders, and, if the subscription rights attaching to the Warrants are exercised, it will benefit the long-term business diversification development of the Company by broadening the capital base of the Company.

Having considered the above, the Directors are of the view that the terms of the Placing Agreement, the Subscription Agreement and the respective transactions contemplated thereunder, including the issue of the Warrants and the Warrant Shares, are fair and reasonable in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company has no plans for further fundraising activities. However, the Company would not exclude the possibility of conducting further fundraising activities, as and when appropriate, with reference to the then market conditions and capital requirements of the Group.

FUND RAISING ACTIVITIES DURING THE PAST TWELVE MONTHS

Date of announcement/ circular	Fund raising activity	Net proceeds	Intended use of proceeds as announced	Actual use of proceeds
14 August 2014, 3 September 2014, 26 September 2014, 16 October 2014 and 22 October 2014	The Company (i) issued an aggregate of 61,298,000 Shares to not less than six placees at the placing price of HK\$3.0 per Share pursuant to the placing agreement dated 14 August 2014 entered into between the Company and certain placing agents; and (ii) issued 64,392,900 Shares to the Subscriber at the subscription price of HK\$3.0 per Share pursuant to the subscription agreement dated 14 August 2014 entered into between the Company and the Subscriber.	Approximately HK\$369.7 million	For further capital contribution into China Coop Mengda and the remainder (if any) for the development of the acquisition of land and/or warehouse(s) for storage of tea leaves and chemical fertilisers.	As at the Latest Practicable Date, the net proceeds raised have not been utilised.

LETTER FROM THE BOARD

Date of announcement/ circular	Fund raising activity	Net proceeds	Intended use of proceeds as announced	Actual use of proceeds
21 November 2014, 4 December 2014, 12 December 2014 and 6 February 2015	The Company allotted and issued (i) 53,530,000 new Shares to not less than six placees at the placing price of HK\$3.0 per Share pursuant to the placing agreement dated 20 November 2014 (as supplemented and amended by a supplemental agreement dated 4 December 2014) entered into between the Company and certain placing agents; (ii) 100,000,000 new Shares to Co-Op Funds (V) at the subscription price of HK\$3.0 per Share pursuant to the subscription agreement dated 20 November 2014 (as supplemented and amended by a supplemental agreement dated 4 December 2014) entered into between the Company and Co-Op Funds (V); and (iii) 161,206,500 new Shares to the Subscriber at the subscription price of HK\$3.0 per Share pursuant to the subscription agreement dated 20 November 2014 (as supplemented and amended by a supplemental agreement dated 4 December 2014) entered into between the Company and the Subscriber.	Approximately HK\$936.9 million	(i) Approximately 12.38% (or approximately HK\$116 million) for the further capital injection into China Coop Mengda by Ever Harvest Inc Limited pursuant to and for the performance of the capital contribution agreement dated 14 August 2014 entered into between Ever Harvest Inc Limited and China Coop Mengda; and (ii) Approximately 87.62% (or approximately HK\$820.9 million) 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 more details, please refer to the circular of the Company dated 12 December 2014 and the announcement of the Company dated 6 February 2015	As at the Latest Practicable Date, the net proceeds raised have not been utilised.

Reference is made to the circular and announcement of the Company dated 12 December 2014 and 6 February 2015, respectively. Concerning the development of the agricultural products trading business in cooperation with Guangzhou Commodity Exchange (the “**Development**”), the net proceeds raised will be applied for (i) acquisition of land and/or warehouse(s) and the building and/or renovation of warehouses for the storage of agricultural products; (ii) if any, 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) the remainder (if any) will be served for the development of online transaction management system for the trading platforms of agricultural products and rural land property rights.

LETTER FROM THE BOARD

The Development is on an ongoing basis that is expected to take about one year. The Company will make the relevant announcement(s) concerning the Development, as and when appropriate, in accordance with the Listing Rules requirements.

Concerning the capital injection into China Coop Mengda by the Group, the said capital injection is expected to be made in the second quarter of 2015.

Save as disclosed above, the Company has not conducted any other equity fund raising activities in the past twelve months immediately preceding the Latest Practicable Date.

CHANGES IN THE SHAREHOLDINGS STRUCTURE OF THE COMPANY

Assuming there will not be any change in the issued share capital of the Company, set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the full exercise of the subscription rights attaching to the Warrants:

	As at the		Immediately after the full	
	Latest Practicable Date		exercise of the subscription	
	<i>Approximate</i>		rights attaching to	
	<i>No. of Shares</i>	<i>%</i>	the Warrants	<i>Approximate</i>
			<i>(Note)</i>	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
The Subscriber	903,007,792	51.05	1,115,202,292	52.55
Placees	–	–	141,463,000	6.66
Other Public Shareholders	865,700,176	48.95	865,700,176	40.79
Total	1,768,707,968	100.00	2,122,365,468	100.00

Note: Assuming that the maximum number of the Placing Warrant Shares and the Warrant Subscription Shares will be allotted and issued.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, the Subscriber is a controlling Shareholder who holds 903,007,792 Shares, representing approximately 51.05% of the issued share capital of the Company. Therefore, the Subscriber is a connected person of the Company. As such, the Subscription constitutes a connected transaction for the Company and is subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

EGM

The EGM will be convened and held to consider and, if thought fit, pass the relevant resolutions to approve, among other things, the Placing Agreement, the Subscription Agreement 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, on Wednesday, 13 May 2015 at 10:00 a.m. is set out on pages 72 to 75 of this circular. A form of proxy for the EGM is enclosed with this circular. Whether or not you intend to attend the EGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon, and return the same 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.

The relevant resolutions to approve the Placing Agreement, the Subscription Agreement and the respective 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.

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

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

RECOMMENDATIONS

Your attention is drawn to:

- (i) the letter from the Independent Board Committee set out on pages 24 to 25 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders concerning whether the terms of

LETTER FROM THE BOARD

the Placing Agreement, the Subscription Agreement and the respective transactions contemplated thereunder are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole; and

- (ii) the letter from the Independent Financial Adviser set out on pages 26 to 53 of this circular which contains its recommendations to the Independent Board Committee and the Independent Shareholders on whether the Placing Agreement, the Subscription Agreement and the respective transactions contemplated thereunder are on normal commercial terms, fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

The Board is of the view that the entering into the Placing Agreement and the Subscription Agreement are on normal commercial terms, and the terms and conditions of the Placing Agreement, the Subscription Agreement and the respective transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the relevant resolutions as set out in the notice of the EGM to approve the Placing Agreement and the Subscription Agreement.

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



NATIONAL AGRICULTURAL HOLDINGS LIMITED
國農控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1236)

27 April 2015

To the Independent Shareholders

Dear Sir or Madam,

**(1) PROPOSED PLACING OF UNLISTED WARRANTS
UNDER SPECIFIC MANDATE;
AND
(2) CONNECTED TRANSACTION INVOLVING PROPOSED
SUBSCRIPTION OF UNLISTED WARRANTS
UNDER SPECIFIC MANDATE**

We refer to the circular of the Company to the Shareholders dated 27 April 2015 (the “Circular”), in which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter will have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to consider as to whether the Placing Agreement, the Subscription Agreement and the respective transactions contemplated thereunder (the “**Proposed Placing and Subscription**”) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. Altus Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board set out on pages 6 to 23 of the Circular which contains, among others, information on the Proposed Placing and Subscription as well as the letter from the Independent Financial Adviser set out on pages 26 to 53 of the Circular which contains its advice in respect of the Proposed Placing and Subscription.

Having considered the principal factors and reasons and the advice from Altus Capital, we consider that the Proposed Placing and Subscription are entered into on normal commercial terms, fair and reasonable, and in the interests of the Company and the Independent Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution(s) in respect of the Proposed Placing and Subscription at the EGM.

Yours faithfully,

For and on behalf of

the Independent Board Committee

**Ms. Chiu Kam
Hing Kathy**

**Mr. Ting Tit
Cheung**

**Mr. Fan William
Chung Yue**

**Mr. Law Yee
Kwan Quinn**

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

27 April 2015

*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,

PROPOSED PLACING OF UNLISTED WARRANTS UNDER SPECIFIC MANDATE AND CONNECTED TRANSACTION INVOLVING PROPOSED SUBSCRIPTION OF UNLISTED WARRANTS 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 (i) the Subscription of Subscription Warrants by the Subscriber under the Subscription Agreement; and (ii) the Placing of Placing Warrants to independent Placees under the Placing Agreement. Details of the Subscription Agreement and the Placing Agreement are set out in the "Letter from the Board" contained in the circular of the Company dated 27 April 2015 (the "**Circular**"), of which this letter (the "**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 28 January 2015 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, the controlling Shareholder of the Company currently interested in approximately 51.05% of the issued share capital of the Company, pursuant to which the Subscriber has conditionally agreed to subscribe for and the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company has conditionally agreed to allot and issue up to a maximum of 212,194,500 unlisted Subscription Warrants at the Subscription Issue Price of HK\$0.189 per Subscription Warrant with a Subscription Exercise Price of HK\$3.00 per Subscription Warrant Share. The Subscription Agreement is subject to conditions as set out in the section headed "Conditions precedent of the Subscription" of the "Letter from the Board" of the Circular.

On 28 January 2015 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Placing Agent conditionally agreed to procure, on a best effort basis, not less than six Independent Third Party Places to subscribe for up to a maximum of 141,463,000 Placing Warrants at the Placing Issue Price of HK\$0.189 per Placing Warrant with a Placing Exercise Price of HK\$3.00 per Placing Warrant Share.

According to the Agreements as entered into on 28 January 2015, the Placing Long Stop Date and the Subscription Long Stop Date was designated as within 30 days from the date of the EGM or 31 March 2015, whichever occurred earlier (or such other date as the Company and the relevant counterparty may agree in writing).

On 2 April 2015, the Company announced that since additional time was required for the fulfilment of the conditions of the Agreements, on the same day supplemental agreements had been entered into between (i) the Company and the Placing Agent; and (ii) the Company and the Subscriber, pursuant to which the Placing Long Stop Date and the Subscription Long Stop Date respectively had been extended to within 30 days from the date of the EGM or 30 June 2015, whichever occurs earlier (or such other date as the Company and the relevant counterparty may agree in writing).

Assuming the maximum number of Placing Warrants and Subscription Warrants are placed, subscribed for and exercised, the gross proceeds from the Placing and Subscription are expected to be approximately HK\$1,127.81 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 reasons and benefits for entering into the Agreements" of the "Letter from the Board" of the Circular.

The Warrants shall be allotted and issued under the Specific Mandates to be granted by the Independent Shareholders to the Directors at the EGM. The general mandate of the Company will not be used for the issue of the Placing Warrants or the Subscription Warrants.

As at the Latest Practicable Date, the Subscriber is a controlling Shareholder holding 903,007,792 Shares, representing approximately 51.05% of the issued share capital of the Company. Since the Subscriber 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, the Subscriber and its associates will abstain from voting at the EGM to consider and approve the relevant resolutions relating to the Agreements.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Altus Capital Limited acted as independent financial adviser for the Company in relation to the transactions as laid out in the Company's circulars dated 3 September 2014 and 12 December 2014. Save for the aforesaid engagements, Altus Capital Limited has not acted as an independent financial adviser for the Company's other transactions in the last two years prior to the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on this transaction is at a market level and is not conditional upon successful passing of the resolutions, and that our engagement is on normal commercial terms, Altus Capital Limited is independent of the Company.

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. Law Yee Kwan, Quinn and Mr. Fan William Chung Yue has been established to advise the Independent Shareholders as to (i) whether the Agreements 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; and (ii) whether the terms of the Agreements 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 resolutions to be proposed at the EGM to approve the transactions as contemplated under the Agreements.

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 Agreements were 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 Agreements are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned; and (iii) how the Independent Shareholders should vote in respect of the ordinary resolutions to be proposed at the EGM to approve the transactions as contemplated under the Agreements.

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.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 on the Group

1.1 *Previous change in control of the Group*

On 14 October 2013, the Company announced that the Subscriber had acquired in aggregate 87,250,000 Shares, representing approximately 34.54% of the then issued share capital of the Company. Consequently, the Subscriber made a mandatory conditional general cash offer for all the then issued Shares (other than those already owned or agreed to be acquired by the Subscriber and parties acting in concert with it) (the “**Cash Offer**”). Following the completion of the Cash Offer on 12 November 2013, the Subscriber and parties acting in concert with it were interested in an aggregate of 138,259,200 Shares, representing approximately 54.73% of the total issued share capital of the Company as at 12 November 2013.

1.2 *Principal business activities of the Group*

Up until the abovementioned change in control of the Company in October 2013, the principal activities of the Company and its subsidiaries were research, development and distribution of software and provision of related maintenance, and usage and information services in the PRC.

Since the change in control in October 2013, the Group has expanded its business scope whereby, as disclosed in the interim report of the Company for the six months ended 30 June 2014 (the “**2014 Interim Report**”), the Group is primarily focused on the provision of rural financial services, trading in agricultural means of production, urbanisation development and financial information services and software terminal operations. Such expansion has in the past necessitated further capital injections into the Group, further details of which can be found in the circulars of the Company dated 13 September 2013, 3 September 2014 and 12 December 2014.

1.3 *Financial information of the Group*

Recent financial information of the Group is of limited use when considering the Group’s current outlook due to the recent expansion of the Group’s business scope and the sizeable investments recently made into joint ventures and projects which may have not yet entered their major profit-generating stages. Moreover, subsequent to the latest financial reporting date, 30 June 2014, the Group has (i) on 22 October 2014 completed the placing and subscription of Shares with net proceeds amounting to approximately

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

HK\$369.7 million (please refer to the Company's announcement of 22 October 2014); and (ii) on 6 February 2015 completed the placing and subscriptions of Shares with net proceeds amounting to approximately HK\$936.9 million (please refer to the Company's announcement of 6 February 2015). Due to the above, the financial information as contained in the 2014 Interim Report cannot be said to be indicative of the Group's current financial position.

Notwithstanding this, for illustrative purposes we have set out a summary of financial highlights of the Group for the two years ended 31 December 2012 and 2013 as extracted from the annual report of the Group for the year ended 31 December 2013 (the "2013 Annual Report") and the six months ended 30 June 2014, as extracted from the 2014 Interim Report.

	Year ended 31 December		Six months ended 30 June	
	2012	2013	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(unaudited)	(unaudited)
Turnover	105,747	95,659	47,021	53,442
Gross profit	75,628	67,217	32,670	39,440
Profit/(loss) for the year/period	4,765	(25,961)	(6,528)	(5,436)
			As at	As at
			31 December	30 June
			2012	2013
			<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 and 2014 Interim Report

For the year ended 31 December 2013

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 RMB95.66 million, representing a decrease of approximately 9.54% as compared to the previous year. Consequently, gross profit decreased by approximately 11.12% to approximately RMB67.22 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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.

The Group recorded a loss of approximately RMB25.96 million for the year ended 31 December 2013 as compared to a profit of approximately RMB4.77 million in the previous year. Such loss was mainly attributable to (i) the increase in administrative expenses from approximately RMB16.82 million in 2012 to approximately RMB28.88 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 the Subscriber and the mandatory 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 RMB11.09 million (refer to the section titled "2. Recent fund-raising activities" for further details); 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

As can be seen in the above tables, the Group's turnover increased from approximately RMB47.02 million for the six months ended 30 June 2013 to approximately RMB53.44 million for the six months ended 30 June 2014, representing an increase of approximately 13.66%. Gross profit for the six months ended 30 June 2014 also increased approximately 20.72% as compared to the corresponding period of the previous year.

While the six months ended 30 June 2014 recorded improved financial results on the six months ended 30 June 2013, as disclosed in the 2014 Interim Report, the Management is still of the view that China's stock market underperformed and had not fully extricated itself from the market downturn during the year ended 30 December 2013. It was felt that such sluggish performance continued to adversely affect the Group's financial information services business, with cautious stock investors leading to weakened market demand for such services.

The Group made a loss for the period of approximately RMB5.44 million as compared with the approximately RMB6.53 million loss incurred in the same period the year before. This loss was mainly attributable to an increase in operational expenses such as staff costs and costs relating to the Group's new office in Hong Kong, which became operational in January 2014.

The Group's cash and cash equivalent balanced remained largely stable as at 30 June 2014, while the net asset value ("NAV") of the Group increased approximately 97.34% from approximately RMB170.21 million as at 31 December 2013 to approximately RMB335.90 million as at 30 June 2014. This substantial increase was a result of the consolidation of China Coop Mengda into the Company's financial statements.

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As previously stated, the Group has undergone several major developments since 30 June 2014 and these have had significant changes on the Group's financial position. Accordingly, the above financial information is of limited use.

1.4 *Business outlook*

The Management is optimistic about the Group's future prospects. It is expected that China's economy will continue to recover thereby increasing the pace of development of China's "agricultural sector, rural areas and farmers", as was one of the objectives of China's recent agriculturally focused policies. As a result of this, it is expected that the consumption power of farmers will witness a substantial increase triggering greater demand for the Group's products and services.

Furthermore, the Subscriber 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.

The recent developments as laid out above represent an expansion of the Group's scope of business and a refocusing of the Group's resources. In light of the substantial investments made by the Group since the aforementioned change in control, we note that such expansion of the Group's operating activities has entailed and may continue to entail sizeable capital contributions.

2. **Recent fund-raising activities**

2.1 *Convertible bonds*

On 19 November 2013, in accordance with a subscription agreement dated 15 July 2013, the Subscriber subscribed for the convertible bonds of the Company (the "**Convertible Bonds**") in the amount of HK\$151,007,520. As disclosed in the circular of the Company dated 13 September 2013, subscription for the Convertible Bonds was carried out as part of the acquisition of the controlling shareholding of the Company by the Subscriber, and was partly undertaken to provide the Group with the resources required to further research and develop potential products which had not yet entered their profit-generating stages.

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On 28 January 2014, the Company received conversion notice from the Subscriber 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) to the Subscriber on 28 January 2014. Immediately after the issue and allotment of 79,477,642 Shares to the Subscriber, the Subscriber transferred a total of 26,911,855 Shares to third parties.

2.2 *The August Agreements*

As laid out in the circular of the Company dated 3 September 2014, on 14 August 2014 the Company entered into (i) a placing agreement with placing agents to place a maximum of 243,900,000 Shares to Independent Third Parties at a placing price within the range of HK\$2.80 to HK\$3.28 per Share; and (ii) a subscription agreement with the Subscriber to subscribe for a number of Shares equivalent to 1.05 times the amount of Shares to be placed under the placing agreement at a price equivalent to the placing price (the “**August Agreements**”).

As disclosed in the Company’s announcement of 22 October 2014, on that day the Company (i) placed an aggregate of 61,298,000 Shares to Independent Third Parties at a price of HK\$3.00 per Share under specific mandate; and (ii) issued 64,362,900 subscription Shares to the Subscriber at a price of HK\$3.00 per subscription Share under specific mandate (together the “**August Agreements Issuance**”). The net proceeds from the August Agreements Issuance amounted to approximately HK\$369.7 million, representing a net issued price of approximately HK\$2.94 per Share, thereby falling short of the maximum possible net proceeds of the placing and the subscription. According to the Management, this was caused by the time-consuming administrative procedures of certain potential investors which meant that despite being willing to invest, they were not able to participate in the placing. At the time, the Management considered that awaiting the approval of such investors’ investment approval procedures would have entailed certain risks, such as the withdrawal of investors who had already subscribed to the August Agreements Issuance. As a result, the Management considered it was preferable to immediately carry out the August Agreements Issuance and subsequently enter into new subscription and placing agreements (the “**November Agreements**”) which could be entered into by those investors who had previously not been able to expediently obtain approval for the August Agreements, among others.

2.3 *The November Agreements*

As set out in the circular of the Company dated 12 December 2014, on 20 November 2014 (after trading hours), the Company entered into (i) a placing agreement with two placing agents pursuant to which the placing agents agreed to place up to a maximum of 82,928,000 Shares at the price of HK\$3.00 per Share with placees; (ii) a share subscription agreement with China Co-Op V (Shanghai) Equity Investment Funds Limited Partnership (“Co-Op Funds (V)”) pursuant to which Co-Op Funds (V) agreed to subscribe for 100,000,000 Shares at the price of HK\$3.00 per Share; and (iii) a share subscription agreement with the Subscriber pursuant to which the Subscriber agreed to subscribe for a number of new Shares equivalent to 1.05 times that of the aggregate Shares placed and subscribed for under the abovementioned placing and subscription agreement at a price of HK\$3.00 per Share.

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As disclosed in the announcement of the Company dated 6 February 2015, placees subscribed for an aggregate of 53,530,000 Shares, Co-Op Funds (V) subscribed for an aggregate of 100,000,000 Shares and the Subscriber subscribed for 161,206,500 Shares, being 1.05 times the aggregate number of the Shares subscribed for by the placees and Co-Op Funds (V) (the “**November Agreements Issuance**”). The net proceeds from the November Agreements Issuance amounted to approximately HK\$936.9 million, representing a net issued price of approximately HK\$2.98 per Share.

It is intended the proceeds of the August Agreement Issuance and the November Agreement Issuance be aggregated together and applied in the following order: (i) for further capital injection into China Coop Financial Leasing Co., Ltd pursuant to a capital contribution agreement dated 14 August 2014; (ii) acquisition of properties for the storage of agricultural products; (iii) acquisition and construction of properties for the trading of agricultural products and rural land property rights; and (iv) the development of an online transaction management system for trading platforms of agricultural products and land property rights.

3. The Agreements

3.1 *The Agreements*

(i) The Subscription Agreement

As detailed in the “Letter from the Board” of the Circular, on 28 February 2015, 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 in aggregate up to 212,194,500 Subscription Warrants at the Subscription Issue Price of HK\$0.189 per Subscription Warrant and a Subscription Exercise Price of HK\$3.00 per Subscription Warrant Share.

The Subscription Warrant Shares, if the Subscription Warrants are fully exercised, will represent approximately 10.71% of the entire issued share capital of the Company as enlarged by the exercising of the Subscription Warrants and approximately 10.00% of the entire issued share capital of the Company as enlarged by the allotment, issue and exercise of the maximum number of Warrants (including the Placing Warrants).

(ii) The Placing Agreement

As detailed in the “Letter from the Board” of the Circular, the Company and the Placing Agent, Convoy Investment Services Limited, entered into the Placing Agreement on 28 January 2015 pursuant to which the Placing Agent has conditionally agreed to procure, on a best effort basis, not less than six Placees to subscribe for up to a maximum of 141,463,000 Placing Warrants (representing approximately 6.66% of the issued share capital of the Company as enlarged by the allotment, issue and exercise of the maximum number of the Warrant Shares) at a Placing Issue Price of HK\$0.189 per Placing Warrant and a Placing Exercise Price of

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HK\$3.00 per Placing Warrant Share. The Placing was considered by the Management to be preferable to a rights issue of such Warrants to Shareholders due to the increased administrative costs incurred in a rights issue and since Shareholders currently have the option to purchase Shares on the open market at a significant discount to the aggregated Issue Price and Exercise Price of the Warrants (for more details on the Issue Price and Exercise Price, please kindly refer to the below section headed "3.2 The Issue Price and the Exercise Price" of this Letter).

As at the Latest Practicable Date, no Placees have been identified by the Placing Agent. However, it is anticipated that apart from the Agreements, there will not be any other agreement or arrangement between (i) the Company and each of the Placees; and (ii) the Subscriber or any of its associates and each of the Placees.

If there is any other agreement or arrangement between (i) the Company and each of the Placees; and (ii) the Subscriber or any of its associates and each of the Placees, the Company will publish an announcement in this regard in accordance with the Listing Rules requirements, as and when appropriate.

Details of the shareholdings of the Company before and after exercise of the Warrants are laid out in the section headed "Dilution effects on the Shareholders" of this Letter.

3.2 *The Issue Price and the Exercise Price*

In assessing the reasonableness of the Issue Price and the Exercise Price, we have reviewed the closing price level and the trading volume of the Shares traded on the Stock Exchange during the twelve months preceding the date of the Subscription Agreement and up to the Latest Practicable Date.

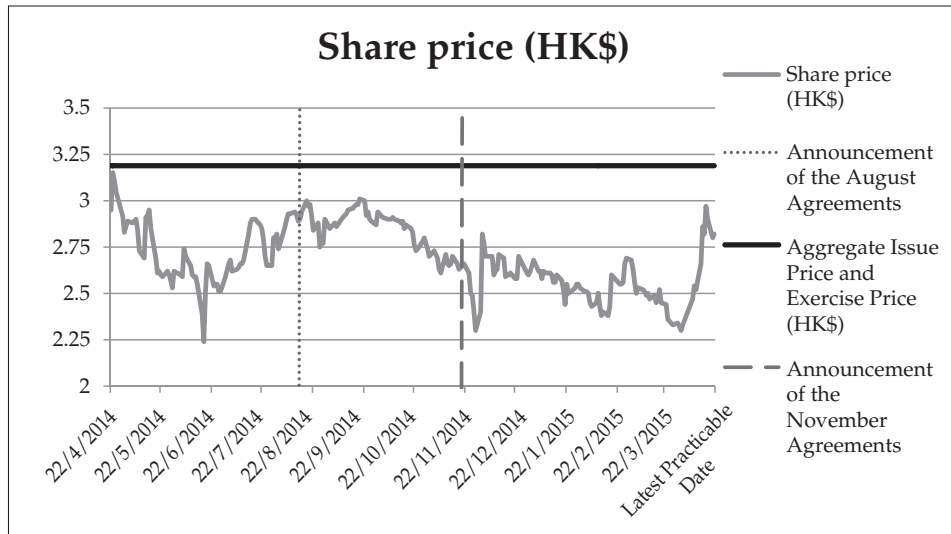
We note that the aggregated Issue Price and Exercise Price of HK\$3.189 per Warrant Share represents:

- (i) a premium of approximately 13.1% to the closing price of HK\$2.82 per Share as quoted on the Stock Exchange at the Latest Practicable Date, being 21 April 2015;
- (ii) a premium of approximately 25.1% to the closing price of HK\$2.55 per Share as quoted on the Stock Exchange on the date of the Placing Agreement and Subscription Agreement (being 28 January 2015);
- (iii) a premium of approximately 26.0% to the average closing price of approximately HK\$2.53 per Share as quoted on the Stock Exchange for the last five consecutive trading days of the Shares up to and including the date of the Placing Agreement and Subscription Agreement;
- (iv) a premium of approximately 23.1% to the average closing price of approximately HK\$2.59 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days of the Shares up to and including the date of the Placing Agreement and Subscription Agreement; and

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- (v) a premium of approximately 16.0% to the average daily closing price of approximately HK\$2.75 as quoted on the Stock Exchange for the last year up to the date to the announcement of the Placing Agreement and Subscription Agreement.

A graph showing the movement of the Share price as quoted on the Stock Exchange for the year up until the Latest Practicable Date is set out below:



As at 30 June 2014, the Group's NAV per Share was approximately RMB0.25 cents. Given that the aggregated Issue Price and Exercise Price are at a premium both to the NAV per Share as at 30 June 2014, and to the subscription and placing prices under the August Agreements Issuance and the November Agreements Issuance, the Group's NAV per Share is expected to increase upon completion of the Placing and the Subscription.

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3.3 *Comparables*

We have reviewed what we believe to be an exhaustive list of companies which have announced the issue of unlisted warrants since 1 January 2015 (the “**Comparables**”). This time period was chosen as we believe that (a) the eleven companies which have undertaken such an exercise since 1 January 2015 are sufficient to provide a reasonably well informed view of the general trend amongst the comparables; and (b) analysis of comparables any further back in time runs the risk of no longer being indicative of the current market environment. The results of our analysis are as follows:

Date of announcement	Company	Industry	Stock code	Length of warrant	Issue price (\$)	Exercise price (\$)	Market price date of announcement/ last trading day (\$)	Premium / (discount) of aggregate issue and exercise price to market price
10 April 2015	Hao Tian Development Group Limited	Money lending and commodities trading	474	24 months	0.001	0.500	0.49	2.24%
8 April 2015	China Putian Food Holding Limited	Hog farming and sale of pork	1699	24 months	0.050	1.300	1.45	(6.90%)
1 April 2015	China Water Industry Group Limited	Utilities – water	1129	18 months	0.100	1.900	1.74	14.94%
1 April 2015	Sheng Yuan Holdings Limited	Financial services	851	36 months	1.000	0.180	0.20	490.00%
13 March 2015	Baofeng Modern International Holdings Company Limited	Footwear manufacture	1121	18 months	0.070	1.500	0.66	137.88%
2 March 2015	China Zhongsheng Resources Holdings Limited ⁽¹⁾	Metals and minerals mining	2623	12 months	0.016	0.319	0.50	(33.00%)
12 February 2015	Shenguan Holdings (Group) Limited	Manufacture and sale of packaged foods	829	48 months	0.001	3.000	2.29	31.05%
10 February 2015	V.S. International Group Limited	Manufacture and sale of industrial components and equipment	1002	12 months	0.010	0.600	0.61	0.00%

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Date of announcement	Company	Industry	Stock code	Length of warrant	Issue price (\$)	Exercise price (\$)	Market price date of announcement/last trading day (\$)	Premium / (discount) of aggregate issue and exercise price to market price
6 February 2015	China Innovationpay Group Limited	E-commerce and internet services	8083	60 months	0.002	0.720	0.55	31.27%
6 February 2015	Phoenitron Holdings Limited	Manufacture and sale of telecommunications equipment	8066	24 months	0.020	0.330	0.30	16.67%
21 January 2015	Tian Shan Development (Holding) Limited	Property development	2118	33 months ⁽²⁾	0.430	3.340	3.40	10.88%
28 January 2015	National Agricultural Holdings Limited	Rural financing and agricultural products trading	1236	12 months	0.189	3.000	Median Mean Maximum Minimum	14.94% 63.19% 490.00% (33.00%) 25.06%

Notes:

- (1) Figures denominated in RMB
- (2) Approximately 33 months

Whilst noting that market comparables are of limited use when reviewing the price of unlisted warrants as the individual circumstances of companies and industries have a great impact on the attractiveness of a potential warrant issuance, for reference we have nevertheless reviewed all issues of unlisted warrants which have been announced since 1 January 2015. We note that the 25.06% premium of the aggregate Issue Price and Exercise Price to the Share price on the date of the Agreements, is within the range of the Comparables of an approximately 33.00% discount to an approximately 490.00% premium and above the median 14.94% premium of the Comparables (the median is used to eliminate the effect of potential outliers). The premium of the Company's aggregate Issue Price and Exercise Price is below the mean of approximately 63.19% of the Comparables, however this is unduly affected by the effect of outliers, particularly that of Sheng Yuan Holdings Limited which issued warrants at an approximate 490.00% premium, far above the other Comparables.

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(i) Review of Share price performance

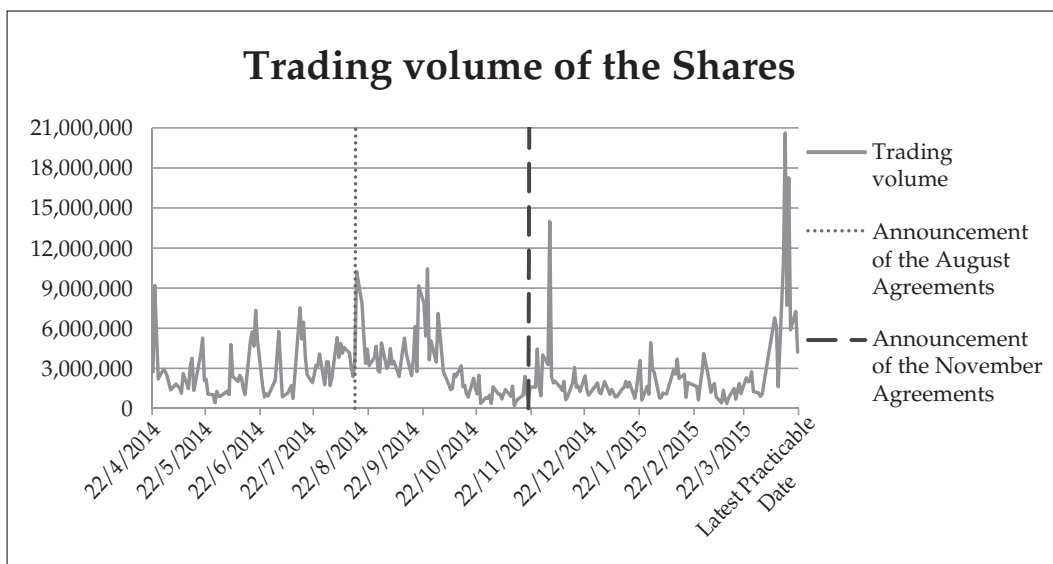
Since 22 April 2014, the Share price has predominantly remained between HK\$2.50 and HK\$3.00. After dipping to approximately HK\$2.30 in the beginning of April 2015, it has since recovered to approximately HK\$2.82 at the Latest Practicable Date.

We note that in the last six months up until the Latest Practicable Date, the daily closing price of the Shares has not approached the aggregate Issue Price and Exercise Price of HK\$3.189 and neither has it risen above the Exercise Price of HK\$3.00.

We note that the Exercise Price is equivalent to the exercise price under the August Agreements Issuance and the November Agreements Issuance, whilst additionally the Company will receive the Issue Price of HK\$0.189 per Warrant, which was not available in the previous issuances. Moreover, the Share price at the Latest Practicable Date of approximately HK\$2.82 is within the range of the Share prices at the date of the announcement of the August Agreements and the November Agreements of approximately HK\$2.90 and HK\$2.66 respectively.

(ii) Review on trading liquidity of the Shares

For the purpose of assessing the trading volume of the Shares, we set out below (i) the trading volume of the Shares for the year up until the Latest Practicable Date; and (ii) the average daily number of Shares traded for each month since April 2014:



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Month	Highest daily turnover (in number of Shares)	Lowest daily turnover (in number of Shares)	Average daily turnover (in number of Shares)	Percentage of average daily turnover over total number of Shares in issue (Approx.) ¹
2014				
April	12,264,000	1,360,000	4,216,200	0.32%
May	5,260,000	424,000	1,971,613	0.15%
June	7,328,000	862,000	2,719,400	0.20%
July	7,522,000	750,000	3,094,909	0.23%
August	12,264,000	2,248,000	5,158,286	0.33%
September	10,444,000	2,392,000	4,803,000	0.36%
October	3,182,000	370,000	1,572,333	0.11%
November	4,442,000	210,000	1,442,269	0.10%
December	13,978,000	656,000	2,308,587	0.16%
2015				
January	4,914,000	624,000	1,825,429	0.13%
February	4,102,000	644,000	1,937,333	0.11%
March	2,736,000	366,000	1,373,818	0.08%

Note:

- We note that there was an increase in the total number of Shares due to the August Agreement Issuance on 22 October 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 1,328,310,568 from March 2014 up to September 2014, 1,453,971,468 Shares from October 2014 to January 2015 and 1,768,707,968 for February and March 2015.

As shown in the table above, since April 2014, the average daily trading volume has been less than 0.4% of the total number of issued Shares. For the last six months, the daily average trading volume has remained at around 0.08% to 0.16% of the total Shares in issue.

As illustrated in the data 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. Since in the case of the Placing and the Subscription the Company is able to raise funds by issuing new Shares at a premium over the market price, it is therefore favourable to the Company and the Shareholders as a whole.

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(iii) The Issue Price

The Issue Price of HK\$0.189 per Warrant was calculated as the fair issue price for such Warrants by an independent professional valuer (the “Valuer”).

In the course of our review of this transaction, we have interviewed the Valuer and noted that the professional responsible for signing off the valuation report dated 27 April 2015 (the “Valuation Report”) has been working as a valuer, primarily of financial instruments and intangible assets, for approximately 18 years and has previously worked for other reputable valuation firms. As this was the first time the Valuer has been engaged by the Company and since neither the Valuer nor the Company was aware of any relationship between the two parties other than that relating to this valuation of the Warrants, we are satisfied the Valuer is independent from the Company. Moreover, having reviewed the scope of work detailed in the Valuer’s engagement letter, we are satisfied that the scope of work is sufficient and appropriate for this transaction.

We have reviewed the Valuation Report dated 27 April 2015 and discussed with the Valuer the bases and assumptions relied upon by the Valuer in their preparation of the report. In carrying out their valuation, the Valuer has primarily relied upon the management’s assertions relating to such information as the nature and terms of the Warrants. Standard mathematical assumptions have also been employed such as those relating to efficient markets, constant interest rates and rational and risk neutral investors, amongst others. It has also been assumed that since the Warrants are not freely transferrable, their fair value must be discounted in relation to other listed warrants. Having reviewed these assumptions, we found them to be in line with our own understanding and the documents provided to us.

We note that the Valuer employed the trinomial option pricing model as implemented by Bloomberg Finance L.P. (the “Bloomberg Model”) to calculate the initial undiscounted value of the Issue Price. Having discussed the rationale behind the use of such model for the valuation of the Issue Price with the Valuer, we understand that the Bloomberg Model is a more well-rounded calculation model, better suited to assigning value to a wide variety of financial instruments, and is commonly used in the corporate finance industry for valuation of warrants. Alternative valuation methods have limitations in these specific circumstances, such as the Black-Scholes Model which is generally used for options which can only be exercised at maturity. Furthermore, we note from the Valuer that the trinomial option pricing model employed by the Valuer is generally preferred to the binomial option pricing model since it is more widely applicable in a range of circumstances. In the valuation of the Warrants, it was noted that utilisation of the binomial option pricing model in this case would have neglected to take into account the possibility that the value of the underlying Shares could remain constant, as well as increasing or decreasing. Whereas, the trinomial option pricing model takes all three outcomes into account. Taking into account the above, we are of the view that the Bloomberg Model, which uses the trinomial option pricing model, represents a fair and reasonable method for valuing the Issue Price.

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The parameters employed by the Valuer under the Bloomberg Model included a marketing period of one year, annualised volatility of 58.775% and a Hong Kong dollar risk free rate of 0.455%. The marketing period of one year is in line with the terms of the Warrants. The volatility figure was computed using information provided by Bloomberg Finance L.P. (the “**Bloomberg Professional Service**”) which is calculated according to objective input information, such as the historical Share price and dividends paid. The aforesaid Hong Kong dollar risk free rate was also sourced from the Bloomberg Professional Service.

Having discussed with the Valuer and based on our independent enquiries with market practitioners involved in the trading of warrants, we understand that the Bloomberg Model is a common tool used by the finance industry to calculate the value of warrants, and that parameters such as volatility and the Hong Kong dollar risk free rate is frequently sourced from financial information as provided by the Bloomberg Professional Service.

Having calculated the Issue Price of approximately HK\$0.431 per Warrant using the Bloomberg Model, the Valuer then discounted the Issue Price value due to the unlisted nature of the Warrants. It is the prevailing industry consensus, as supported by numerous pieces of research (certain of which are described below), and it is our view, that private companies are generally valued lower than listed companies due to the relative illiquidity of their shares. By the same token, unlisted warrants are generally valued at a discount to listed warrants to reflect their relative illiquidity. We note from the Valuer that the Bloomberg Model assumes an efficient trading market, which does not exist in respect of unlisted warrants, and therefore a discount is required to be applied to the results of the Bloomberg Model. The above is also consistent with our independent understanding whereby a liquidity discount is generally applied to financial instruments which are less tradeable or do not have a ready market.

The Valuer employed a formula based on research published by Longstaff in 1995. After applying this formula, the discount was calculated to be approximately 56.20%, resulting in a final Issue Price of approximately HK\$0.189 per Warrant, taking into account the non-marketability discount. We have independently carried out the calculation of such discount for lack of marketability using the Longstaff formula (for details of the formula and its bases, please refer to the Valuation Report within the Circular) and confirm the discount of 56.20% applied by the Valuer is consistent with our own calculations. We understand from our discussion with the Valuer that this formula is commonly adopted in calculating discounts for non-freely-transferrable warrants, and they have previously used such a methodology to value unlisted warrants of other companies listed on the Stock Exchange.

We note that the Valuer considered alternatives to the Longstaff formula, such as the formula published by Johnson in 1999 (the “**Johnson Formula**”) and Mercer in 1997 (“**Mercer Model**”). The Valuer was of the view that since the Johnson Formula is based on parameters such as sales, total net income and net income margin etc., it

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is more applicable to equity valuations rather than derivative valuations as it does not take into account derivative characteristics such as volatility. It was thereby noted that were the Johnson Formula to be used in this derivative valuation, it would yield inaccurate results. The Mercer Model relies upon the valuer subjectively selecting the most appropriate valuation variables from a range of variables contained in the Mercer Model matrix and estimating parameters for these potentially numerous variables expected to occur in the future. Depending on the sources of information used for the estimation of parameters, this can be an arbitrary and/or overly complicated exercise. Given the aforementioned, the Valuer was of the view that the Mercer Model was unnecessarily complex in the circumstances.

Given that (i) the Valuer has abundant experience in valuing financial instruments; (ii) the Valuer is an Independent Third Party to the Company; (iii) the models used are commonly adopted valuation approaches used in the field of corporate finance field; (iv) the Valuer has employed this methodology to value other unlisted warrants for companies listed on the Stock Exchange; and (v) the Valuer has evaluated other potential approaches and considered the one utilised to be the most appropriate, we are satisfied that the bases of the Valuation Report are fair and reasonable and that the Issue Price of HK\$0.189 per Warrant represents a fair and reasonable price in the interests of the Company and Shareholders as a whole.

Given that (i) the Exercise Price and the aggregated Exercise Price and Issue Price are at a premium to the closing price of the Shares at the Latest Practicable Date and to the average closing price of the Shares of the last five consecutive days, 30 consecutive days and one year prior to announcement of the Agreements; (ii) completion of the Placing and the Subscription is expected to result in an increased NAV per Share; (iii) the Issue Price was arrived at based on an independently prepared Valuation Report which we consider employed fair and reasonable bases and assumptions; (iv) the trading of the Shares in the open market is generally relatively inactive and as such it may be generally difficult to attract investors in the Shares or instruments convertible into the Shares; and (v) the Exercise Price is equivalent to the subscription prices and placing prices offered pursuant to the August Agreements and the November Agreements, we are of the view that the Issue Price and the Exercise Price are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

We further note that since the Subscription Issue Price and the Subscription Exercise Price are equivalent to the Placing Issue Price and Placing Exercise Price, it is evident that the terms being offered to the Subscriber, as a connected person, under the Subscription Agreement are no different to those being offered to Independent Third Parties under the Placing Agreement.

4 Terms and completion of the Agreements

4.1 Terms of Subscription Completion and Placing Completion

As laid out in the “Letter from the Board” of the Circular, the terms of the Placing Agreement and the Subscription Agreement are largely identical and contain the following material clauses:

- (i) the Agreements are conditional upon the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Warrant Shares;
- (ii) the Agreements and transactions contemplated thereunder must have obtained approval from the Independent Shareholders at the EGM; and
- (iii) Subscription Completion and Placing Completion may only take place upon completion of the August Agreement Issuance and November Agreement Issuance.

We note from the Company’s announcement dated 6 February 2015, that item (iii) above has already been fulfilled.

4.2 Mandatory exercise

There is a material difference between the terms of the Placing Warrants and Subscription Warrants, whereby under the terms of the Subscription Warrants, the Company shall have the right to instruct the Subscriber to exercise its Subscription Warrants (the “**Call Option**”), whilst under the terms of the Placing Warrants, the Placees may exercise the Warrants at their own discretion during the term of the Placing Warrants, and the Company cannot dictate the timing of such exercise. The Call Option is a highly favourable term for the Company and will be discussed in further detail in the section headed “6. Reasons for entering into the Agreements”. The inclusion of such clause further highlights that the Subscription Agreement, as entered into with a connected person, the Subscriber, is at least on normal commercial terms and in some aspects more favourable terms to the Company compared with those entered into with Independent Third Parties.

4.3 Completion

Subscription Completion and Placing Completion are not inter-conditional and can occur independently of one another. As such we have viewed the Subscription Agreement and the Placing Agreement separately on their own terms as well as in terms of a single transaction in evaluating their fairness and reasonableness.

5. The Subscriber Undertaking

On 27 April 2015, the Subscriber provided the Company with a legally binding undertaking (the “**Subscriber Undertaking**”) pursuant to which the Subscriber undertook to the Company that it will not transfer or dispose of any of the Subscription Warrants without (i) the Company’s prior written consent of such transfer; and (ii) having obtained from the proposed transferee of the Subscription Warrants an undertaking that the proposed transferee shall observe, perform and be bound by all the provisions of the Subscription Agreement and the Subscriber Undertaking in all respects as if it were the Subscriber in the Subscription Agreement and the Subscriber Undertaking.

As a result of the above undertaking, although the Subscription Warrants are transferrable, the Company will have the ability to assess the financial position of any potential future transferee and, if necessary, veto the transfer of the Subscription Warrants. This protects the Company’s interests and ensures the Subscription Warrants, which entail the Call Option, are not transferred to any third party which the Company believe may not have the financial capability to meet its obligations under the Call Option. Furthermore, any potential transferee will also be required to give the same undertaking before such transfer is permitted to ensure the integrity of the Call Option remains intact.

6. Reasons for entering into the Agreements

6.1 Reasons for entering into the Agreements

As disclosed above in the paragraph headed “1. Information on the Group” of this Letter, the Group has over the past one and a half years undergone an expansion in its operating activities. Such expansion has necessitated sizeable capital injections to enable the Group to seize the profitable opportunities which have presented themselves.

The Management has identified two areas of the Group’s business which it believes would benefit from additional capital, namely (i) a tea leaves trading platform; and (ii) a processing plant for agricultural by-products. A further portion of the proceeds is designated for future investments and acquisitions yet to be identified (for further details of these areas, please refer to the section headed “8. Use of proceeds from the Placing and the Subscription” of this Letter.

The Management has evaluated other financing alternatives (as further discussed in the section headed “7. Financing alternatives” of this Letter), and has come to the view that given that the issuance of the Warrants (i) enables the Company to immediately raise capital from the Issue Price; and (ii) allows the Company potential access to a large source of funding pending deployment of its current large cash resources to the various projects referred to in the circulars of the Company dated 3 September 2014 and 12 December 2014 and the section below headed “8. Use of proceeds from the Placing and the Subscription”, the Warrants are the most effective and suitable fund-raising method for the Company.

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6.2 *Reasons for entering into the Subscription Agreement*

The Subscription Agreement enables the Subscriber to maintain and/or increase its level of shareholding in the Group. The Management is of the view that the Subscriber's continued support and ownership of the Group's controlling shareholding interests is one of the Group's important assets since, as mentioned above, the Subscriber is ultimately controlled by Hebei SMC which is one of the largest integrated agricultural economic and trade service providers in the PRC. The Management believes that it is in the interests of the Company and its Shareholders for the Subscriber to maintain and/or increase its controlling interests in the Company to allow the Group 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.

Additionally, it is noted that the entering into of the Subscription Agreement demonstrates the Subscriber's commitment to the Group. The Management are of the view that this show of confidence in the Group by the Subscriber has the potential to positively affect the marketability of the Placing, and attract potential Placers to acquire the Placing Warrants.

Furthermore, the Call Option essentially allows the Company to instruct the Subscriber to exercise its Subscription Warrants at the Company's own discretion, regardless of the Share price at the time. The Subscription Agreement thus provides the Company with the capacity to immediately access up to approximately HK\$636.6 million (being the aggregate proceeds from the exercise of the total number of Subscription Warrant Shares) at short notice. This will allow the Company to further capture market opportunities as soon as they present themselves and avoid losing out on opportunities due to burdensome administrative procedures.

It would not be feasible to attach such a Call Option to Warrants were they to be offered to the public Shareholders since the Company would be unable to ascertain whether, if the Call Option was to be exercised, each individual subscriber would have the financial capability to purchase such number of Shares as stipulated under the conditions of the Warrants at all times during the term of the Warrants. For this reason, the Subscription Warrants are offered solely to the Subscriber.

Moreover, pursuant to the Subscriber Undertaking, the Company is entitled to veto any transfer of the Subscription Warrants if it is of the view that the transferee is unreliable or does not have sufficient financial capability. Taking into account the above, the Management is of the view, and we concur, that the entering into of the Agreements is fair and reasonable and in the interests of the Company and Shareholders as a whole.

7. Financing alternatives

As discussed with the Management and as disclosed in the circulars of the Company dated 3 September 2014 and 12 December 2014, we note that other means of fund raising, including share issuances, debt financing, bank borrowing and rights issues, have been considered. However, the Management are of the view that the feasibility of these alternatives has continued to be impeded by the recent change in control of the Company in October 2013 and limited track record of the Group's new business ventures. Financing alternatives explored by the Management are set out below:

7.1 Share issuance

Due to the recent completion of the November Agreements Issuance, the Company has yet to inject the aggregated proceeds of the August Agreements Issuance and the November Agreements Issuance into the intended projects as set out in the circulars of the Company dated 3 September 2014 and 12 December 2014. Accordingly, the Company currently holds significant cash and bank balances. It is therefore thought by the Management to be preferable to issue the Warrants under the Placing and the Subscription, particularly since the Subscription Warrants have the Call Option attached to them which allow the Company to demand exercising of the Subscription Warrants at the Company's discretion.

7.2 Debt financing

On 19 November 2013, the Group engaged in debt financing by issuing Convertible Bonds in the principal amount of approximately HK\$151.01 million, however these were issued to the Subscriber and not the public. Based on our discussion with the Management, we understand that they consider that it will not be commercially viable for the Group to utilise debt-financing since (i) the Group had incurred nominal loss for the year ended 31 December 2013 and the six months ended 30 June 2014, mainly due to administration expenses incurred from the Cash Offer and operational costs such as the renovation of the Group's new office in Hong Kong respectively; (ii) it is expected that the Group will record a loss according to the announcement of the Company dated 18 February 2015 due to corporate fees incurred during its various corporate projects undertaken throughout the year and for fees relating to the Hong Kong office 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 Management is of the view that potential investors would generally hesitate in investing in debt instruments of companies with such limitations.

7.3 Bank borrowing

Based on our discussion with the Management, we understand that they consider that it will not be commercially viable for the Group to obtain bank borrowings of the scale to be raised from the Placing and the Subscription since, in addition to the reasons considered for debt financing discussed above, the target amount of funds to be raised (being the maximum aggregate proceeds of the Placing and the Subscription) is relatively

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large as compared to the Group's asset base as a matter of collateral. Even if banks were willing to offer loans of this scale, it is likely that the terms of such loan may not be affordable or in the interests of the Company and the Shareholders as a whole.

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 Management's 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.

7.4 *Rights issue*

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

A rights issue incurs relatively higher costs than the Placing and the Subscription. The additional costs would lower the net proceeds obtained by the Group. The Management believes that it is commercially justifiable to opt for the Placing and the Subscription over a rights issue since the Placing and the Subscription are more cost-effective fund-raising channels. More importantly, we concur with the Management's 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 a 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. In this regard, the Group first approached an underwriter regarding the possibility of underwriting a rights issue prior to the announcement of the August Agreements, in response to which they received an unfavourable reply citing the aforesaid reasons. The underwriter has since that time continued to indicate to the Company that it would not recommend nor be interested in underwriting a rights issue of the Company. Pursuant to the Listing Rules, a rights issue of a listed issuer on the Stock Exchange must be fully underwritten in normal circumstances.

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 previously, for the year ended 31 December 2013 and the six months ended 30 June 2014, the Group has been loss-making. As such, if the proceeds from the Placing and Subscription are utilised profitably, the profit per Share will necessarily increase and the dilution of Shares will not have an impact on the Shareholders.

Taking into account the aforementioned alternatives for fund raising, we concur with the Management's view that fund raising by way of the Placing and Subscription are more suitable and viable for the Group at this juncture. The Placing and the Subscription would also improve financial position of the Group due to the increase in NAV and NAV per Share, as further discussed in the section headed "9. Financial effects of the Agreements on the Group's financial results" below.

8. Use of proceeds from the Placing and the Subscription

The maximum amount of net proceeds to be raised from the Agreements is approximately HK\$1,127 million. As stated in the “Letter from the Board” of the Circular, Group intends to utilise the proceeds of the Placing and the Subscription in the following manner:

- (i) *approximately one-third of the total net proceeds (equivalent to approximately HK\$375 million of the maximum net proceeds) is to be allocated for investment into the tea leaves trading platform*

As disclosed in the Company’s announcement on 24 December 2014, the Company has entered into a non-binding memorandum of understanding (the “**MOU**”) with Guangdong New Co-Op Skyrise Investment Co., Ltd (廣東新供銷天成投資有限公司) (“**Guangdong New Co-Op**”) regarding possible investment in a tea leaves trading platform in the PRC. From our discussions with the Management, we understand certain potential storage properties and a trading floor site located in Guangzhou have been identified and relevant preliminary negotiations are underway for their acquisition. The Management are of the view that this is a potentially promising area for the Group’s future operations and will continue to proceed with such negotiations, periodically updating the market with relevant information concerning their progress.

- (ii) *approximately one-third of the total net proceeds (equivalent to approximately HK\$375 million of the maximum net proceeds) is to be allocated for investment in a processing plant for agricultural by-products; and*
- (iii) *the remaining approximately one-third of the total net proceeds (equivalent to approximately HK\$377 million of the maximum net proceeds) is to be allocated for future investment(s) and/or acquisition(s), as and when appropriate including but not limited to the possible acquisition of Sino-agri Agricultural Machinery Holdings Company Limited (中農集團農機控股有限公司) (“**Sino-agri Holdings**”), a company established in the PRC with limited liability (details of which are disclosed in the Company’s announcement dated 2 December 2014).*

Regarding this category, as announced by the Company on 2 December 2014, the Company has entered into a non-legally binding memorandum of understanding dated 1 December 2014 with China National Agricultural Means Of Production Group Corporation (中國農業生產資料集團公司) (the “**Potential Vendor**”), regarding a possible acquisition of not more than 49% equity interest in Sino-agri Holdings through acquisition of existing shares and/or subscription of new shares (the “**Possible Acquisition**”). The consideration for the Possible Acquisition is currently proposed to be in the range of RMB110 million (equivalent to approximately HK\$137.5 million) to RMB250 million (equivalent to approximately HK\$312.5 million). Sino-agri Holdings is primarily engaged in the manufacturing and sales of agricultural machinery and the provision of after-sales and maintenance services in the PRC. From our discussions with Management and

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the information disclosed in the announcement of the Company dated 2 December 2014, we note that since the abovementioned business scope is in line with the Company's involvement in the agricultural means of production industry in the PRC, the Possible Acquisition could deepen its involvement in the PRC agricultural sector and broaden its scope of services provided.

If the Possible Acquisition were to be successfully completed, the funds would be deployed from this category of funds.

In the event that the net proceeds from the Placing and the Subscription are below the high-end of approximately HK\$1,127 million, the amounts intended to be used for such purposes set forth above will be adjusted according to the actual amount of proceeds raised and applied according to the order in which the aforesaid investments and acquisitions materialise.

As set out in the document titled "Several suggestions on strengthening reformation and innovation and accelerating the rate of agricultural modernisation" (關於加大改革創新力度加快農業現代化建設的若干意見) ("**The Agricultural Development Document**") released by the Chinese Communist Party Central Committee and the State Council of the People's Republic of China on 1 February 2015, the PRC Government highlights three areas which are to be focused on in the coming years; namely (i) focus on the development of a modernised agricultural industry, accelerate the transformation of agricultural means of development; (ii) focus on the promotion of the agricultural workers' salaries, enhance the strength of preferential agricultural policies; and (iii) focus on the unified development of the urban and rural areas, further the advancement of the establishment of the new countryside.

Within The Agricultural Development Document, it is stated that the PRC Government intends to vigorously enhance and promote the agricultural sector in the face of challenges of rising costs of production, rising products prices relative to international markets and increasing pollution. As a subsidiary of one of the largest integrated agricultural economic and trade service providers in the PRC which receives guidance from the Hebei Provincial People's Government, the Management believes, and we concur, that the Group is in an advantageous position to benefit from the PRC Government's heightened focus on the agricultural sector. However, it is clear that to benefit from such policies, the Group must possess sufficient resources to seize opportunities as and when they arise.

Taking into account the use of proceeds and for the reasons set out above, we are of the view that the proceeds shall be employed in the ordinary and usual course of business of the Group and in a way that is in the interests of the Company and the Shareholders as a whole.

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9. Financial effects of the Agreements on the Group's financial results

9.1 Cashflow and cash position

As disclosed in the 2013 Annual Report and the 2014 Interim Report, the Group had cash and cash equivalents of approximately RMB180.02 million and RMB184.21 million as at 31 December 2013 and 30 June 2014 respectively. Upon issue and exercise of the Placing Warrants and Subscription Warrants, the liquidity and cash position of the Group will improve. The extent of this improvement depends on the uptake of the Placing Warrants and the Subscription Warrants, but for illustrative purposes, were the maximum number of Warrants taken up under the Placing Agreement and the Subscription Agreement, the net increase in the cash position of the Group would be approximately HK\$1,127 million. In turn, the net current assets of the Group would increase by the same amount and the current ratio of the Group is also expected to improve correspondingly.

9.2 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 as investment in the tea leaves trading platform and an agricultural by-products processing platform once opportunities are available. It is expected this will be able to generate returns over the long term. While certain expenses will be incurred for the Placing and the Subscription in the short term, the Management are of the view that the Placing and the Subscription will, on balance, have a positive impact on the earnings of the Group in the long term.

9.3 NAV and NAV per Share

As disclosed in the 2014 Interim Report, the NAV of the Group as at 30 June 2014 amounted to approximately RMB335.90 million. Upon completion of the Placing and the Subscription, the NAV of the Group will improve as the Group will receive the net proceeds of HK\$1,127 million (based on the maximum number of Warrants being issued, placed, subscribed for and exercised under the Placing Agreement and the Subscription Agreement). The Placing and the Subscription would therefore have an overall positive impact on the NAV of the Group immediately upon the completion of the exercise of the Placing and Subscription.

As at 30 June 2014, based on the unaudited consolidated net assets of the Group of approximately RMB335.90 million and 1,328,310,568 Shares in issue, the NAV per Share was approximately RMB0.25. Following the August Agreements Issuance and the November Agreements Issuance, it is expected that the Group's NAV per Share will have improved. As described above, since the aggregated Issue Price and the Exercise Price is greater than that of the NAV per Share as of 30 June 2014 and the placing and subscription prices under the August Agreements Issuance and the November Agreements Issuance, the NAV per Share is expected to be further enhanced immediately after the exercise of the Placing Warrants and the Subscription Warrants and we are of the view that such enhancement is favourable to the Group and the Independent Shareholders.

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9.4 Gearing ratio

As disclosed in the 2014 Interim Report, the gearing ratio of the Group as at 30 June 2014 was approximately 17.04%. The August Agreements Issuance and the November Agreements Issuance has already increased the capital base of the Group and upon completion of the Placing and the Subscription, and assuming that the interest-bearing liabilities of the Group will remain the same, the gearing level of the Group will be further improved as a result of the net proceeds from the Placing and the Subscription.

9.5 Warrants valuation

We note that the valuation of the Warrants at future financial period-ends may have an impact on the Group's financial statements, however since any such impact will be non-cash in nature, such effect is not a significant factor in our evaluation.

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.

10. Dilution effects on the Shareholders

Assuming that the maximum number of Placing Warrants and Subscription Warrants are issued and exercised, 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	%
Subscriber	903,007,792	51.05	1,115,202,292	52.55
Placees	–	–	141,463,000	6.66
Other public Shareholders	865,700,176	48.95	865,700,176	40.79
Total	1,768,707,968	100.00	2,122,365,468	100.00

Upon the exercise of the maximum number of Warrants, we note that the level of shareholding interest of the Independent Shareholders would decrease from approximately 48.95% to approximately 40.79%. We also note that the Subscriber will slightly increase its shareholding interest by approximately 1.50% pursuant to the exercise of the maximum number of Warrants.

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Despite the effects of dilution in terms of percentage of shareholdings to the Independent Shareholders, having considered (i) the immediate enhancement of the Group's NAV per Share attributable to the Independent Shareholders after the Placing and the Subscription resulting from the Issue Price; (ii) the subsequent enhancement pursuant to exercise of the Warrants; (iii) the favourable Issue Price and Exercise Price, as further discussed under the section headed "3.2 The Issue Price and the Exercise Price" above; and (iv) the fact the Group was loss-making for the year ended 31 December 2013 and for the six months ended 30 June 2014, we are of the view that the Independent Shareholders would not be adversely affected by the Placing and the Subscription.

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 resolutions to be proposed at the EGM to approve the transactions contemplated under the Placing Agreement and the Subscription Agreement.

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

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 of the Company. Altus Capital Limited acted as independent financial adviser for the Company in relation to the transactions that formed the August Agreements Issuance and the November Agreements Issuance, as laid out in the circulars of the Company dated 3 September 2014 and 12 December 2014. Save for the aforesaid engagement, Altus Capital Limited has not acted as an independent financial adviser for the Company's other transactions in the last two years from the date of the Circular.



27 April 2015

National Agricultural Holdings Limited
Suites 1604-5
Prudential Tower, Harbour City
21 Canton Road, Tsimshatsui
Kowloon, Hong Kong

Attn: The Board of Directors

Dear Sirs,

Re: The Warrants to be issued Pursuant to the Agreements

In accordance with your instructions for us to carry out an appraisal of the fair value of the warrants (hereinafter referred to as the "Warrants") to be issued pursuant to the placing agreement and the subscription agreement (hereinafter respectively referred to as the "Placing Agreement", the "Subscription Agreement", and collectively the "Agreements") to be respectively entered into with the placing agent (hereinafter referred to as the "Agent") and the subscriber (hereinafter referred to as the "Subscriber"), we confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the fair value of the Warrants as at 27 January 2015 (hereinafter referred to as the "Valuation Date").

This report states the purpose of appraisal and scope of our works, identifies the financial instrument appraised, describes the basis and methodology of our appraisal, assumptions and limiting conditions, and presents our opinion of value.

1.0 PURPOSE OF APPRAISAL

International Valuation Limited (hereinafter referred to as "IVL") acknowledges that this report is being prepared solely for the use of the directors and management of National Agricultural Holdings Limited (hereinafter referred to as the "Company"). The Company is a public company listed on the Stock Exchange of Hong Kong Limited (hereinafter referred to as the "Stock Exchange").

This report is not to be used for any purpose other than that mentioned above, including issue to third parties, without our prior approval of the use, form and context in which it is released. IVL assumes no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely on their own risk.

2.0 SCOPE OF WORK

Our appraisal conclusions are based on the assumptions stated herein and on information provided by the management of the Company or its representatives (hereinafter referred to as the “Management”). In preparing this report, we have had discussions with the Company in relation to the development and prospects of the industry the Company engages in, and the development, operations and other relevant information of the Company.

As part of our analysis, we have reviewed such financial information and other pertinent data concerning the Company provided to us by the Management and the Company and have considered such information and data as accurate and reasonable. We have no reason to believe that any material facts have been withheld from us, however, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose.

We do not express an opinion as to whether the actual results of the business operation of the Company will approximate those projected because assumptions regarding future events by their nature are not capable of independent substantiation. In applying these projections to the appraisal of the fair value of the Warrants, we are making no representation that the business expansion will be successful, or that market growth and penetration will be realized.

3.0 THE WARRANTS

The Company contemplated to conclude the Agreements with the Agent and the Subscriber, pursuant to which the Agent may conditionally agree on a best effort basis to procure not less than six placees to subscribe for up to 141,463,000 warrants and the Subscriber has conditionally agreed to subscribe for up to 212,194,500 warrants, at a subscription price to be determined. Each of the Warrants will carry the right to subscribe for a warrant share, pursuant to which, the Warrants will entitle the holders rights to subscribe for 353,657,500 warrant shares at the exercise price of HKD3.00 per warrant share.

3.1 The Company

Outstanding Shares	:	1,453,971,468 as at the Valuation Date
Projected Dividend Yield	:	Nil, as advised by the Management

3.2 The Placees and the Subscriber

The Warrants will be subscribed by not less than six placees and the Subscriber. The Subscriber holds 741,801,292 issued shares, representing approximately 51.02% of the issued share capital, of the Company as at the Valuation Date.

3.3 The Warrants

Deemed Issue Date	: Valuation Date
Maximum Number of Issue	: 353,657,500 Warrants
Time to First Exercise	: Upon Issuance
Time to Maturity	: 12 Months
Exercise Price	: HKD3.00 per warrant share

4.0 DEFINITION OF APPRAISAL

We have appraised the Warrants on the basis of fair value. Fair value as used herein is defined as “the estimated amount for which an asset could be exchanged, or a liability settled, between willing parties in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

5.0 APPRAISAL METHODOLOGY

5.1 Option Pricing Models

Despite that there are numerous empirical presentations and developments in finding out a reliable valuation model, those being adopted in practice include Black-Scholes option pricing model (hereinafter referred to as the “BSM”), binomial option pricing model (hereinafter referred to as the “BOPM”), and the trinomial option pricing model (hereinafter referred to as the “TOPM”).

The BSM is principally a pricing model and employs a closed form formula to estimate the value of an option, while the BOPM and the TOPM are calculation methods built on the basis of the BSM, and breaks down the time to expiration into potentially a very large number of time intervals or steps.

5.1.1 The BSM

The BSM is used to calculate a theoretical call price ignoring dividends paid during the life of the option using the five key determinants of the option

price, namely, stock price, strike price, volatility, time to expiration, and risk free interest rate. Value of European call option on non-dividend paying stock is given by:

$$C = SN(d_1) - Xe^{-r_f t} N(d_2)$$

given $d_1 = \frac{\ln\left(\frac{S}{X}\right) + \left(r_f + \frac{1}{2}\sigma^2\right) \times t}{\sqrt{\sigma^2 t}}$

$$d_2 = d_1 - \sqrt{\sigma^2 t}$$

- where
- S = price of the underlying stock
 - X = exercise price
 - t = time to maturity of the option
 - σ = annual volatility of the underlying stock
 - r_f = risk free interest rate per annum
 - ln = natural logarithm
 - $N(d_x)$ = probability that a unit random variable that follows a standardized normal distribution will be lower than or equal to d_x ($x = 1, 2$)

5.1.2 The BOPM

The BOPM breaks down the time to expiration into potentially a very large number of time intervals or steps. A tree of stock prices is initially produced working forward from the present to expiration. At each step it is assumed that the stock price will move up or down by an amount calculated using volatility and time to expiration. This produces a binomial distribution or recombining tree of underlying stock prices. The tree represents all the possible paths that the stock price could take during the life of the option.

At the end of the tree, that is, at expiration of the option, all the terminal option prices for each of the final possible stock prices are known as they simply equal their intrinsic values. Next, the option prices at each step of the tree are calculated working back from expiration to the present. The option prices at each step are used to derive the option prices at the next step of the tree using risk neutral valuation based on the probabilities of the stock prices moving up or down, the risk free rate and the time interval of each step.

According to Cox, Ross & Rubenstein (1979), the Value of European call option on non-dividend paying stock is given by:

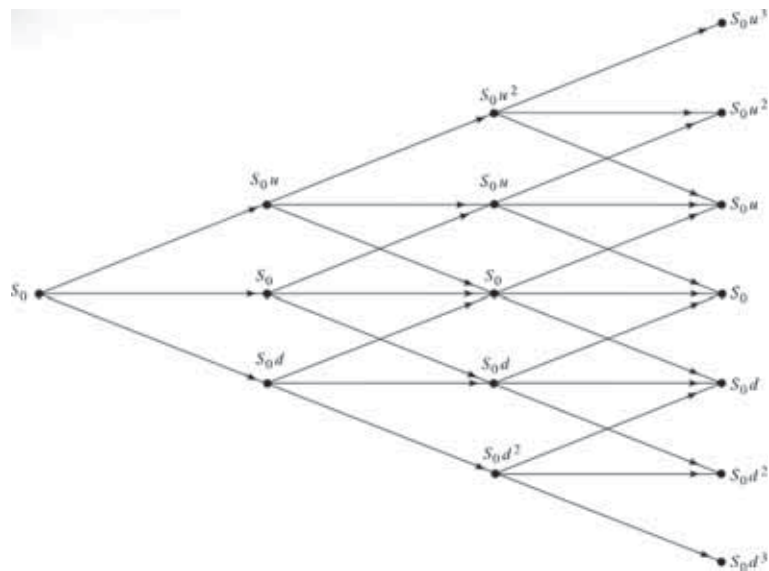
$$C = e^{-r_f t} \sum_{k=0}^n \frac{n!}{k!(n-k)!} p^k (1-p)^{n-k} \max[0, u^k d^{n-k} S - X]$$

where

- S = price of the underlying stock
- X = exercise price
- t = time to maturity of the option
- σ = annual volatility of the underlying stock
- r_f = risk free interest rate per annum
- k = the end nodes from 0 to n
- n = number of time steps
- e = the exponential function
- $u = e^{\sigma\sqrt{n^{-1}}}$
- $d = e^{-\sigma\sqrt{n^{-1}}}$
- $p = \frac{e^{r_f\sqrt{n^{-1}}} - d}{e^{r_f\sqrt{n^{-1}}} (u - d)}$

5.1.3 TOPM

The TOPM was introduced by Boyle (1986) and is similar to the BOPM. The TOPM can be used to price both European and American options on a single underlying asset. The difference between BOPM and TOPM is three states of stock price movements, that is, up, middle and down, are assumed by the TOPM and closer to real situations. A trinomial stock price tree is shown below.



Suppose that p_u , p_m and p_d are probabilities of up, middle and down movements at each node and Δt is the length of the time step. For an asset paying dividends at a rate q , parameter values that match the mean and standard deviation of price changes when terms of higher order than Δt are ignored are:

$$\begin{aligned}
 u &= e^{\sigma\sqrt{3\Delta t}} \\
 m &= 1 \\
 d &= e^{-\sigma\sqrt{3\Delta t}} \\
 p_u &= \sqrt{\frac{\Delta t}{12\sigma^2}} \left(r_f - q - \frac{\sigma^2}{2} \right) + \frac{1}{6} \\
 p_m &= \frac{2}{3} \\
 p_d &= -\sqrt{\frac{\Delta t}{12\sigma^2}} \left(r_f - q - \frac{\sigma^2}{2} \right) + \frac{1}{6}
 \end{aligned}$$

Calculations for TOPM are analogous to those for BOPM, working from the end of the tree to the beginning. At each node, the value of exercising and the value of continuing $e^{-r_f\Delta t} (p_u f_u + p_m f_m + p_d f_d)$ will be calculated, where f_u , f_m and f_d are the values of the option at the subsequent up, middle and down nodes, respectively, to determine whether to exercise or continue at that node. The values of the option at the subsequent up, middle and down nodes were in turn determined earlier using the same formula described while working backward from the end nodes of the tree.

5.2 The Appropriate Model

BSM is widely accepted by practising corporate finance professionals and considered to be suitable for pricing European options which are exercisable only at maturity. In pricing American style options, the TOPM is considered to produce more accurate results than the BOPM when fewer time steps are modelled, and is therefore used when computational speed or resources may be an issue. For vanilla options, as the number of steps increases, the results of the BOPM and TOPM rapidly converge, and the BOPM is then preferred due to its simpler implementation. However, for exotic options, the TOPM is sometimes more stable and accurate, regardless of step size.

Having considered the Warrants to be issued is an American style instrument, which is exercisable any time on or before maturity, we have concluded that the TOPM is most appropriate for valuing the Warrants and have adopted the TOPM implemented by Bloomberg (hereinafter referred to as the "Bloomberg Model") to facilitate the valuation as it is widely used by other corporate finance professionals, assumed the Warrants to be dilutive and the following parameters according to market data reported by Bloomberg, accessed and retrieved after trading hours on the Valuation Date, being the latest practicable date.

5.3 Parameters to the Bloomberg Model and Result

Closing stock price (S) of the underlying share as at the Valuation Date was recorded to be HKD2.53 and reported by Bloomberg, with annualised volatility (σ) of 58.775 percent estimated over a one year period immediately preceding the Valuation Date. HKD risk free rate (r_f) of 0.455 percent was estimated on the basis of generic Hong Kong government bills and bonds yields for the tenure matched with the Warrants. Together with terms of the Warrants identified in section 3.3, value of the Warrants is estimated to be approximately HKD0.4307 per warrant as at the Valuation Date according to the Bloomberg Model.

5.4 Discount for Non-marketability

As the Company will not apply for the listing of the Warrants at the Stock Exchange, effectively the Warrants will not be freely marketable which is contrary to the assumption of efficient market and liquidity in the TOPM, the BOPM or the BSM, therefore, a discount should be applied in order to arrive at the fair value of the Warrants.

In a research published in December 1995 by Longstaff (hereinafter referred to as the "Longstaff Research"), how marketability affects security price was analyzed and derived the following model. The major assumption of the model under the Longstaff Research was the marketability restriction period will result in a loss of opportunity to trade the underlying shares or assets at the best price

5.4.1 The Model

The model determines the value of marketability using option pricing theory and the discount for non-marketability (hereinafter referred to as the "DLOM") can potentially be large even when the illiquidity period is very short. The model is the density function for the maximum of a Brownian motion process shown as below.

$$DLOM = \left(2 + \frac{\sigma^2 T}{2}\right) N\left(\frac{\sqrt{\sigma^2 T}}{2}\right) + \sqrt{\frac{\sigma^2 T}{2\pi}} \exp\left(-\frac{\sigma^2 T}{8}\right) - 1$$

- where
- T = time of marketing period required (in years)
 - σ = annual volatility of the underlying asset (in percent)
 - π = the mathematical constant, approximately 3.14159
 - $N(x)$ = probability of a unit random variable that follows a standardized normal distribution will be lower than or equal to the variable x
 - $\exp(x)$ = exponential function of the variable x

5.4.2 Parameters

There are only two parameters to the model, volatility (σ) of the underlying stock, which is 58.775 percent, as described earlier in section 5.3 and assuming an affected period of one year (T) equal to the life of the Warrants. Substituting the two parameters to the above model, a DLOM of 56.1995 percent is hence determined.

5.5 The Fair Value

After applying the DLOM to the value determined by the Bloomberg Model, value of each Warrants is HKD0.1887 and the fair value of the Warrants is thus determined to be approximately HKD66,723,388 as at the Valuation Date and adopted.

6.0 MAJOR ASSUMPTIONS

We have adopted certain specific assumptions in this appraisal and the major ones are as follows:

- Assumptions underlying one or more option pricing model(s), including but not limited to, efficient markets, liquidity, constant volatility, geometric Brownian motion theory of stock price behavior, interest rates are constant and known, log-normally distributed returns, no commissions and transaction costs, rational and risk neutral investors, etc.
- Projected dividend yield is zero as identified and stated in section 3.1.
- Model specific assumptions as stated when describing the models in section 5.1.
- Historical volatilities as identified and stated in section 5.3.

7.0 LIMITING CONDITIONS

This appraisal reflects facts and conditions existing at the Valuation Date. Subsequent events have not been considered and we are not required to update our report for such events and conditions. To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others which have been used in formulating this analysis, are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied to a considerable extent on information provided by the Management and the Company in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt

that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

We have not investigated the title to or any legal liabilities of the Warrants and have assumed no responsibility for the title to the Warrants appraised. We would particularly point out that our appraisal was based on the information such as company background, business nature, market share, future prospecting and in particular the cash flow projections of the Company provided to us.

Our conclusion of the fair value is derived from generally accepted appraisal procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. We assume no responsibility whatsoever to any person other than the directors and management of the Company in respect of, or arising out of, the content of this report. If others choose to rely in any way on the contents of this report, they do so entirely on their own risk.

8.0 REMARKS

Unless otherwise stated, all monetary amounts stated in this appraisal report are in Hong Kong Dollars (“HKD”). We hereby confirm that we have no present interests in the Company, the Subscriber, the Warrants, or the values reported herein.

9.0 OPINION OF VALUES

Based on the terms and the parameters stated above and on the appraisal methods employed, we are of the opinion that the fair value of the Warrants as at 27 January 2015 is in the sum of **HKD66,723,388 (HONG KONG DOLLARS SIXTY SIX MILLION SEVEN HUNDRED TWENTY THREE THOUSAND THREE HUNDRED EIGHTY EIGHT ONLY)** or the fair value of each of the Warrants as at 27 January 2015 is in the amount of **HKD0.1887 (HONG KONG CENTS EIGHTEEN AND EIGHTY SEVEN HUNDREDTH).**

Yours faithfully,
For and on behalf of
International Valuation Limited
Teddy Iu
CGMA FCMA FCPA FGS FHKIoD
MAusIMM MCIM MSEG MSc MSc DipMS
Technical Adviser

(Mr Iu is a Chartered Global Management Accountant, a Fellow Chartered Management Accountant and a Fellow Certified Public Accountant qualified in 1990 with over 30 years general experience in accounting and finance, and over 18 years valuation experience involving business, financial instruments, tangible and intangible assets. He has worked for both private companies and public companies listed in established stock markets.)

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 full exercise of the subscription rights attaching to the Warrants and the maximum amount of warrants being issued.

<i>Authorised</i>		<i>HK\$</i>
4,000,000,000	Shares at the Latest Practicable Date	100,000,000.0
<i>Issued and fully paid or credited as fully paid</i>		
1,768,707,968	Shares as at the Latest Practicable Date	44,217,699.2
353,657,500	The maximum number of the Warrant Shares to be allotted and issued	8,841,437.5
2,122,365,468		53,059,136.7

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

(ii) Share options

As at the Latest Practicable Date, the Company had 19,500,000 outstanding share options granted under the share option scheme of the Company adopted on 12 June 2014 conferring the right to subscribe for an aggregate of 19,500,000 Shares at an exercise price of HK\$2.33 per Share from 8 April 2015 to 6 April 2018 (both days inclusive).

(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*

Name of Director	Nature of interest	Number of Shares held	Approximate % of the Company's issued share capital
Wen Yuanyi	Interest of controlled corporation of spouse (<i>Note</i>)	6,007,864	0.34

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 owns 51% of Million Rich Hong Kong Holdings Company Limited which in turn owns 100% of the issued share capital in the Subscriber. The Subscriber owns approximately 51.05% of the issued share capital in the Company as at the Latest Practicable Date. As such, Hebei AMP is 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 the Subscriber 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 Company's issued share capital
The Subscriber	Beneficial owner	1,115,202,292 (L) (Note 2)	63.05
		26,315,789 (S)	1.49
Million Rich Hong Kong Holdings Company Limited ("Million Rich") (Note 1)	Interest of controlled corporation	1,115,202,292 (L) (Note 2)	63.05
		26,315,789 (S)	1.49

Name of Shareholder	Nature of Interest	Number of Shares	Approximate % of the Company's issued share capital
Hebei AMP (Note)	Interest of controlled corporation	1,115,202,292 (L) (Note 2) 26,315,789 (S)	63.05 1.49
Hebei New Cooperation Group Holdings Limited* (河北省新合作控股集團有限公司) (“Hebei New Cooperation”) (Note 1)	Interest of controlled corporation	1,115,202,292 (L) (Note 2) 26,315,789 (S)	63.05 1.49
Beijing State-Owned Assets Management Co. Ltd.* (北京市國有資產經營有限責任公司) (“Beijing Assets Management”) (Note 3)	Interest of controlled corporation	100,000,000	5.65
Beijing International Trust Co. Ltd.* (北京國際信託有限公司) (“Beijing International Trust”) (Note 3)	Interest of controlled corporation	100,000,000	5.65
China Co-Op Group Company Limited* (中合供銷集團有限公司) (“China Co-Op Group”) (Note 3)	Interest of controlled corporation	100,000,000	5.65
Coopinvest Company Limited* (中合聯投資有限公司) (“Coopinvest Company”) (Note 3)	Interest of controlled corporation	100,000,000	5.65
China Co-Op (Shanghai) Equity Investment Fund Management Company Limited* (中合供銷(上海)股權投資基金管理有限公司) (“Co-Op Fund Management”) (Note 3)	Interest of controlled corporation	100,000,000	5.65
Co-Op Funds (V) (Note 3)	Beneficial interest	100,000,000	5.65

Note 1: Hebei AMP and Hebei New Cooperation owned 51% and 49% of Million Rich respectively. Million Rich in turn owned 100% issued share capital in the Subscriber which owned approximately 51.05% of the issued share capital in the Company as at the Latest Practicable Date. Million Rich, Hebei AMP and Hebei New Cooperation are deemed to be interested in the Shares held by the Subscriber for the purpose of Part XV of the SFO.

Note 2: These Shares comprised 903,007,792 Shares beneficially owned by the Subscriber and 212,194,500 Subscription Warrant Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Subscription Warrants.

Note 3: Co-Op Fund Management is the general partner of Co-Op Funds (V), and for the purpose of Part XV of the SFO, Co-Op Funds (V) is taken to be a controlled corporation of Co-Op Fund Management. Co-Op Fund Management is owned as to 50% by Coopinvest Company and as to 40% by Beijing International Trust. Coopinvest Company is owned as to 83.33% by China Co-Op Group. Beijing International Trust is owned as to 34.30% by Beijing Assets Management. Pursuant to Part XV of the SFO, Beijing Assets Management, Beijing International Trust, China Co-Op Group, Coopinvest Company and Co-Op Fund Management are each deemed to be interested in the 100,000,000 Shares beneficially owned by Co-Op Funds (V).

L: denotes long position, S: denotes short position.

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 the Subscriber 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 dated 14 August 2014 entered into between the Company, CCB International Capital Limited, ICBC International Securities Limited and Guosen Securities (HK) Capital Company Limited for the placing of up to 243,900,000 Shares to placees provided by the placing agents at the placing price of HK\$3.0 per Share;

- (g) the subscription agreement dated 14 August 2014 entered into between the Company and the Subscriber for the issue of up to 256,100,000 Shares to the Subscriber at the subscription price of HK\$3.0 per Share;
- (h) the placing agreement dated 20 November 2014 (as supplemented and amended by a supplemental agreement dated 4 December 2014) entered into between the Company and CCB International Capital Limited and the Placing Agent for the placing of up to 82,928,000 Shares to placees provided by the placing agents at the placing price of HK\$3.0 per Share;
- (i) the subscription agreement dated 20 November 2014 (as supplemented and amended by a supplemental agreement dated 4 December 2014) entered into between the Company and Co-Op Funds (V) for the issue of 100,000,000 new Shares to Co-OP Funds (V) at the subscription price of HK\$3.0 per Share;
- (j) the subscription agreement dated 20 November 2014 (as supplemented and amended by a supplemental agreement dated 4 December 2014) entered into between the Company and the Subscriber for the issue of up to 192,074,400 new Shares to the Subscriber at the Subscription Price of HK\$3.0 per Share;
- (k) the Placing Agreement;
- (l) the supplemental agreement dated 2 April 2015 to the Placing Agreement;
- (m) the Subscription Agreement;
- (n) the supplemental agreement dated 2 April 2015 to the Subscription Agreement; and
- (o) the Subscriber Further Undertaking.

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 and transfer office of the Company in Hong Kong 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 consolidated 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 interim report of the Company for the six months ended 30 June 2014;
- (d) the letter from the Independent Board Committee, the texts of which are set out on pages 24 to 25 in this circular;
- (e) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which are set out on pages 26 to 53 of this circular;
- (f) the valuation report from the Independent Valuer, the text of which are set out on Appendix I to this circular;
- (g) the written consents of the Independent Financial Adviser and the Independent Valuer as referred to in the paragraph headed “10. EXPERTS” in the Appendix to this circular;
- (h) the material contracts referred to in the paragraph headed “Material Contracts” in this Appendix;
- (i) the circular of the Company dated 13 September 2013;
- (j) the circular of the Company dated 20 January 2014;
- (k) the circular of the Company dated 13 May 2014;

- (l) the circular of the Company dated 6 June 2014;
- (m) the circular of the Company dated 3 September 2014;
- (n) the circular of the Company dated 24 October 2014; and
- (o) the circular of the Company dated 12 December 2014.

10. EXPERTS

The qualifications of the experts who have given its opinion or advice which is contained in this circular is set out below:

Name	Qualification
Altus Capital Limited	a corporation licensed 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
International Valuation Limited	independent professional valuer

As at the Latest Practicable Date, each of the Independent Financial Adviser and the Independent Valuer (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) had given and had 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.



NATIONAL AGRICULTURAL HOLDINGS LIMITED
國農控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1236)

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, on Wednesday, 13 May 2015 at 10:00 a.m. for the purposes of considering and, if thought fit, passing with or without modifications, the following resolutions which will be proposed as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the conditional placing agreement dated 28 January 2015 and the supplemental agreement dated 2 April 2015 ((collectively, the “**Placing Agreement**”), a copy of which is marked “A” and “B” respectively and signed by the chairman of the EGM for identification purpose has been tabled at the meeting) entered into between the Company, as issuer, and Convoy Investment Securities Limited, as placing agent, in relation to the proposed placing of up to 141,463,000 unlisted warrants (the “**Placing Warrant(s)**”), at the issue price of HK\$0.189 per Placing Warrant, which confer the subscription rights to subscribe for new ordinary shares of par value of HK\$0.025 each in the capital of the Company (the “**Share(s)**”) within 12 months from the date of the issue of the Placing Warrants at an initial exercise price of HK\$3.0 per Share, subject to adjustment and to the terms and conditions set out in the warrants instrument ((the “**Warrants Instrument**”), a copy of which is marked “C” and signed by the chairman of the EGM for identification purpose has been tabled at the meeting)), and all the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (b) subject to the fulfillment of the conditions of the Placing Agreement, the creation and issue of the Placing Warrants in accordance with the terms and conditions of the Placing Agreement and the Warrants Instrument be and are hereby approved, ratified and confirmed;

NOTICE OF EGM

- (c) subject to the fulfillment of the conditions of the Placing Agreement, any one director of the Company (the “**Director**”) be and is hereby generally and specifically authorised to allot and issue such number of the Shares that may fall to be allotted and issued upon exercise of the subscription rights attaching to the Placing Warrants (the “**Specific Mandate A**”). The Specific Mandate A is in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors by the shareholders of the Company prior to the passing of this resolution; and
- (d) any one Director be and is hereby 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 transactions contemplated thereunder and to agree to such variation, amendments or waiver of matters relating thereto as are, in the opinion of such Director, in the interests of the Company and its shareholders as a whole.”

2. “**THAT:**

- (a) the conditional subscription agreement dated 28 January 2015 and the supplemental agreement dated 2 April 2015 ((collectively, the “**Subscription Agreement**”), a copy of which is marked “D” and “E” respectively and signed by the chairman of the EGM for identification purpose has been tabled at the meeting) entered into between the Company, as issuer, and Parko (Hong Kong) Limited, as subscriber, in relation to the proposed subscription of up to 212,194,500 unlisted warrants (the “**Subscription Warrant(s)**”), at the issue price of HK\$0.189 per Subscription Warrant, which confer the subscription rights to subscribe for new ordinary Shares within 12 months from the date of the issue of the Subscription Warrants at an initial exercise price of HK\$3.0 per Share, subject to adjustment and to the terms and conditions set out in the Warrants Instrument, and all the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (b) subject to the fulfillment of the conditions of the Subscription Agreement, the creation and issue of the Subscription Warrants in accordance with the terms and conditions of the Subscription Agreement and the Warrants Instrument be and are hereby approved, ratified and confirmed;

NOTICE OF EGM

- (c) subject to the fulfillment of the conditions of the Subscription Agreement, any Director be and is hereby generally and specifically authorised to allot and issue such number of the Shares as may be required that may fall to be allotted and issued upon exercise of the subscription rights attaching to the Subscription Warrants (the “**Specific Mandate B**”). The Specific Mandate B is in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors by the shareholders of the Company prior to the passing of this resolution; and
- (d) any one Director be and is hereby 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 Subscription Agreement and the transactions contemplated thereunder and to agree to such variation, amendments or waiver of matters relating thereto as are, in the opinion of such Director, in the interests of the Company and its shareholders as a whole.”

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

Hong Kong, 27 April 2015

Registered office:
P.O. Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

Principal Place of Business
in Hong Kong:
Suites 1604-5, Prudential Tower
Harbour City, 21 Canton Road
Tsimshatsui, Kowloon, Hong Kong

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.

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- (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.