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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

HIGHLIGHTS

Revenue for the year ended 31 December 2014 increased by 22% to RMB116,767,000 (2013: RMB95,659,000)

Loss attributable to owners of the Company for the year ended 31 December 2014 was RMB32,759,000 (2013: RMB25,961,000)

Basic and diluted loss per share was RMB2.47 cents (2013: Basic and diluted loss per share of RMB2.57 cents)

ANNUAL RESULTS (AUDITED)

The board (the “**Board**”) of directors (the “**Directors**”) of National Agricultural Holdings Limited (the “**Company**” or together with its subsidiaries the “**Group**”) would like to announce the audited consolidated results of the Group for the year ended 31 December 2014 together with the comparative audited figures for the corresponding year in 2013 as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER 2014

	NOTES	2014 RMB'000	2013 RMB'000
Turnover	3	116,767	95,659
Cost of sales		<u>(28,692)</u>	<u>(28,442)</u>
Gross profit		88,075	67,217
Other income	4	17,303	14,150
Other gains and loss	5	1,938	(10,578)
Selling and distribution costs		(46,622)	(38,365)
Research and development costs		(30,726)	(27,448)
Administrative expenses		(52,343)	(28,884)
Finance costs	17	<u>(795)</u>	<u>(2,152)</u>
Loss before tax	6	(23,170)	(26,060)
Income tax (expense) credit	7	<u>(3,577)</u>	<u>99</u>
Loss for the year		<u>(26,747)</u>	<u>(25,961)</u>
Other comprehensive expense <i>Item that will not be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation		<u>(97)</u>	<u>(785)</u>
Total comprehensive expense for the year		<u>(26,844)</u>	<u>(26,746)</u>
(Loss) profit for the year attributable to:			
Owners of the Company		(32,759)	(25,961)
Non-controlling interests		<u>6,012</u>	<u>–</u>
		<u>(26,747)</u>	<u>(25,961)</u>
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		(32,856)	(26,746)
Non-controlling interests		<u>6,012</u>	<u>–</u>
		<u>(26,844)</u>	<u>(26,746)</u>
Loss per share	8		
– Basic and diluted (RMB cents)		<u>(2.47)</u>	<u>(2.57)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2014

	<i>NOTES</i>	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		24,421	26,059
Investment properties		–	14,791
Goodwill	<i>11</i>	182	–
Deposits for potential investments	<i>14(b)</i>	301,948	–
Prepaid lease payments		–	36,959
Finance lease receivables	<i>13</i>	58,438	–
Deferred tax assets		295	257
		<hr/> 385,284	<hr/> 78,066
Current assets			
Inventories		37	32
Finance lease receivables	<i>13</i>	52,027	–
Trade and other receivables	<i>14(a)</i>	95,011	6,656
Deposits and prepayments	<i>14(b)</i>	6,458	7,603
Other financial asset		624	–
Prepaid lease payments		–	1,369
Tax recoverable		55	297
Structured deposits		–	37,300
Restricted bank deposits		217	–
Cash and cash equivalents		190,642	180,020
		<hr/> 345,071	<hr/> 233,277
Assets classified as held for sale	<i>9</i>	50,948	–
		<hr/> 396,019	<hr/> 233,277
Current liabilities			
Trade and other payables	<i>15</i>	26,463	18,375
Amount due to a controlling shareholder		–	1,068
Amounts due to non-controlling interests		3,204	–
Bank borrowings	<i>16</i>	36,223	–
Deferred revenue		44,449	41,241
Tax payable		995	–
		<hr/> 111,334	<hr/> 60,684
Net current assets		<hr/> 284,685	<hr/> 172,593
Total assets less current liabilities		<hr/> 669,969	<hr/> 250,659

	<i>NOTES</i>	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Non-current liabilities			
Bank borrowings	<i>16</i>	54,760	–
Convertible loan notes	<i>17</i>	–	71,226
Deferred revenue		12,095	9,219
		<u>66,855</u>	<u>80,445</u>
Net assets		<u>603,114</u>	<u>170,214</u>
Capital and reserves			
Share capital	<i>18</i>	34,863	26,128
Reserves		466,609	144,086
		<u>501,472</u>	<u>170,214</u>
Equity attributable to owners of the Company		101,642	–
Non-controlling interests		<u>603,114</u>	<u>170,214</u>
Total equity		<u>603,114</u>	<u>170,214</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The Group has applied the following amendments to HKFRSs and a new interpretation issued by the Hong Kong Institute of Certified Public Accountant (the “HKICPA”) for the first time in the current year:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

The application of the amendments to HKFRSs and a new interpretation in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments ¹
HKFRS 14	Regulatory Deferral Accounts ²
HKFRS 15	Revenue from Contracts with Customers ³
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁵
Amendments to HKAS 1	Disclosure Initiative ⁵
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁵
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ⁴
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ⁵
Amendments to HKAS 27	Equity Method in Separate Financial Statements ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ⁵
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle ⁶
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle ⁵

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

³ Effective for annual periods beginning on or after 1 January 2017

⁴ Effective for annual periods beginning on or after 1 July 2014

⁵ Effective for annual periods beginning on or after 1 January 2016

⁶ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

2. SEGMENT REPORTING

For management purposes, the Group is currently organised into two operating divisions: 1) research, development and distribution of software and provision of related maintenance, usage and information services; and 2) finance leasing. These divisions are the basis that is regularly reviewed by the executive directors of the Company, being the chief operating decision maker (“CODM”), in order to allocate resources to the segment and to assess its performance.

For the year ended 31 December 2013, the Group only operated in a single segment, which was the research, development and distribution of software and provision of related maintenance, usage and information services.

The following is an analysis of the Group's revenue and results by reportable and operating segments.

For the year ended 31 December 2014

	Research, development and distribution of software and provision of related maintenance, usage and information services RMB'000	Finance leasing RMB'000	Total RMB'000
Segment revenue	97,185	19,582	116,767
Segment result	534	11,599	12,133
Unallocated expenses			(42,477)
Other income			6,533
Other gain			1,436
Finance costs			(795)
Loss before tax			(23,170)

All of the segment revenue is from external customers except for the revenue arising from finance leasing business amounting to approximately RMB6,743,000 from a related company.

For the year ended 31 December 2013

	Research, development and distribution of software and provision of related maintenance, usage and information services RMB'000
Segment revenue	95,659
Segment result	1,369
Unallocated expenses	(20,141)
Other income	5,442
Other gain and loss	(10,578)
Finance costs	(2,152)
Loss before tax	(26,060)

Segment result represents the profit earned or loss incurred by each segment without allocation of certain unallocated expenses, other income, other gain and loss and finance costs. This is the measure reported to the CODM for the purposes of resources allocation and assessment of segment performance.

The following is an analysis of the Group's assets and liabilities by reportable segment:

	31 December 2014 RMB'000	31 December 2013 RMB'000
Segment assets		
Research, development and distribution of software and provision of related maintenance, usage and information services	98,829	95,010
Finance leasing	232,457	–
Total segment assets	331,286	95,010
	31 December 2014 RMB'000	31 December 2013 RMB'000
Segment liabilities		
Research, development and distribution of software and provision of related maintenance, usage and information services	73,727	68,583
Finance leasing	99,366	–
Total segment liabilities	173,093	68,583

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than investment properties, assets classified as held for sale, prepaid lease payments, structured deposits, loan receivables, deposits for potential investments, restricted bank deposits and other unallocated corporate assets (including primarily unallocated property, plant and equipment, other receivables, deposits and prepayments and bank balances and cash).
- all liabilities are allocated to reportable segments other than convertible loan notes and other unallocated accruals and other payables.

3. TURNOVER

	2014 RMB'000	2013 RMB'000
Maintenance service and usage fees	53,266	51,789
Information service fees	38,023	39,322
Sale of computer software	5,896	4,548
Finance lease income	13,356	–
Consultancy fee income	6,226	–
	116,767	95,659

4. OTHER INCOME

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Value added tax refund (<i>Note (a)</i>)	9,883	7,843
Interest income	5,898	2,927
Gross rental income from investment properties	635	2,515
Subsidy income (<i>Note (b)</i>)	864	841
Sundries	23	24
	<u>17,303</u>	<u>14,150</u>

Notes:

- (a) A tax concession has been granted by the People's Republic of China (the "PRC") tax authority to the Company's PRC subsidiaries which are engaged in the development and trading of computer software. Under this concession, the PRC subsidiaries are entitled to a refund of value added tax paid in excess of an effective rate of 3%. The amount of value added tax refund is recognised as other income.
- (b) Subsidy income represented a subsidy of RMB470,000 (2013: RMB484,000) granted by Science and Technology Commission of Shanghai Municipality to a PRC subsidiary to finance its general research in relation to software developments, and subsidies totalling RMB394,000 (2013: RMB357,000) granted by Shanghai Finance Bureau to finance the PRC subsidiaries' development of advanced technology and was calculated based on 50% of the business tax, value added tax and enterprise income tax paid to the local government.

5. OTHER GAINS AND LOSS

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Gain from changes in fair value on financial instruments	1,436	511
Loss on initial recognition of convertible loan notes (<i>note 17</i>)	–	(11,089)
Exchange gain, net	502	–
	<u>1,938</u>	<u>(10,578)</u>

6. LOSS BEFORE TAX

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Loss before tax is arrived at after charging (crediting):		
Depreciation of property, plant and equipment	2,940	2,633
Depreciation of investment properties	803	803
Amortisation of prepaid lease payments	1,369	1,369
	<hr/>	<hr/>
Total depreciation and amortisation	5,112	4,805
Directors' emoluments	3,824	3,312
Other staff costs:		
Salaries and other benefits	62,419	39,225
Contributions to retirement benefits scheme	10,501	10,181
	<hr/>	<hr/>
Total staff costs	76,744	52,718
Gross rental income from investment properties	(635)	(2,515)
Direct operating expenses arising from investment properties that generated rental income during the year	202	407
Direct operating expenses arising from investment properties that did not generate rental income during the year	833	529
	<hr/>	<hr/>
	400	(1,579)
Auditor's remuneration	1,294	878
Allowance for (reversal of) doubtful debts	268	(4)
Cost of inventories recognised as expenses	35	43
Cost of information service fees	25,687	26,185
Lease payments under operating leases in respect of land and buildings	4,236	2,877
Legal and professional fees (<i>Note</i>)	12,469	15,710
	<hr/>	<hr/>

Note: During the year ended 31 December 2014, legal and professional fees mainly related to various corporate projects of the Group, including (i) placing and subscription of the Company's ordinary shares under the specific mandates, (ii) further capital contribution to China Coop Financial Leasing Co., Ltd* (中合盟達融資租賃有限公司) ("China Coop Mengda"), (iii) entering into of the memorandum of understanding in relation to a potential acquisition of an interest in Sino-agri Agricultural Machinery Holdings Company Limited* (中農集團農機控股有限公司) ("Sino-agri Agricultural Machinery"); and (iv) entering into of the memorandum of understanding 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") in relation to a potential investment in tea leaves trading platform.

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7. INCOME TAX EXPENSE (CREDIT)

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Current tax – PRC Enterprise Income Tax (“EIT”)		
– Charge for the year	3,605	–
– Under(over)provision in prior years	10	(35)
	<u>3,615</u>	<u>(35)</u>
Deferred tax		
– Credit for the year	(38)	(64)
	<u>3,577</u>	<u>(99)</u>

No provision for taxation in Hong Kong has been made as the Group’s income neither arises in, nor is derived from, Hong Kong.

Under the law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

On 27 February 2015, Shanghai Qianlong Network Technology Company Limited* (上海乾隆網絡科技有限公司) (“Qianlong Network”) obtained the High-New Technology Enterprise Certificate and is entitled to enjoy the preferential enterprise income tax at the concessionary rate of 15% for 3 years from 2014 to 2016 according to Article 28 of the EIT Law.

On 15 February 2015, Shanghai Qianlong Advanced Technology Company Limited* (上海乾隆高科技有限公司) (“Qianlong Advanced”) obtained the High-New Technology Enterprise Certificate and is entitled to enjoy the preferential enterprise income tax at the concessionary rate of 15% for 3 years from 2014 to 2016 according to Article 28 of the EIT Law.

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8. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

Loss

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Loss for the purposes of calculation of basic and diluted loss per share	<u>(32,759)</u>	<u>(25,961)</u>

Number of shares

	2014 <i>'000</i>	2013 <i>'000</i>
Weighted average number of ordinary shares for the purposes of calculation of basic and diluted loss per share	<u>1,328,022</u>	<u>1,010,400</u>

The weighted average number of shares for current year for the purposes of basic and diluted loss per share has been adjusted for i) the conversion of convertible loan notes in January 2014 (details of the conversion of convertible loan notes are disclosed in note 17), ii) the subdivision of the Company's ordinary shares in February 2014 (details of the shares' subdivision are disclosed in note 18(a)); and iii) the placing and subscription of the Company's ordinary shares in October 2014 (details are disclosed in note 18(b)).

For the year ended 31 December 2013, the weighted average number of shares for the purposes of basic and diluted loss per share had been adjusted for the share subdivision of the Company's ordinary shares in February 2014 (details of the share's subdivision are disclosed in note 18(a)).

The computation of diluted loss per share in both 2014 and 2013 did not assume the conversion of the Company's outstanding convertible loan notes since assuming their conversion would result in a decrease in loss per share.

9. ASSETS CLASSIFIED AS HELD FOR SALE

The Group intends to dispose of the investment properties located at 25/F, World Plaza, No. 855 Pudong South Road, Shanghai, the PRC, together with 10 carpark spaces (the "Shanghai Investment Properties") with the carrying value of RMB13,988,000 and the associated leasehold land with the carrying value of RMB36,960,000 which are no longer held for earning rentals or for capital appreciation in the next twelve months. No impairment loss was recognised on reclassification of the assets as held for sale as at 31 December 2014 as the directors of the Company expect that the fair value (valued based on the recent transaction price available in relevant market for similar properties and adjusted to reflect the heights and directions) less costs to sell is higher than the carrying amount. The fair value of the Shanghai Investment Properties at the date of transfer was RMB52,000,000 based on a valuation carried out by Shanghai Eastern Properties Valuations Company Limited* (上海東方房地產估價有限公司), an independent firm of qualified professional valuers not connected with the Group with appropriate qualifications and recent experiences in the valuation of similar properties in the relevant location.

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10. INVESTMENT PROPERTIES

	<i>RMB'000</i>
COST	
At 1 January 2013 and 31 December 2013	16,910
Reclassified as held for sale (see note 9)	(16,910)
	<hr/>
At 31 December 2014	–
	<hr/>
ACCUMULATED DEPRECIATION	
At 1 January 2013	1,316
Provided for the year	803
	<hr/>
At 31 December 2013	2,119
Provided for the year	803
Eliminated on reclassification as held for sale (see note 9)	(2,922)
	<hr/>
At 31 December 2014	–
	<hr/>
CARRYING AMOUNTS	
At 31 December 2014	–
	<hr/>
At 31 December 2013	14,791
	<hr/>

As at 31 December 2014, the carrying value of investment properties amounting to RMB13,988,000 is reclassified as assets classified as held for sale (details disclosed in note 9).

As at 31 December 2013, all of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the cost model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties at 31 December 2013 was RMB15,413,000. The fair value had been arrived at based on a valuation carried out by Shanghai Eastern Properties Valuations Company Limited* (上海東方房地產估價有限公司), an independent firm of qualified professional valuers not connected with the Group with appropriate qualifications and recent experiences in the valuation of similar properties in the relevant location. The fair value has been calculated by reference to the transaction price available in relevant market for similar properties and adjusted to reflect the heights and directions of the Group's investment properties. There has been no change of the valuation technique used in the previous year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Market comparable approach has been adopted for valuing the Group's commercial property units. One of the key inputs used in valuing the Group's commercial property units was the selling price per square meter, which ranged from RMB8,181 to RMB8,669 per square meter in 2013. An increase in the price per square meter used would result in an increase in fair value measurement of the commercial property units, and vice versa.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2013 were as follows:

	Level 3 RMB'000	Fair value as at 31 December 2013 RMB'000
Commercial property units located in the PRC	15,413	15,413

There was no transfer between Level 1, 2 and 3 in the current and prior years.

The investment properties of the Group were held outside Hong Kong under a medium-term lease.

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11. ACQUISITION OF A SUBSIDIARY

On 18 April 2014, the Group acquired approximately 41.18% equity interest in China Coop Mengda by capital injection of RMB70 million. Upon completion of the investment in China Coop Mengda, the Group is able to control over China Coop Mengda pursuant to the terms and conditions of the joint venture agreement because (i) the Group is able to form the quorum for the board of directors' meetings as a related party of the Group, which is an existing equity owner of China Coop Mengda that is entitled to appoint a member of the board of directors of China Coop Mengda, has irrevocably committed to attend the board of directors' meetings of China Coop Mengda; and (ii) the Group is able to appoint four out of seven members to the board of directors of China Coop Mengda to approve decisions on activities that significantly affect the returns of China Coop Mengda by simple majority votes. As such, China Coop Mengda is accounted for as a subsidiary of the Group. In addition, the Group is granted a call option by one of the equity owners of China Coop Mengda to acquire its entire equity interest (approximately 9.91% of the total registered capital) at any time within two years after the date of the joint venture agreement on 21 March 2014. This call option is measured in fair value through profit or loss.

China Coop Mengda is principally engaged in the provision of financial leasing services and was acquired with the objective of diversifying the Group's business.

Capital injection as consideration

	<i>RMB'000</i>
Cash	<u>70,000</u>

Acquisition-related costs amounting to approximately RMB1,785,000 have been excluded from the cost of acquisition and have been recognised directly as an expense in the year and included in the "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

Impact of acquisition on the results of the Group

Included in the loss for the current year is a profit of RMB10,222,000 attributable to China Coop Mengda. Revenue for the current year includes RMB19,582,000 is attributable to China Coop Mengda.

Had the acquisition of China Coop Mengda been effected at the beginning of the current year, the total amount of revenue of the Group for the year ended 31 December 2014 would have been approximately RMB119,343,000, and the amount of the loss for the year would have been approximately RMB25,967,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the year, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and loss of the Group had China Coop Mengda been acquired at the beginning of the current year, the directors calculated depreciation of plant and equipment based on the recognised amounts of plant and equipment at the date of the acquisition.

12. PREPAID LEASE PAYMENTS

Medium-term leasehold land in respect of the investment properties located in the PRC analysed for reporting purposes as:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Current assets	–	1,369
Non-current assets	–	<u>36,959</u>
	<u>–</u>	<u>38,328</u>

As at 31 December 2014, the carrying amount of prepaid lease payments amounting to RMB36,960,000 is reclassified as assets classified as held for sale (details disclosed in note 9).

13. FINANCE LEASE RECEIVABLES

	Minimum lease receipts		Present value of minimum lease receipts	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Finance lease receivables comprise:				
Within one year	62,149	–	58,160	–
In more than one year but not more than two years	50,861	–	42,209	–
In more than two years but not more than five years	13,332	–	10,096	–
	<u>126,342</u>	–	110,465	–
Less: Unearned finance lease income	<u>(15,877)</u>	–	<u>N/A</u>	<u>N/A</u>
Present value of minimum lease receipts	<u>110,465</u>	–	<u>110,465</u>	–
			2014 RMB'000	2013 RMB'000
Analysed as:				
Current finance lease receivables (receivable within twelve months)			52,027	–
Non-current finance lease receivables (receivable after twelve months)			58,438	–
			<u>110,465</u>	–
Fixed-rate finance lease receivables			88,202	–
Variable-rate finance lease receivables			22,263	–
			<u>110,465</u>	–

Effective interest rates per annum of the above finance lease receivables on nine lease agreements as at 31 December 2014 are as follows:

Effective interest rates:

Fixed-rate finance lease receivables 12.60%

Variable-rate finance lease receivables 12% to 12.60%

Interest rate of variable-rate finance lease receivables is reset when there is a change of the People's Bank of China Renminbi Lending Rate ("PBC rate").

Finance lease receivables as at 31 December 2014 which are neither past due nor impaired, and the directors assessed that the balances are with good credit quality according to their past repayment records.

Finance lease receivables are secured over the machineries, motor vehicles, fixtures and electrical equipment leased. The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee. The lessees are entitled to exercise an option to purchase the entire leased assets at the end of the lease term at a nominal price.

The lease term of the lease agreements are between one to three years. The lessee is required to compensate the Group for an amount equivalent to the outstanding finance lease receivable if the lessee cancels the lease.

All the Group's finance lease receivables are denominated in RMB.

During the year ended 31 December 2014, the principal amount of RMB70,000,000 of a finance lease receivable from a related party was early settled. As at 31 December 2014, there is no finance lease receivable balance from a related party. However, its finance lease income receivable amounting to RMB4,224,000 is still not yet received and classified as other receivable as at 31 December 2014. Subsequent to the year end, the amount was settled in March 2015.

During the year ended 31 December 2014, the Group factored finance lease receivables amounting to RMB210 million to the banks on a non-recourse basis, and such finance lease receivable and the respective bank borrowing have been derecognised upon the factoring on the basis that the Group transferred substantially all the risks and rewards of ownership of the financial assets to another entity.

14. TRADE AND OTHER RECEIVABLES/DEPOSITS AND PREPAYMENTS

(a) Trade and other receivables

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Trade receivables	2,636	4,305
Less: allowance for doubtful debts	<u>(317)</u>	<u>(49)</u>
	2,319	4,256
Loan receivables (<i>Note</i>)	62,568	–
VAT receivables	20,832	2,360
Other receivables	<u>9,292</u>	<u>40</u>
	<u>95,011</u>	<u>6,656</u>

The Group's policy is to allow an average credit period of 30 days (2013: 30 days) from the date of billing to its trade customers. All trade receivables are denominated in RMB.

Note: The amount represents five loans advanced to four independent corporations during the current year ended 31 December 2014.

Two loans advanced to two independent corporations amounting to RMB40,000,000 are unsecured, guaranteed by an independent financial guarantee company and indemnified by Parko (Hong Kong) Limited ("Parko"), bearing a fixed interest rates of 16.8% per annum and repayable within one year.

Three loans advanced to two independent corporations amounting to RMB22,568,000 are unsecured and bearing a fixed interest rates of 18% per annum. The full loan amounts were settled in March 2015.

The following is an aged analysis of trade receivables net of allowance for doubtful debts based on the invoice date at the end of the reporting period:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
0 to 30 days	1,532	2,767
31 to 90 days	218	282
91 to 365 days	385	777
Over 365 days	501	430
	<hr/> 2,636 <hr/>	<hr/> 4,256 <hr/>

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and define credit limits by customer. Limits and scoring attributed to customers are reviewed regularly. For trade receivables that are neither past due nor impaired as at the end of the reporting period, approximately 90% of which have the best credit scoring attributable under the credit scoring system used by the Group.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB1,104,000 (2013: RMB1,489,000) which are past due as at the reporting date for which the Group has not provided for impairment loss.

Trade receivables that were past due but not impaired relate to a number of independent customers that have good track records with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group does not hold any collateral over these balances.

Aged analysis of trade receivables which are past due but not impaired is as follows:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
31 to 90 days	218	282
91 to 365 days	385	777
Over 365 days	501	430
	<hr/> 1,104 <hr/>	<hr/> 1,489 <hr/>

Movement in the allowance for doubtful debts in respect of trade receivables is as follows:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
At the beginning of year	49	53
Allowance for (reversal of) doubtful debts	268	(4)
	<hr/> 317 <hr/>	<hr/> 49 <hr/>

(b) **Deposits and prepayments**

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Deposits	776	1,103
Prepaid professional fee	568	3,151
Prepaid data fee	1,550	1,249
Prepaid rent	752	737
Prepaid network custody fee	319	531
Deposits for potential investments (<i>Note</i>)	301,948	–
Others	2,493	832
	<u>308,406</u>	<u>7,603</u>
Less: Amounts shown under current assets	<u>(6,458)</u>	<u>(7,603)</u>
Amount shown under non-current assets	<u>301,948</u>	<u>–</u>

Note: The amount represents deposits put in escrow (i) to a PRC lawyer in relation to a potential acquisition of an interest in Sino-agri Agricultural Machinery principally engaged in the manufacturing and sales of agricultural machinery amounting to RMB152,839,000, details of this potential acquisition were set out in the announcements of the Company dated 4 August 2014 and 2 December 2014; and (ii) paid to an escrow agent in relation to the possible cooperation with Guangdong New Co-Op in a potential investment in tea leaves trading platform in the PRC amounting to RMB149,109,000, which is indemnified by Parko, details of this potential investment were set out in the announcement of the Company dated 24 December 2014. These two deposits are classified as non-current assets as at 31 December 2014. Up to the end of the reporting period, no formal legally binding agreement of the potential investment has been entered into by the Group.

15. TRADE AND OTHER PAYABLES

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Trade payables	1,344	1,265
Salaries and bonus payables	12,943	8,700
Receipts in advance	1,040	3,694
Accruals	7,371	2,329
Payables to agricultural merchants (<i>Note</i>)	217	–
Other payables	3,548	1,980
Rental deposits received	–	407
	<u>26,463</u>	<u>18,375</u>

The following is an aged analysis of trade payables, based on the invoice date, at the end of the reporting period.

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
0 to 30 days	673	782
31 to 90 days	671	483
	<u>1,344</u>	<u>1,265</u>

The average credit period on purchases of goods ranges from 30 to 90 days (2013: ranges from 30 to 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

All other payables and accruals are expected to be settled within one year.

Note: The Group will make capital contribution in the amount of RMB35.5 million to Beijing Guonong Taifeng Agricultural Consultancy Co., Ltd* (北京市國農泰豐農業諮詢有限公司) (“Beijing Guonong Taifeng”), a subsidiary of the Group (see note 20(a)) according to the joint venture agreement dated 21 March 2014 and Beijing Guonong Taifeng will mainly focus on the provision of agricultural financial services and in particular finance and payment services with focus on Beijing and Hebei Province of the PRC at the initial stage. Beijing Guonong Taifeng has obtained the required license and permits for the operation of its business, including the payment business for handling prepaid card issuance and acceptance business. The above amounts represented payables to merchants for the trial run of such agricultural financial services business. The corresponding bank receipts of approximately RMB217,000 were deposited into the restricted bank account which are shown as restricted bank deposits.

* *For identification purpose only and should not be regarded as official name*

16. BANK BORROWINGS

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Secured bank loans		
– variable-rate RMB bank loans	<u>90,983</u>	–
Carrying amount repayable:		
Within one year	36,223	–
More than one year, but not exceeding two years	40,021	–
More than two years, but not more than five years	<u>14,739</u>	–
	90,983	–
Less: Amounts shown under current liabilities	<u>(36,223)</u>	–
	<u>54,760</u>	–

During the year ended 31 December 2014, the Group acquired bank borrowing amounting to approximately RMB23 million from the acquisition of a subsidiary (details are set out in note 11) and the Group obtained a new bank loan of approximately RMB79 million (2013: nil).

The loans carry interest at variable-rate at 6.6% to 7.38% per annum (2013: nil). The loans are secured by the Group's finance lease receivables. The proceeds were mainly used in the finance leasing business.

17. CONVERTIBLE LOAN NOTES

On 28 January 2014, the Company received a conversion notice from Parko in respect of the full conversion of all of the convertible loan notes (the “Notes”) in the principal amount of approximately HK\$151,008,000. As a result of this conversion, the Company has allotted and issued a total of 79,477,642 shares to Parko at the conversion price of HK\$1.9. The movements of the liability component of the Notes for the year is set out below:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Carrying amount at the beginning of the year	71,226	–
Issuance of convertible loan notes	–	70,868
Interest charge	795	2,152
Interest paid	(714)	–
Transaction costs attributable to the liability component	–	(1,459)
Conversion of convertible loan notes	(71,307)	–
Exchange realignment	–	(335)
	<hr/>	<hr/>
Carrying amount at the end of the year	–	71,226
	<hr/>	<hr/>

18. SHARE CAPITAL

	Number of ordinary shares '000	Share capital <i>RMB'000</i>
Authorised:		
At 1 January 2013, 31 December 2013 and 1 January 2014		
– Ordinary shares of HK\$0.10 each	1,000,000	106,510
Share subdivision (<i>Note a</i>)	3,000,000	–
	<hr/>	<hr/>
At 31 December 2014		
– Ordinary shares of HK\$0.025 each	4,000,000	106,510
	<hr/>	<hr/>
Issued and fully paid:		
At 1 January 2013, 31 December 2013 and 1 January 2014		
– Ordinary shares of HK\$0.10 each	252,600	26,128
Conversion of convertible loan notes (see note 17)	79,478	6,247
Share subdivision (<i>Note a</i>)	996,233	–
Issue of shares (<i>Note b</i>)	125,660	2,488
	<hr/>	<hr/>
At 31 December 2014		
– Ordinary shares of HK\$0.025 each	1,453,971	34,863
	<hr/>	<hr/>

All the shares issued by the Company rank pari passu and do not carry pre-emptive rights.

Notes:

- (a) On 10 February 2014, the shareholders of the Company passed the resolution of each existing issued and unissued share of HK\$0.10 each in the existing share capital of the Company be subdivided into four subdivided shares of HK\$0.025 each in the share capital of the Company (the “Share Subdivision”) and the authorised share capital of the Company is HK\$100,000,000 divided into 4,000,000,000 shares of HK\$0.025 each immediately upon the share subdivision being effective.
- (b) Upon the completion of share placing and subscription by third parties and Parko on 22 October 2014, the Company issued 125,660,000 ordinary shares at the price of HK\$3 per share.

19. DIVIDEND

On 15 August 2013, the Board declared a special dividend in cash of HK\$0.098 per share, amounting to HK\$24,755,000 in total (equivalent to approximately RMB19,720,000).

No interim and final dividend was paid or proposed at the end of both years ended 31 December 2014 and 2013.

20. CAPITAL COMMITMENT

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	—	601
Capital expenditure in respect of the formation of a subsidiary contracted for but not provided in the consolidated financial statements (<i>Note a</i>)	35,500	35,500
Capital expenditure in respect of acquisition of an investment authorised but not contracted (<i>Note 11</i>)	—	70,000
Capital expenditure in respect of potential acquisition authorised but not contracted for (<i>Note b</i>)	97,161	—
Capital expenditure in respect of potential investment authorised but not contracted for (<i>Note c</i>)	150,891	—
Capital expenditure in respect of potential contribution to a subsidiary contracted for but not provided in the consolidated financial statements (<i>Note d</i>)	391,124	—

Notes:

(a) Formation of a subsidiary

On 21 March 2014, the Group, through a wholly-owned subsidiary of the Company, Ever Harvest Inc Limited (“Ever Harvest”), entered into an agreement with Xinyuan Taifeng Agricultural Asset Management (Beijing) Company Limited* (新源泰豐農業資產管理(北京)有限公司) (“Xinyuan”) (the “Xinyuan Joint Venture Agreement”), an independent third party, to form Beijing Guonong Taifeng in the PRC which will engage in agricultural finance business in the PRC. Pursuant to the Xinyuan Joint Venture Agreement, Ever Harvest has conditionally agreed to make a cash capital contribution of RMB35.5 million to Beijing Guonong Taifeng, equivalent to 71% of the total registered capital of Beijing Guonong Taifeng and has the right to appoint four out of five directors in the board of directors of Beijing Guonong Taifeng.

Details of the above are set out in the Company’s announcement dated 23 March 2014.

* *For identification purpose only and should not be regarded as official name*

(b) Potential acquisition

On 1 December 2014, the Company entered into a memorandum of understanding in relation to a potential acquisition of an interest in Sino-agri Agricultural Machinery principally engaged in the manufacturing and sales of agricultural machinery in the PRC amounting to RMB250,000,000. The Group put a deposit to a PRC lawyer amounting to RMB152,839,000.

Details of the above are set out in the Company's announcement dated 2 December 2014.

(c) Potential investment

On 23 December 2014, the Company entered into a memorandum of understanding with Guangdong New Co-Op in relation to the possible cooperation in the potential investment in tea leaves trading platform up to RMB300,000,000. The Group has paid a deposit to an escrow agent amounting to RMB149,109,000.

Details of the above are set out in the Company's announcement dated 24 December 2014.

(d) Capital contribution to a subsidiary

On 14 August 2014, Ever Harvest, a wholly-owned subsidiary of the Company, entered into capital contribution agreement with China Coop Mengda. Ever Harvest has conditionally agreed to make further capital contribution to China Coop Mengda within the range of RMB200,000,000 to RMB391,124,000.

Details of the above are set out in the Company's announcement dated 14 August 2014.

21. EVENTS AFTER REPORTING PERIOD

(a) **Strategic cooperation with Beijing branch of PICC Property and Casualty Company Limited (中國人民財產保險股份有限公司北京市分公司) ("PICC P&C Beijing")**

On 15 January 2015, the Company entered into a strategic cooperation framework agreement with PICC P&C Beijing to develop various insurance products and value-adding services for the agricultural-related industry.

Details of the above are set out in the Company's announcement dated 15 January 2015.

(b) **Adoption of share award scheme**

On 23 January 2015, the Company announced to adopt a share award scheme to recognise the contributions by employees and other eligible persons and to provide incentives in order to retain them for the continuing operation and development of the Group, as well as to attract suitable personnel for further development of the Group.

Details of the above are set out in the Company's announcement dated 23 January 2015.

(c) Proposed placing and subscription of unlisted warrants under specific mandates

On 28 January 2015, the Company entered into a placing agreement with a placing agent, pursuant to which, the Company has conditionally agreed to issue and the placing agent has conditionally agreed to procure, on a best effort basis, not less than six placees to subscribe for up to 141,463,000 warrants at an issue price of HK\$0.189 per warrant. The placing warrants will entitle the holders to subscribe for up to 141,463,000 new shares at an exercise price of HK\$3.0 per share (subject to adjustments). On the same date, the Company also entered into a subscription agreement with Parko, pursuant to which, the Company has conditionally agreed to issue and Parko has conditionally agreed to subscribe for up to 212,194,500 warrants at an issue price of HK\$0.189 per warrant. The subscription warrants will entitle the holders to subscribe for up to 212,194,500 new shares at an exercise price of HK\$3.0 per share (subject to adjustments). An extraordinary general meeting will be convened and held to consider and, if thought fit, pass the relevant resolutions and to approve the relevant agreements and the respective transactions contemplated thereunder.

Details of the above are set out in the Company's announcement dated 28 January 2015.

(d) Completion of placing of new shares under specific mandate

On 6 February 2015, the Company completed (i) the placing of 53,530,000 new shares to independent shareholders, (ii) the issuance of 100,000,000 new shares to 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), and (iii) the issuance of 161,206,500 new shares to Parko, all at the price of HK\$3.0 per share under specific mandates.

Details of the above are set out in the Company's announcement dated 6 February 2015.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present the annual results for National Agricultural Holdings Limited for the year ended 31 December 2014.

The year 2014 was an exceptional year for the Group. We continued to plant the seeds for the future development of the Group's three principal businesses: "Rural Financial Services", "Trading in Agricultural Means of Production" and "Urbanization Planning, Operating and Managing". Leveraging on the government policies that support agriculture sector and benefit farmers, the Group successfully captured opportunities arising in the areas of "agriculture, rural areas and farmers" to nourish its growth. Meanwhile, the Group has taken initiatives to enhance its agricultural industry chain by means of co-operation with leading enterprises in the market as it aspires to become a leading enterprise in the rural finance sector and e-commerce industry serving "agriculture, rural areas and farmers".

In early 2015, the central government released Document No. 1, which heavily focuses on "agriculture, rural areas and farmers" for the 12th consecutive year, illustrating the importance that the government accords. Apart from persistent agricultural credit support advanced by the China Banking Regulatory Commission in the same year, China once again encouraged the investment of financial resources that emphasize the development of the "agriculture, rural areas and farmers" sector. The implications for agricultural enterprises are obvious as the document calls for reforms and innovation in agriculture, encourages the development of the financing guarantee business, launches pilot schemes for financial leasing of large-scale agricultural machinery, and enhances financing services for new agricultural operations so as to reinforce broad access to finance. Last year, the Group implemented its strategic plans for the agricultural business in a steady manner. The Group's investment in China Coop Mengda Financial Leasing Company Limited* (中合盟達融資租賃有限公司) under Coopinvest Company Limited* (中合聯投資有限公司) and the establishment of Beijing Guonong Taifeng Agricultural Consultancy Co., Ltd.* (北京市國農泰豐農業諮詢有限公司), a joint venture with Xinyuan Taifeng Agricultural Asset Management Beijing Company Limited* (新源泰豐農業資產管理北京有限公司) not only enhanced the Group's capabilities in various business segments including asset management, project investment and mega data management, but also formed the foundation of the Group's rural finance business and generated new sources of revenue by solving the financing problems of agricultural enterprises. The Group also jointly established "Agripay" ("農匯通") cash settlement system with Guangzhou UnionPay Network Payment Co., Ltd. (廣州銀聯網絡支付有限公司) which was launched in June 2014 to facilitate cash settlements for transactions involving agricultural means of production and major agricultural by-products.

Apart from the “Rural Financial Services”, with the favourable government policies in place, the Group also seized market opportunities in the modernization of agriculture in respect of the “Trading in Agricultural Means of Production”, achieving positive results during the year under review. The electronic trading platform for agricultural products jointly established by the Group and Guangzhou Exchange Group Co., Ltd. (廣州交易所集團有限公司) was officially launched, with turnover exceeding RMB200 million on the first day of launch. Its innovative e-commerce model has not only helped companies reduce transaction costs and stabilized market prices, but also made it more assessable for enterprise financing, benefiting the agriculture sector and farmers. In line with the stated intent of Document No. 1 to expedite the transformation and upgrading of the nation-wide agricultural product system, the Group has taken the initiative to build an e-commerce platform for agriculture and allowed the strategic deployment of product transactions to the stage to reach critical mass with the hope that the two major trading platforms can provide meaningful and effective support for the Group’s three major business areas.

The central government had for the first time in recent years made specific mention of deepening reforms in the supply and marketing cooperatives system in Document No.1 as it considers the supply and marketing cooperatives to be the nationwide backbone for providing comprehensive services to the “agriculture, rural areas and farmers”. The Group, as a pioneer in engaging in such reforms and the only overseas-listed capital platform for China’s supply and marketing cooperatives system, will work in tandem with cooperatives in its plans to integrate and upgrade the agri-related sector’s industry chain and to conduct mergers and acquisitions involving high-quality enterprises which are primarily engaged in agri-related businesses by riding on the system’s resources. During the year under review, the Group proposed the acquisition of an equity interest in Sinoagri Agricultural Machinery Holdings Company Limited* (中農集團農機控股有限公司). It also proposed cooperation with the company in the system of supply and marketing cooperatives to acquire a tea leaves trading platform. This will not only expand the Group’s nation-wide business layout, but will also contribute to the further development of the system of supply and marketing cooperatives as well as the “agriculture, rural areas and farmers” sector.

Looking forward, China will continue to support the development of rural finance, and the transaction volume of agricultural means of production and agricultural products is set to see significant growth. By virtue of the support of its resources network and with the strength of the supply and marketing cooperatives system and the Group’s innovative business model, we are confident that the Group will continue to maximize returns for its shareholders in the “new normal” conditions of China’s economy.

Finally, on behalf of the Company, I would like to express my heartfelt thanks to our shareholders, customers and business partners who have trusted and supported us all along. My sincere appreciation also goes to our staff for their concerted efforts on the job.

Mr. Chen Li-Jun
Chairman of the Board

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Macro-economy and the Group's Strategic Direction

With China entering a “new normal” phase, its economy remained stable with smooth growth, a more optimized structure, enhanced quality and improved living standards in 2014. The country registered year-on-year GDP growth of 7.4%, largely achieving the goals formulated at the outset of the year. During the year under review, China continued to support the development of “agriculture, rural areas and farmers”. The central government issued Document No.1, in which it reinforced its focus on the “agriculture, rural areas and farmers” sector for the 12th consecutive year, emphasizing the provision of key support through macroeconomic regulation and control as well as the launch of a series of favorable policies. During the period under review, the Company made steady progress in its three major businesses: “Rural Financial Services”, “Trading in Agricultural Means of Production” and “Urbanization Planning, Operating and Managing”, some of which have entered into operation and are making positive revenue contributions to the Group.

Rural Financial Services

During the year under review, the Group achieved significant progress in its agricultural financial services business segment. Since making an investment in China Coop Mengda in April 2014, involving in financial services, general leasing, the acquisition and leasing of properties, maintenance of leased properties and the provision of consultancy and guarantee services for leasing transactions. The Group's investment in China Coop Mengda shows that it has officially entered the rural financial leasing business, and that is being proactive in capturing new business opportunities arising from the modernization of China's agricultural sector.

Apart from the financial leasing business, the Group expanded its business to the agricultural-related market payments sector during the review period. The Company cooperated with Guangzhou UnionPay Co., Ltd (廣州銀聯網絡支付有限公司), a subsidiary of China UnionPay Network Payment Co., Ltd, to create the “Agripay” (“農匯通”) System (“Agripay”) for payment and cash sweep services in the agricultural professional market. The system underwent online testing on 30 June 2014. On the first day of its trial operation, the turnover from transactions settled through the system exceeded RMB10 million. Agripay is now operating in a stable manner. According to the memorandum of understanding for cooperation signed by the Company and China National Agricultural Means of Production Group Corporation ((中國農業生產資料集團公司), “Sino-agri Group”) in September 2014, when Agripay is in stable operation, Sino-agri Group will enhance its promotion efforts within the system and expand the scope of applications for “Agripay”.

Trading in Agricultural Means of Production

In June 2014, the Group entered into a cooperation framework agreement with Guangzhou Exchange Group, a state-owned group qualified for trading on a nation-wide basis, to cooperate in the development, construction, operation and management of a comprehensive nationwide trading platform for agricultural products. Through close cooperation and the strong efforts of both parties, a trading platform for agricultural products was officially launched in January 2015. The first batch of products to be traded on this platform, chemical fertilizers, made their debut on the first day of operation. To date, the stable operation has generated sound volume.

In addition to the existing trading platform which trades chemical fertilizers, the Group has started to expand the scope of the product variety for the trading platform. In December 2014, the Group announced that it has signed a memorandum of understanding with Guangdong New Co-Op regarding the cooperation in the possible investment of a comprehensive tea leaves trading platform to provide settlement, storage, delivery and financing services to companies involved in tea leaves trading in the PRC. Furthermore, the Group also announced a proposal to make an equity investment in Sino-agri Agricultural Machinery. It is expected that such acquisition will enable the development of trading of agricultural machinery on the trading platform.

On 15 January 2015, the Group announced the signing of a strategic cooperation agreement with the PICC P&C Beijing. Together, we intend to launch a variety of insurance products and other value-adding services for the agricultural-related industry, such as property insurance for agricultural means of products storage insurance, agricultural machinery property insurance, corporate and personal loan guarantee insurance, credit insurance, rural housing insurance, accident insurance and agricultural insurance through the agricultural trading platform. The launch of these services will help transform the platform into an e-commerce platform for bulk commodities incorporating the functions of trading, financing, insurance, storage logistics and settlement for agricultural products.

Leveraging its highly efficient e-commerce platform for trading agricultural products, the Group has followed its strategic layout to achieve the aim of optimizing the domestic agricultural industry chain, fully penetrating the “agriculture, rural areas and farmers” sector and further expanding business to all parts of China.

Urbanization Planning, Operating and Managing

The progress made in domestic industrialization, informatization, urbanization and agricultural modernization has continued to hasten the development of rural land property rights transfer, which is a key to the development of “agriculture, rural areas and farmers”. In light of such circumstances, the framework agreement signed by the Group and the Guangzhou Exchange Group in June 2014 also covers the rural land property rights transfer business, which will be launched in the future by both parties. While providing services for the “agriculture, rural areas and farmers”, both parties jointly are exploring other potential businesses in this sector.

Realizing the important links in the “agriculture, rural areas and farmers”, the central government has indicated that it will boost the development of the transfer of rural land operation rights. In November 2014, the General Office of the CPC Central Committee and the General Office of the State Council issued the “Opinion of Guiding the Transfer of Rural Land Operation Rights in Good Order and Developing Operation of Agricultural Business in an Adequate Scale”, indicating that land transfers and adequate scale operation are essential for modern agriculture, and are favorable for optimizing the allocation of land resources and improving labor productivity. The opinion also requires standardized guidance for the transfer of rural land operation rights, encourages innovative ways of land transfer and encourages local governments to formulate conditional supporting policies.

The Group will continue to work in line with such national policies, and together with its partners, will proactively explore business opportunities in respect of rural land property rights.

Financial Review

For the year ended 31 December 2014, the Group recorded a revenue of RMB116,767,000, representing an increase of 22% compared to last year. Gross profit increased by 31% to RMB88,075,000. Loss attributable to equity holders was RMB32,759,000, compared to a loss of RMB25,961,000 for last year. Both basic and diluted loss per share were RMB2.47 cents, compared to RMB2.57 cents for last year.

The loss for the year ended 31 December 2014 was mainly due to:

- (1) the professional fee incurred from various corporate projects of the Group during the year ended 31 December 2014 (including but not limited to, further capital contribution to China Coop Mengda, the placing and subscription of new shares under the specific mandates, the entering into of the memorandum of understanding for potential acquisition of an equity interest in Sino-agri Agricultural Machinery and the entering into of the memorandum of understanding with Guangdong New Co-Op in relation to a potential investment in tea leaves trading platform); and
- (2) expenses in respect of the rental and administration for the Group’s office in Hong Kong during the year ended 31 December 2014.

PERFORMANCE OF THE GROUP’S FINANCE LEASE OPERATIONS

Since entering 2014, under the motivation by a series of favorable policies, the industry of finance lease in China re-entered the track of fast development. Premier and other leaders of the State Council repeatedly proposed to rapidly develop the industry of finance lease, in particular, he encouraged the support in agricultural development and foreign trade by way of finance lease.

Leverage on the favorable policies of the state on finance lease industry, China Coop Mengda planned to focus on the provision of general leasing of properties and financial leasing to PRC state-owned enterprises and the enterprises of supply and marketing cooperatives (供銷社) which are under the supervision and guidance of the All China Federation of Supply

and Marketing Cooperatives (中華全國供銷合作總社). Its target market of financial leasing and general leasing will be the entire PRC. China Coop Mengda will focus on developing its business at the initial stage in Shanghai and Jiangxi Province, the PRC. Areas which China Coop Mengda currently involved include leasing of machinery, production lines, information technology and equipment, power systems, elevators and air-conditioning systems. In 2014, business projects of China Coop Mengda on general leasing and financial leasing businesses increased and revenue included in the Group's consolidated financial statements was RMB19,582,000 for the year ended 31 December 2014 (2013: Nil).

As indicated in the government work report in 2015, in the current domestic market, the problem of difficulties in financing of small micro-enterprises was prominent, and enterprises faced more difficulties in manufacture and operation. There was relatively extensive economic development, lack of innovation and prominent over-capacity problems with weak agricultural foundation. After 35 years of rapid growth of reform and opening up, China's economy has begun to evolve to a stage with more advanced form with more complicated division of labor and more reasonable structure. Economic development entered into a new normality with the development approach shifted from scaled, speedy and extensive growth to intensive growth in quality and efficiency. As the arrangements of innovative financial institution, finance lease plays an important role in aspects like structural upgrading of industry, stimulating social demand and promoting optimization of financial market, which can be a new effective approach to enhance restructuring and upgrading of China's economy under the new normality. Finance lease can accelerate the upgrading of traditional industries; promote rural modernization, speed up small and medium sized enterprise development and expedite industrialization of high-tech industries.

PERFORMANCE OF THE GROUP'S FINANCIAL INFORMATION SERVICES AND SOFTWARE TERMINAL OPERATIONS

In 2014, China's securities market indicated a rebound from the bottom. In the first half of the year, the share market showed signs of slight sluggishness. Therefore, the development of "Qianlong" ("錢龍") products and business was stagnant to a certain extent. However, the Group still insisted on the strategy of innovative development on the premise of proper control of the overall cost, and determined to increase the contribution in the research and development and stimulate the new demands of the users by means of product innovation, marketing innovation, and market innovation to continue the steady development of the business. For the second half of the year, particularly in the fourth quarter, following the rapid soar of A Shares, the turnover went record high in terms of 1,000 billion. The investors were in high spirits, which drive the demand for relevant information products. The results of the Qianlong products made an obvious rebound. In particular, the products of personal version soared high to break new record.

In 2014, following the commencement of Shanghai-Hong Kong Stock Connect, Qianlong Advanced launched the corresponding software for Shanghai-Hong Kong Stock Connect immediately to satisfy the series of demand including the disclosure of market information, technical analysis, entrusted order placement, and platform management of the stock trading through Shanghai-Hong Kong Stock Connect. The product sales contributed good business revenue to the Group while further increasing the varieties of the product lines.

In future, the Company will increase the contribution in respect of research and development as well as marketing, so as to turn the Qianlong securities service platform into a comprehensive securities information platform integrating market information/news/analysis/trading/service/management into one unity.

OUTLOOK

The Document No. 1 of the central government has focused on the “agriculture, rural areas and farmers” sector for twelve consecutive years. This year, it emphasized the promotion of the comprehensive reform of Supply and Marketing Cooperatives (“SMC”), encouraged the expansion of the agricultural services, and aimed to build SMC into a backbone entity for the “agriculture, rural areas and farmers” sector. Looking ahead, the Company will keep up with the reform of SMC and utilize its unique advantages. The Group will proceed with the phased integration and upgrade of the industry chain of nationwide agricultural transactions and engage in mergers and acquisitions of businesses related to “the agriculture, rural areas and farmers” both inside and outside the system.

As for rural financial services, leveraging the central government’s policies encouraging the deployment of financial resources to support “agriculture, rural areas and farmers” and to enhance reforms and innovation in rural financing, the Group will continue to provide innovative products for rural financial services and to improve its strategic layout, in addition to fortifying its existing financial leasing business and agriculture-related payment business.

With regard to trading in agricultural means of production, the Group endeavors to give full effort in maintaining the stable operation of the trading platform, and advancing its comprehensive development, diversifying the variety of product offerings traded on the platform and gradually expanding the platform to the national level and to Southeast Asia markets, giving momentum to the transformation and upgrade of the existing marketing system for agricultural products, as well as the continuous improvement of the product trading system.

As for the rural land property rights transfer business, emphasis has been placed on the increasingly clear land transfer policies in China. The Group will operate its rural land transfer platform together with Guangzhou Commodity Exchange Limited (廣州商品交易所有限公司). As it pays close attention to rural reforms in China rural reforms, the Group has taken advantage of the favorable national policies to explore new business opportunities and assisted in guiding the transfer of land operation rights in a standardized and well-scheduled manner in order to optimize the allocation of land resources and improve the efficiency of agriculture-related businesses.

ADMINISTRATIVE EXPENSES

For the year ended 31 December 2014, the administrative expenses increased by 81% to RMB52,343,000, mainly due to an increase in professional fees in relation to various corporate projects of the Group and rental and administration of the Group’s Hong Kong’s office.

WORKING CAPITAL AND FINANCIAL RESOURCES

As at 31 December 2014, the Group's cash and cash equivalents amounted to RMB190,642,000 (2013: RMB180,020,000).

On 22 October 2014 and 6 February 2015, the Company completed placing of new shares and subscription of new shares under specific mandates and raised net proceeds of approximately HK\$369.7 million and HK\$936.9 million, respectively. The Company intends to apply such net proceeds for further capital injection into China Coop Mengda, acquisition of land and/or warehouse(s) and the building and/or renovation of warehouses for the storage of agricultural products, (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 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.

MAJOR INVESTMENTS

On 4 June 2014, pursuant to a joint venture agreement dated 21 March 2014, Ever Harvest made its capital contribution to China Coop Mengda in the amount of RMB70 million in full, and became holder of approximately 41.2% equity interest of China Coop Mengda. China Coop Mengda's total registered capital amounted to RMB170 million. In addition, as announced by the Company on 14 August 2014, it has conditionally agreed to make further capital contribution to China Coop Mengda within the range of RMB200 million to RMB391 million. Upon completion of the further capital contribution, on the assumption that all other shareholders will not make any further capital contribution to China Coop Mengda, the equity interests held by the Group in China Coop Mengda will increase from approximately 41% to approximately 82%.

Pursuant to a joint venture agreement dated 21 March 2014, Ever Harvest would contribute RMB35.5 million to a joint venture focusing on the provision of agricultural financial services and would hold 71% equity interests in this joint venture. This joint venture was incorporated in November 2014 and its company name is 北京市國農泰豐農業諮詢有限公司.

On 1 December 2014, the Company entered into a non-legal binding memorandum of understanding with Sino-agri Group pursuant to which the Company will acquire not more than 49% of an equity interest in Sino-agri Agricultural Machinery through the acquisition of existing shares and/or subscription of new shares. The proposed consideration of the possible acquisition will range between RMB110 million and RMB250 million.

On 23 December 2014, the Company entered into a non-legal binding memorandum of understanding with Guangdong New Co-Op, regarding the possible investment and cooperation of tea leaves trading platform in the PRC. The investment cost of the possible investment is expected to be less than RMB300 million.

GEARING RATIO

As at 31 December 2014, the Group's total gearing ratio (total borrowings divided by total equity) was 15% (2013: 42%). The Group's assets were not subject to any charges or mortgages.

EMPLOYMENT AND REMUNERATION POLICIES

The total number of full-time employees of the Group as at 31 December 2014 was 401 (2013: 401). The Group offers a remuneration package by reference to the prevailing market conditions, and the performance, qualifications, and experience of individual employees. Other benefits for employees include pension, provident fund and medical insurance scheme. For the year ended 31 December 2014, total staff cost was approximately RMB76,744,000 (2013: RMB52,718,000), representing an increase of around 46% as compared to year 2013.

Adoption of a share option scheme was approved at the annual general meeting of the Company held on 12 June 2014. As at 31 December 2014, the Company had not granted any share options pursuant to the share option scheme.

An announcement was also made on 23 January 2015 that pursuant to the share award scheme (the “Share Award Scheme”), existing Shares of up to 10% of the issued share capital of the Company as at the date of adoption of the Share Award Scheme will be purchased by the trustee of the trusts to administer the Share Award Scheme from the market out of cash contributed by the Group and be held on trust for the relevant selected grantees to be participated in the Share Award Scheme (the “Selected Grantees”) until such Shares are vested with the relevant Selected Grantees in accordance with the rules relating to the Share Award Scheme adopted by the Board.

EXPOSURE ON EXCHANGE RATE FLUCTUATION

The Group’s income and expenditure are predominately denominated in RMB and only an insignificant amount is denominated in Hong Kong dollars. The Group considered that the exchange rate fluctuation exposure is minimal and no financial instruments have been used for hedging purposes.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2014 and 2013.

IMPORTANT EVENTS AFTER 31 DECEMBER 2014

(a) Strategic Cooperation with Beijing Branch of PICC Property and Casualty Company Limited

On 15 January 2015, the Company entered into a strategic cooperation framework agreement with PICC P&C Beijing to develop various insurance products and value-adding services for the agricultural-related industry.

(b) Adoption of Share Award Scheme

On 23 January 2015, the Company announced that it had adopted the Share Award Scheme to recognise the contributions by employees and other eligible persons and to provide incentives in order to retain them for the continuing operation and development of the Group, as well as to attract suitable personnel for further development of the Group.

(c) Proposed Placing and Subscription of Unlisted Warrants under Specific Mandates

On 28 January 2015, the Company entered into a placing agreement with a placing agent, pursuant to which, the Company has conditionally agreed to issue and the placing agent has conditionally agreed to procure, on a best effort basis, not less than six places to subscribe for up to 141,463,000 warrants at an issue price of HK\$0.189 per warrant. The placing warrants will entitle the holders to subscribe for up to 141,463,000 new shares at an exercise price of HK\$3.0 per share (subject to adjustments). On the same date, the Company also entered into a subscription agreement with Parko, pursuant to which, the Company has conditionally agreed to issue and Parko has conditionally agreed to subscribe for up to 212,194,500 warrants at an issue price of HK\$0.189 per warrant. The subscription warrants will entitle the holders to subscribe for up to 212,194,500 new shares at an exercise price of HK\$3.0 per share (subject to adjustments). An extraordinary general meeting will be convened and held to consider and, if thought fit, pass the relevant resolutions and to approve the relevant agreements and the respective transactions contemplated thereunder.

(d) Placing and Subscription of New Shares

On 6 February 2015, the Company completed (i) the placing of 53,530,000 new shares to independent shareholders, (ii) the issuance of 100,000,000 new shares to 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)), and (iii) the issuance of 161,206,500 new shares to Parko, all at the price of HK\$3.0 per share under specific mandates.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Saved as disclosed in this announcement, during the year ended 31 December 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

The Company's deviations from the Corporate Governance Code during the year ended 31 December 2014 are set out below:

Code	Deviation(s)	Explanation
A.6.4	No written guidelines were established for relevant employees in respect of their dealings in company's securities.	According to paragraph A.6.4 of the Corporate Governance Code, the board should establish written guidelines no less exacting than the Model Code for relevant employees in respect of their dealings in listed company's securities. Except for directors, the Company should also ensure that the relevant employees who are likely to possess inside information in relation to the Company properly comply with the Model Code. The Company has established written guidelines for those relevant employees on 31 March 2015.
C.1.2	Management accounts were not provided to all members of the Board on a monthly basis.	According to paragraph C.1.2 of the Corporate Governance Code, management should provide all members of the board with monthly updates giving a balanced and understandable assessment of listed company's performance, position and prospects. In view of the nature of the Company's business, business updates and management accounts prepared on a quarterly basis to Board members give sufficient measures at this stage. Management shall continue to review the need for providing such monthly updates to the Board.

Save the aforesaid, the Company has applied the principles and complied with all applicable code provisions of the Corporate Governance Code during the year ended 31 December 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. All directors have confirmed, following specific enquiry by the Company that they have complied with the Model Code throughout the year ended 31 December 2014.

AUDIT COMMITTEE AND REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

As at the date of this announcement, the Audit Committee consists of Ms. Chiu Kam Hing Kathy, Mr. Ting Tit Cheung, Mr. Law Yee Kwan Quinn and Mr. Fan William Chung Yue.

The audit committee has reviewed this annual results announcement for the year ended 31 December 2014 and the consolidated financial statements for the year ended 31 December 2014.

The consolidated financial statements of the Group for the year ended 31 December 2014 have been audited by the Company's auditor, Messrs. Deloitte Touche Tohmatsu. A meeting of the Audit Committee of the Company was held with the auditor and the management of the Company for, amongst other things, reviewing the final results of the Group for the year ended 31 December 2014.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2014 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year.

The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

APPRECIATION

The Board would like to express heartfelt gratitude to the staff of the Group for their tremendous efforts as well as to all business partners and shareholders of the Company (the "Shareholders") for their kind support to the Group. The Board would like to express their appreciation to all members of the Board for their contributions.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the Company's website at www.natagri.com.hk. The annual report will be dispatched to the Shareholders and available on the website of the Stock Exchange and that of the Company in due course.

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

Hong Kong, 31 March 2015

As at the date of this announcement, the Board of the Company comprises six executive Directors, being Mr. Chen Li-Jun, Mr. Ren Hai, Mr. Peng Guojiang, Mr. Zhang Yuliang, Ms. Wen Yuanyi and Mr. Liu Yong, and four independent non-executive Directors, being Ms. Chiu Kam Hing Kathy, Mr. Ting Tit Cheung, Mr. Law Yee Kwan Quinn and Mr. Fan William Chung Yue.

* *For identification purpose only and should not be regarded as official name*