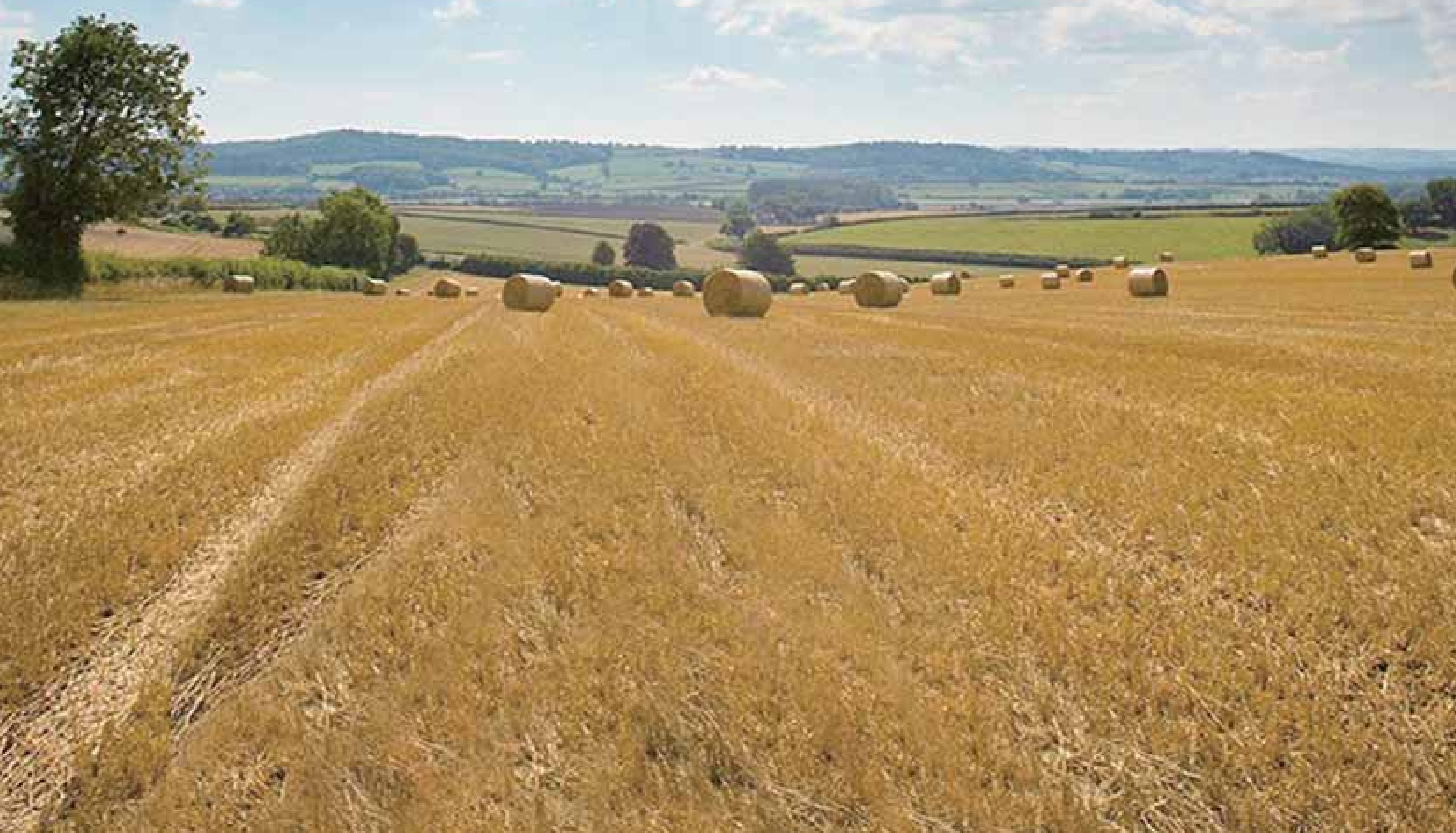
二零一四年度年報
ANNUAL REPORT 2014

國農控股有限公司
National Agricultural Holdings Limited

於開曼群島註冊成立之有限公司
(Incorporated in the Cayman Islands with limited liability)

(Stock Code 股份代號 : 1236)



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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Chen Li-Jun (Chairman)
Ren Hai
Peng Guojiang
Zhang Yuliang
Wen Yuanyi
Liu Yong

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chiu Kam Hing Kathy
Ting Tit Cheung
Law Yee Kwan Quinn
Fan William Chung Yue

COMPANY SECRETARY

Ip Pui Sum

AUTHORISED REPRESENTATIVES

Ip Pui Sum
Wen Yuanyi

PRINCIPAL BANKERS

China Construction Bank (Asia)
The Hongkong and Shanghai Banking Corporation Limited
Shanghai Commercial Bank Limited

AUDITOR

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

AUDIT COMMITTEE

Chiu Kam Hing Kathy (Chairman)
Ting Tit Cheung
Law Yee Kwan Quinn
Fan William Chung Yue

REMUNERATION COMMITTEE

Chiu Kam Hing Kathy (Chairman)
Ting Tit Cheung
Wen Yuanyi
Fan William Chung Yue

NOMINATION COMMITTEE

Chen Li-Jun (Chairman)
Chiu Kam Hing Kathy
Ting Tit Cheung
Fan William Chung Yue

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Rooms 1712–1716
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CORPORATE INFORMATION

REGISTERED OFFICE

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

STOCK CODE

1236

WEBSITE

www.natagri.com.hk

FINANCIAL SUMMARY

A summary of the audited results of National Agricultural Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2014 together with the comparative figures for the corresponding year in 2013 and of the assets and liabilities of the Group as at 31 December 2014 and 2013 is set out as follows:

GROUP RESULTS

	2014 RMB'000	2013 RMB'000
Turnover	**116,767**	95,659
Loss for the year	**(26,747)**	(25,961)
Loss per share — Basic and diluted (RMB cents)	**(2.47)**	(2.57)

GROUP ASSETS AND LIABILITIES

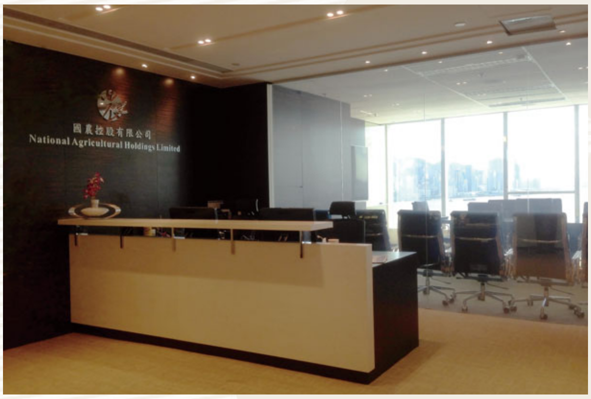
	2014 RMB'000	2013 RMB'000
Total non-current assets	**385,284**	78,066
Total current assets	**396,019**	233,277
Total current liabilities	**111,334**	60,684
Net current assets	**284,685**	172,593
Total assets less current liabilities	**669,969**	250,659
Total non-current liabilities	**66,855**	80,445
NET ASSETS	**603,114**	170,214
TOTAL EQUITY	**603,114**	170,214

GROUP PROFILE

Agriculture is the most fundamental element that underpins the integrity of any country. The Company is a rural market-based company that integrates financial services, agricultural product trading, information, industry and science research. The direction of development for its principal business is rural finance, agricultural product trading, urbanization planning, operating and managing and high-tech information technology, etc. These directives are fully implemented to accommodate China's strategic goal of vigorously developing large-scale agriculture and a new model of urbanization.

Hebei Supply and Marketing Cooperative made an equity investment in the Company through its subsidiary, Parko (Hong Kong) Ltd. ("Parko") in November 2013. Hebei Supply and Marketing Cooperative, is one of the largest integrated agricultural economic and trade service providers in China. Its business covers conventional agricultural means of production, cotton and salt industries as well as new areas of development including development of county town commercial complexes, e-commerce and the rural financial industry, providing comprehensive and integrated agriculture, economic and trade services.

The Company aims to develop the rural economy, improve the living standard of farmers, rural education and culture levels as well as minimise extreme income inequality in city towns by means of rural finance, agricultural product trading, urbanization planning, operating and managing and development of the high-tech IT industry. Being the only overseas-listed capital platform, the Company will leverage the two newly-established financial platforms (the cash settlement platform established in collaboration with Guangzhou UnionPay Network and the agri-related exchange platform established together with Guangzhou Exchange Group) to work in tandem with cooperatives in its reform plans, to integrate and upgrade the industry chain of agri-related transactions step by step, and to conduct mergers and acquisitions of high-quality enterprises which are primarily engaged in agri-related businesses. Riding on the sound system of integrated supply, marketing of cooperatives and the resource integration of its logistics networks, the Group enjoys a unique competitive edge in attracting strong enterprises for the forging of cooperation, which will undoubtedly bring forth synergy for all parties involved.



CHAIRMAN'S STATEMENT

Dear Shareholders,

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

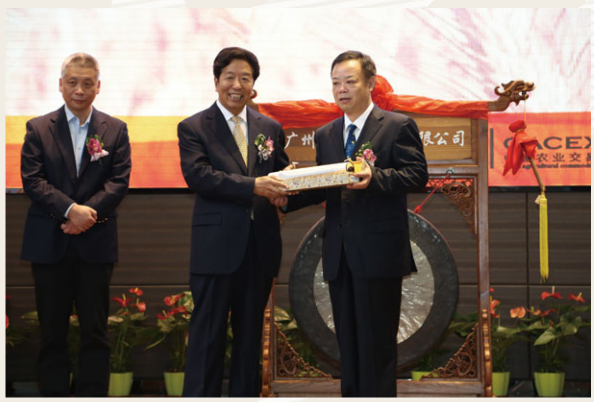
The year 2014 was an exceptional year for the Group. We continued to plant the seeds for the future development of the Group's three principal businesses: "Rural Financial Services", "Trading in Agricultural Means of Production" and "Urbanization Planning, Operating and Managing". Leveraging on the government 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 ceaseless 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 the central government 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 2014, 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 profound as Document No. 1 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. In 2014, National Agricultural Holdings 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), which is a subsidiary enterprise under All China Federation of Supply and Marketing Cooperatives (中華全國供銷合作總社), 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 National Agricultural Holdings's capabilities in various business segments including asset management, project investment and mega data management, but also formed the foundation of the development of 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. The system facilitates cash settlements and consumption for transactions involving agricultural means of production and major agricultural by-products, and also saves cost of capital for customers at all levels who participate in transactions, thus, creates effectiveness.

Apart from the "Rural Financial Services", with the favourable national 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 2014. The electronic trading platform for agricultural products jointly established by the Group and Guangzhou Commodity Exchange Limited (廣州商品交易所有限公司) was officially launched. The first batch of products to be traded on the platform, chemical fertilizers, made their debut on the launch day with turnover exceeding RMB200 million on the first day of launch. The nationwide trading platform for agricultural products has generated sound volume through its stable operation since the launch date. Its innovative e-commerce model has not only facilitated companies to reduce transaction costs and stabilized market prices, but also made it more assessable for enterprise financing, benefiting the agriculture sector and farmers. In response to the stated intent of Document No. 1 to expedite the transformation and upgrading of the nation-wide agricultural product system, the Group has also taken the initiative to build an e-commerce platform for agricultural products and allowed the strategic deployment of product transactions to the stage to reach critical mass. The two major trading platforms will 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". Recently, the central government specifically issued *The decision*



made by the Central Committee of the Communist Party of China and the State Council, in relation to the deepening of comprehensive reforms in the supply and marketing cooperatives. This once again affirms that the supply and marketing cooperatives is an important supporter to the Communist Party and the government on "agriculture, rural areas and farmers" in this new era. Moreover, the decision allows eligible enterprises under the supply and marketing cooperatives to set up small and medium sized banks lawfully. This not only opened up the development of financial business in the capacious rural market for the supply and marketing cooperatives, but also provided them with clear policy guidelines on the deepening of agricultural comprehensive services. National Agricultural Holdings, 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 FSMC 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 mass resources. During 2014, the Group has made a great effort in this direction and 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). The move is conducive to the trading development of Sinoagri Agricultural Machinery. The Group also proposed cooperation with the companies in the system of supply and marketing cooperatives to acquire a tea leaves trading platform, in order to facilitate tea leaves trading procedures including settlement, storage, delivery, financing, etc. The above cooperation 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.

In this new era, it is imperative to deepen the comprehensive reforms in the supply and marketing cooperatives. Looking forward, China will continue to further 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, National Agricultural Holdings is confident that we will continue to maximize returns for its shareholders in the "new normal" conditions of China's economy.

Finally, on behalf of National Agricultural Holdings, 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

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Chen Li-Jun, aged 59, has been an executive Director and Chairman since 2013. He joined Hebei Agricultural Means of Production Company Limited ("Hebei AMP"), a subsidiary of Hebei Supply and Marketing Cooperative ("Hebei SMC"), in 1989 and is the general manager of Hebei AMP and a director of Parko. Under Mr. Chan's leadership, Hebei AMP has developed into one of the top enterprises in industry which Hebei AMP operated. Its operation scale and economic efficiency are ranking the first in its industry. Its sales network is throughout the province. Its convenient circulation channels and good operation services win industry and consumers' compliments. He has accumulated over 20 years of experience in the management of enterprises engaged in agricultural means of production, and has been involved in reforms in the distribution of agricultural means of production in China's transition from a planned economy to a market economy. He has also participated in the liaison with the relevant government authorities in the planning of the supply of chemical fertilizers in Hebei province, and made positive contribution in ensuring supply of agricultural materials and stabilizing the market operation. Mr. Chen is a director of Ever Harvest Inc. Limited ("Ever Harvest") and its subsidiary, Hebei Baihao Trading Company Limited (河北百豪商貿有限公司) ("Hebei Baihao").

Mr. Ren Hai, aged 51, has been an executive Director since 2013. He graduated from Jilin Agriculture University (吉林農業大學) in 1986 and earned a postgraduate degree in historical philology at Sichuan University (四川大學) in 1999. Mr. Ren joined Hebei AMP in 1986, and served as deputy general manager of Hebei AMP. With over 20 years of experience in sales and management, Mr. Ren participated in Hebei AMP's establishment and management of a sales network in Hebei Province and have a good reputation in supply and marketing cooperative and agricultural means of production industry.

Mr. Peng Guojiang, aged 50, has been an executive Director since 2013. He obtained an undergraduate degree in politics from Hebei Normal University (河北師範大學) and joined Hebei AMP in 1987 and is the deputy general manager of Hebei AMP. Mr. Peng has over 10 years of experience in sales and marketing and has helped Hebei AMP build sales networks in Hebei province. Mr. Peng is a director of Ever Harvest and Hebei Baihao.

Mr. Zhang Yuliang, aged 30, graduated from the department of finance and securities of Sun Yat-sen University (the PRC) (中山大學), has been an executive Director since 2013. He is the chairman and general manager of GuangRong Investment Limited (廣融投資管理有限公司). He is experienced in financial management and gained experience from assisting the manufacturers with payment platform and collection and payment services for years. He is also the general responsible person and project manager of project of pooling and settlement of accounting through funds (財會通資金歸集結算項目), with in-depth understanding of flow and implementation of fund pooling and settlement business.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Wen Yuanyi, aged 32, has been an executive Director since 2013. She is the deputy director of the Investment Department of Precursor Management, Inc. ("PMI"). PMI is a private equity fund providing capital to growing companies in various industries in China. Ms. Wen obtained undergraduate degrees in English and Economics from Guangdong University of Foreign Studies (廣東外語外貿大學) in 2006.

Mr. Liu Yong, aged 41, has been an executive Director since 2014, is currently the chairman of Coopinvest Company Limited* (中合聯投資有限公司) ("Coopinvest") and China Coop Mengda Financial Leasing Company Limited* (中合盟達融資租賃有限公司) ("China Coop Mengda"). Mr. Liu obtained a bachelor's degree in Information Management (資訊管理系) from Shanxi College of Finance and Economics (山西財經學院) (now known as Shanxi University of Finance and Economics (山西財經大學)) in 1996 and subsequently master of business administration (企業管理專業) from Beijing Institute of Technology (北京理工大學) in 2005. Prior to joining Coopinvest, Mr. Liu was acting as the director of assets of the finance department of All China Federation of Supply and Marketing Cooperatives (中華全國供銷合作總社) ("All China Federation"). He then joined Coopinvest as the chairman in September 2010 and subsequently acted as the chairman of China Coop Mengda since its establishment in August 2012. Mr. Liu's main role in the Group will be overseeing the business of China Coop Mengda which is currently an indirect non-wholly owned subsidiary of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Chiu Kam Hing, Kathy, aged 65, joined the Group in 1999. Ms. Chiu has over 29 years of banking experience in Canada and the Asia Pacific region. She was Senior Vice President at the Republic National Bank of New York, responsible for management and investment of third party client's funds. She is an associate and a fellow of the Institute of Canadian Bankers. Ms. Chiu was appointed as a Justice of the Peace by the Hong Kong Government in 1992 and as Cavaliere by the Italian Government in 1999. She was named Monblanc Outstanding Business Lady of the year 2002 in Hong Kong. Ms. Chiu is currently Chairman of Prime Investments Group Limited. She is currently an independent non-executive director of Sau San Tong Holdings Limited (stock code: 8200), the shares of which are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Ms. Chiu is licensed to carry out asset management business under Type 9 regulated activity under the Securities and Futures Ordinance (the "SFO").

Mr. Ting Tit Cheung, aged 59, has been an independent non-executive Director of the Company since 2013. He is the senior representative officer for Hong Kong Region at Banque Cantonale de Genève. He is a member of the Chinese People's Political Consultative Conference representing the Putou District of Shanghai. From 1998 to 2012, Mr. Ting served as chief representative for the Hong Kong Region and South China Region, Credit Industriel et Commercial, the second largest banking network in France. A graduate of Technicum Neuchatelois in Switzerland in 1978, Mr. Ting subsequently earned an MBA at the University of East Asia, Macau, in 1991. Mr. Ting was awarded the Medal of Honour by the Hong Kong Government in 2012. He is currently an independent non-executive director of KTL International Holdings Group Limited (stock code: 442), the shares of which are listed on the Main Board of the Stock Exchange.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Law Yee Kwan Quinn, aged 62, has been an independent non-executive Director of the Company since 2013. He is a fellow of the Hong Kong Institute of Certified Public Accountants, and a Chartered Secretary. In the five-year period to February 2013, Mr. Law was the deputy chairman and managing director of Urban Renewal Authority, a statutory organization in Hong Kong. He has been appointed an unofficial Justice of Peace in Hong Kong since 2011 and was awarded the Silver Bauhinia Star in 2014. Mr. Law is currently a member of the Council of the Hong Kong University of Science and Technology. Mr. Law is currently an independent non-executive director of ENN Energy Holdings Limited (stock code: 2688) and HKBN Ltd. (stock code: 1310), shares of which are listed on the Main Board of the Stock Exchange.

Mr. Fan, William Chung Yue, aged 74, has been an independent non-executive director of the Company since January 2015. Mr. Fan has been a solicitor in Hong Kong since 1974 with over 40 years of experience. He was the founder of and has been a practising solicitor at Fan & Fan, Solicitors since 1982 before his retirement as a practising solicitor in April 2013. He obtained a bachelor's degree in arts from the Northwestern University, Evanston, Illinois, USA in 1964 and a bachelor's degree in laws from the University of Edinburgh, U.K. in 1967. Mr. Fan was an independent non-executive director of Artini China Co. Ltd. (stock code: 789) during the period from 23 April 2008 to 8 May 2012, the shares of which are listed on the Main Board of the Stock Exchange. Mr. Fan is currently a non-executive director of Chinney Investments, Limited (stock code: 216) and Alltronics Holdings Limited (stock code: 833), shares of which are listed on the Main Board of the Stock Exchange.

SENIOR MANAGEMENT

Mr. Liao Chao-Ping, aged 71, joined the Group in October 2004 and is responsible for the Group's relationship development of potential business opportunities. Mr. Liao was the former Chairman of the Group and resigned as an executive Director in November 2013. He is a director of Union Construction Company Limited (a company incorporated in Taiwan).

Mr. Yang Ching Shou, aged 56, is the president of Shanghai Qianlong Advanced Technology Company Limited. Mr. Yang was the former Chief Executive Officer of the Group and resigned as an executive Director in November 2013. Before joining the Group since 1999, Mr. Yang held senior management positions in various computer software companies in Taiwan. Mr. Yang holds a Bachelor degree of Management from National Chiao Tung University, Taiwan.

COMPANY SECRETARY

Mr. Ip Pui Sum, aged 55, is the company secretary of the Group (the "Company Secretary"). He joined the Group on 1 December 2011. Mr. Ip is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants, the Society of Chinese Accountants & Auditors, the Chartered Institute of Management Accountants, the Institute of Chartered Secretaries and Administrators and an ordinary member of Hong Kong Institute of Chartered Secretaries. Mr. Ip has over 20 years of experience in accounting and company secretarial practices and is also a certified public accountant (practising) in Hong Kong.

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 Co., Ltd. (廣州交易所集團有限公司) ("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, by working with Guangzhou Commodity Limited, a subsidiary of Guangzhou Exchange Group. 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 Skyrise Investment Co., Ltd* (廣東新供銷天成投資有限公司) ("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 Holdings Company Limited* 中農集團農機控股有限公司 ("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 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"). Together, we intend to launch a variety of insurance products and other value-adding services for the agricultural-related industry, such as 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.

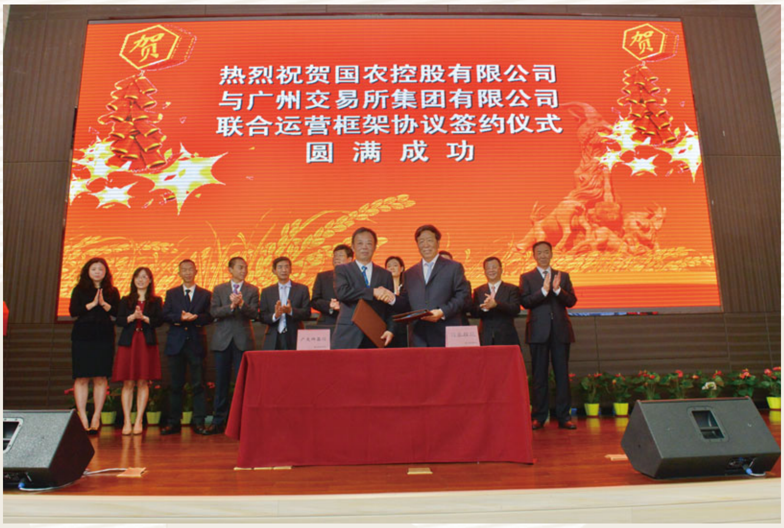
MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 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. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

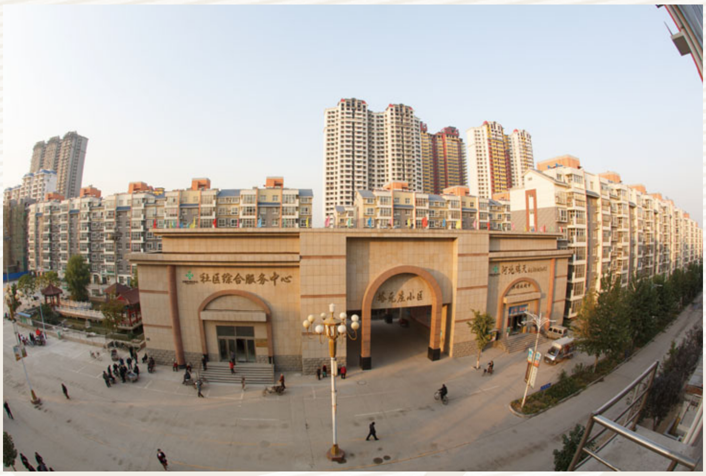
The loss for the year ended 31 December 2014 was mainly due to:

(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.

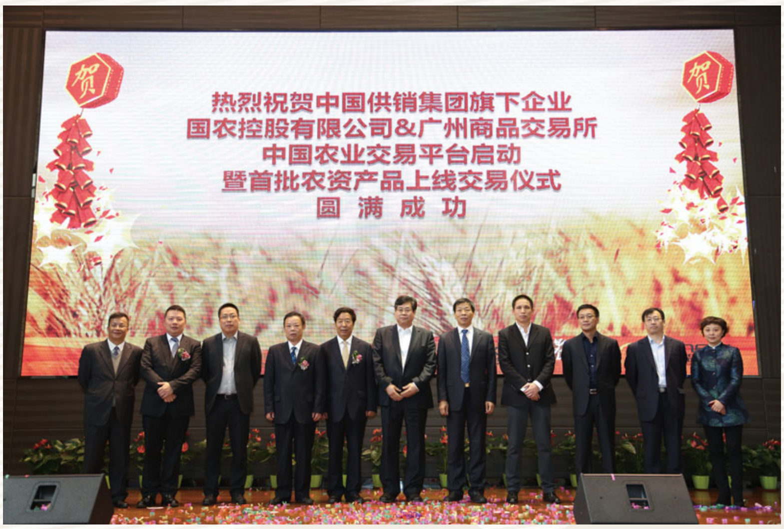
PERFORMANCE OF THE GROUP'S FINANCE LEASE OPERATIONS

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. 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 Technology Company Limited* (上海乾隆高科技有限公司) 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.

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. As disclosed in the announcements of the Company, dated 22 October 2014 and 6 February 2015 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. It is expected that such net proceeds will be applied in accordance with the above intended uses.

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 Beijing Guonong Taifeng Agricultural Consultancy Co., Ltd.* (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-legally 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-legally 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 (the "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. The Company also adopted a share award scheme (the "Share Award Scheme"), which was announced on 23 January 2015 in order to recognise the contributions by employees and other eligible persons. Details of the Share Option Scheme and Share Award Scheme are disclosed on pages 36 to 38 of this report.

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 PICC

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

(b) Adoption of Share Award Scheme

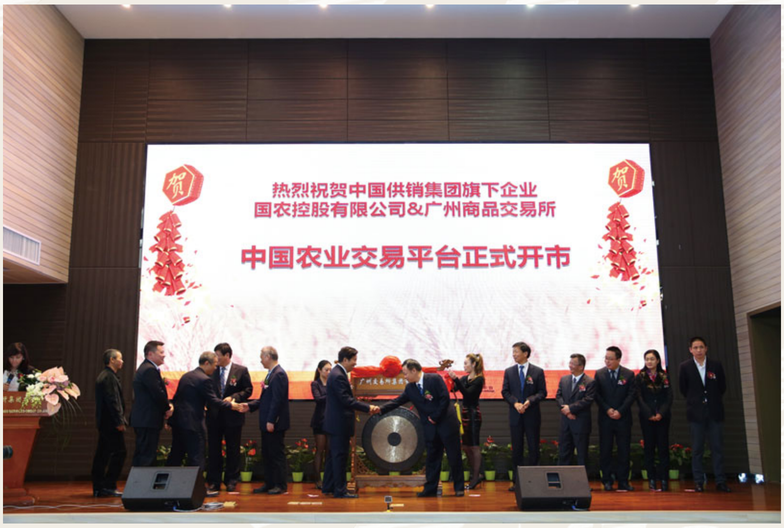
On 23 January 2015, the Company announced that it had adopted the Share Award Scheme to recognise the contributions by employees and other eligible persons and to provide incentives in order to retain them for the continuing operation and development of the Group, as well as to attract suitable personnel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



CORPORATE GOVERNANCE REPORT

INTRODUCTION

The Board considers that good corporate governance of the Company is central to safeguarding the interests of the shareholders and enhancing the performance of the Company. The Board is committed to maintaining and ensuring high standards of corporate governance. The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

The Company has adopted the code provisions ("Code Provisions") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") issued by the Stock Exchange during the year ended 31 December 2014 ("the year under review").

The Board reviews the corporate governance practice of the Company at least once every year to ensure that the Company has complied with the Code Provisions. During the year under review, the Company has complied with the Code Provisions. The following sections report the Company's application of the Code Provisions in the year under review, including any deviation.

BOARD OF DIRECTORS

The Board currently comprises ten Directors, including six executive Directors and four independent non-executive Directors and its composition during the year 2014 is set out as follows:

EXECUTIVE DIRECTORS

Chen Li-Jun *(Chairman)*
Ren Hai
Peng Guojiang
Zhang Yuliang
Wen Yuanyi
Liu Yong (appointed on 1 July 2014)
Zhang Yanhui (resigned on 12 June 2014)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chiu Kam Hing, Kathy
Ting Tit Cheung
Law Yee Kwan Quinn
Fan, William Chung Yue (appointed on 12 January 2015)
Shum Wan Lung (resigned on 31 December 2014)
Tsai Jeng-Yang (resigned on 12 June 2014)

The Company has received from each independent non-executive Director an annual confirmation of his/her independence and considers that all relevant Directors are independent under the guidelines set out in Rule 3.13 of the Listing Rules.

The Board meets regularly to review and approve the interim and final results of the Group and meets more frequently when required. During the year under review, a series of Board meetings were held and attendance of each Director is set out in the "Board Committees" section of this report.

The Board is responsible for corporate strategy, annual and interim results, succession planning, risk management, major acquisitions, disposals and capital transactions and other significant operating and financial matters. Major corporate matters that are specifically delegated by the Board to the management include the preparation of the annual and interim accounts for Board approval before publication, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements, rules and regulations.

Annually the dates of regular Board meetings are scheduled in advance to facilitate maximum attendance of Directors. At least 14 days' notice of a Board meeting is normally given to all Directors who are given an opportunity to suggest matters for discussion in the agenda of the meeting. The Company Secretary assists the Chairman in preparing the agenda for meetings and ensures that all applicable rules and regulations are complied. The agenda and the enclosed Board papers are sent to all Directors at least 3 days before the intended date of a regular Board meeting (and so far as practicable for such other Board meetings). Draft minutes of each Board meeting are circulated to all Directors for their comment before the same will be tabled at the following Board meeting for approval. All minutes are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

According to the current Board practice, if the major shareholders or Directors think there are significant conflicts of interests in the matters to be considered by the Board, such matters will be dealt with at the formal Board meeting by the Directors.

DIRECTORS' INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT

When appointed to be the member of the Board, each Director receives a detailed induction on appointment, covering the Company's business operation and policies as well as the general legal and regulatory responsibilities of the Directors, to ensure the full understanding of his/her duty from the Listing Rules and other relevant regulatory provisions. Such induction is normally included with visits to the Company's key business sites and meetings with the senior management of the Company.

During the year under review, the Company organized a training session to certain newly appointed executive Directors covering a broad range of topics including Directors' duties and updates on the Listing Rules. The Company will organize the same to other newly appointed Directors as soon as practicable. The Company Secretary provided updates on the Code Provisions to Directors for their reference and study.

DIRECTORS' AND OFFICERS' INSURANCE

According to paragraph A.1.8 of the Code Provisions, listed company should arrange appropriate insurance cover in respect of legal action against its directors. In February 2014, appropriate directors' and officers' liability insurance was arranged for the Directors and officers of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

According to paragraph A.6.4 of the Code Provisions, the board should establish written guidelines no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (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.

Directors and relevant employees are properly notified of prohibitions on dealings in the securities of the Company whenever black-out periods arise.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Chen Li-Jun was appointed as the Chairman of the Board on 18 December 2013. The Chairman is responsible for leading and operating the Board to ensure that the Board discusses all the important matters and application in a timely and effective manner. The Company has not appointed a CEO since the resignation of the former CEO, Mr. Yang Ching Shou. Senior management continues to identify appropriate individuals and make recommendations to nomination committee and remuneration committee of the Board for the appointment of CEO.

BOARD COMMITTEES

The Board has established various committees, including remuneration committee, audit committee and nomination committee, each of which has specific written terms of reference. Copies of minutes of all meetings and resolutions of the committees, which are kept by the Company Secretary, are circulated to all Board members and the committees are required to report to the Board. The procedures and arrangements for a Board meeting have been adopted for the committee meetings so far as practicable.

During the year under review, details of the attendance of each Director in Board meetings, remuneration committee meetings, audit committee meetings and nomination committee meetings are as follows:

	Meetings Attended/Held				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Shareholder Meeting
Executive Directors					
Chen Li-Jun *(Chairman)*	22/22			3/3	4/4
Ren Hai	17/21				0/4
Peng Guojiang	19/21				4/4
Zhang Yuliang	11/21				2/4
Wen Yuanyi	20/21		2/2		2/4
Liu Yong (appointed on 1 July 2014)	11/15				1/2
Zhang Yanhui (resigned on 12 June 2014)	1/7				0/2
Independent non-executive Directors					
Chiu Kam Hing, Kathy	25/26	2/2	2/2	3/3	4/4
Ting Tit Cheung	24/26	2/2	2/2	3/3	2/4
Law Yee Kwan, Quinn	25/26	2/2			4/4
Fan William Chung Yue (appointed on 12 January 2015)	N/A	N/A	N/A	N/A	N/A
Tsai Jeng-Yang (resigned on 12 June 2014)	2/6	1/1			2/2
Shum Wan Lung (resigned on 31 December 2014)	14/25	0/2	0/2	1/3	0/3

REMUNERATION COMMITTEE

The remuneration committee was established in November 2005. This committee consists of four members, including the independent non-executive Directors, Ms. Chiu Kam Hing, Kathy (chairman of the remuneration committee), Mr. Ting Tit Cheung, Mr. Fan, William Chung Yue and executive Director, Ms. Wen Yuanyi.

The Company has complied with Rules 3.25 and 3.26 of the Listing Rules as the remuneration committee is chaired by an independent non-executive Director and comprising a majority of independent non-executive Director. The Company also approved and provided written terms of reference for the remuneration committee which clearly establish the remuneration committee's authority and duties as follows:

1. Review the current policy and structure of remuneration of the Directors;

2. Review the existing remuneration of independent non-executive Directors; and

3. Review and recommend the proposed consultancy of newly appointed independent non-executive Directors for the Board's approval.

The remuneration committee acts as the adviser to the Board while the Board reserves the final rights to approve the remuneration of individual executive Directors and senior management of the Company. The full terms of reference of the remuneration committee with its rights, duties and responsibilities are available on the Company's website and the Stock Exchange's website.

AUDIT COMMITTEE

The Company established an audit committee in 1999. This committee consists of four members, including independent non-executive Directors, Ms. Chiu Kam Hing, Kathy (chairman of the audit committee), Mr. Ting Tit Cheung, Mr. Law Yee Kwan Quinn and Mr. Fan, William Chung Yue.

The Company has complied with Rules 3.21 and 3.22 of the Listing Rules as the audit committee (consists of at least three members and must be chaired by an independent non-executive Director) has at least one member who is independent non-executive Director with appropriate professional qualifications or accounting or related financial management experience, and is provided with written terms of reference for the audit committee which clearly establish the audit committee's authority and duties. The full terms of reference of the audit committee along with its rights, duties and responsibilities are available on the Company's website and the Stock Exchange's website.

The audit committee is mainly responsible for reviewing the financial report and monitoring the integrity of the financial report. Other duties include appointing auditor, approving the auditor's remuneration, discussing the audit procedures and other matters arising from the above. The audit committee is also responsible for supervising the financial reporting system and internal control procedures as well as its effectiveness.

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

According to its terms of reference, the audit committee shall meet at least twice a year. Two committee meetings were held in 2014 and the attendance of each member is listed in the section "Board Committees" of this report.

For the year under review, the performance of the audit committee is as follows:

1. Reviewed and recommended the financial report for the year ended 31 December 2013 for the approval by the Board;

2. Reviewed and recommended the 2014 interim results for the approval of the Board; and

3. Reviewed connected transactions.

NOMINATION COMMITTEE

The nomination committee was established on 23 March 2012. This committee consists of four members, including the executive Director, Mr. Chen Li-Jun (Chairman and chairman of the nomination committee), the independent non-executive Directors Ms. Chiu Kam Hing, Kathy, Mr. Ting Tit Cheung and Mr. Fan, William Chung Yue.

The Company approved and provided written terms of reference for the nomination committee which clearly establish the nomination committee's authority and duties as follows:

1. Review the Board structure and composition as well as make recommendations to the Board to comply with the Company's corporate strategy changes; and

2. Review and made recommendations to the Board on the newly appointed independent non-executive Directors.

The Company adopted the Board Diversity Policy during the year with the primary objective to enhance the effectiveness of the Board and its standard of corporate governance. The Company is committed to equality of opportunity in all aspects of its business and endeavours to ensure that its Board has the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy and in order for the Board to be effective. The Board Diversity Policy will be reviewed on a regular basis to ensure its continuing effectiveness.

The full terms of reference of the nomination committee along with its rights, duties and responsibilities are available on the Company's website and the Stock Exchange's website.

CORPORATE GOVERNANCE FUNCTIONS

The Board has overall responsibility for implementing corporate governance responsibilities, including:

1. To develop and review the Company's relevant corporate governance policies and practices;

2. To review and monitor the training and continuous professional development of the Directors and senior management;

3. To review and monitor the Company's policies and practices complying with the statutory and regulatory rules;

4. To develop, review and monitor the code of conduct and compliance handbook (if any) of the employees and Directors; and

5. To review the Company's compliance with the Code Provisions and disclosure in the corporate governance report.

COMPANY SECRETARY

According to the Code Provisions, the Company Secretary shall be the employees of the issuer and have an understanding of the issuer's daily affairs. If the issuer hires an external service provider as the company secretary, it should disclose the identity of one of its senior members so as to contact the external service provider.

The Company Secretary is responsible for reporting to Mr. Chen Li-Jun, Chairman, and providing updates to the Directors on corporate governance matters.

During the year under review, the Company Secretary confirmed having received no less than 15 hours' professional training.

CODE OF CONDUCT ON DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. After making specific enquiry to all Directors, the Company confirmed every Director has complied with the required standards set out in the Model Code throughout the year under review.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Group and assure that the consolidated financial statements are in accordance with statutory requirements and applicable accounting standards. The Directors also assure the timely publication of the consolidated financial statements of the Group.

According to paragraph C.1.2 of the Code Provisions, 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, management accounts and business updates prepared on a quarterly basis to the Board give sufficient measures at this stage. However, management shall continue to review the need for providing such monthly updates to the Board.

The statement by the independent auditor about its reporting responsibilities relating to the consolidated financial statements for the year ended 31 December 2014 is set out in the Independent Auditor's Report on pages 43 to 44 of this annual report.

INTERNAL CONTROL

The Company has conducted a review of its system of internal control periodically to ensure it is effective and adequate. The Company convened meetings periodically to discuss financial, operational and risk management control.

During the year under review and up to the date of this annual report, the Board considers that the existing internal control system is stable enough to safeguard the interests of the shareholders, customers and employees and the Group's assets. The Directors believe that the Group's budget is sufficient in accounting and finance as for the employee's qualifications, experience, resources and trainings.

AUDITOR'S REMUNERATION

The audit committee of the Company is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under the review, the Company's payment to the external auditor for audit and non-audit services is as follows:

Type of Service	RMB'000
Audit Services	1,294
Non-Audit Services (Other consulting service)	6,091
Total:	7,385

INVESTOR RELATIONS

There are no changes in the constitutional documents of the Company in 2014. The latest version of the Memorandum and Articles of Association of the Company is made available on the Company's website and the Stock Exchange's website.

The Company has disclosed all necessary information to the shareholders in compliance with the Listing Rules. The Directors host the annual general meeting every year to meet the shareholders and answer their enquiries.

SHAREHOLDERS' RIGHTS

Convene Special General Meeting

According to the Company's Articles of Association, the shareholders are entitled to request the Board to hold special general meetings.

Special general meetings can be convened at the written request of two or more shareholders which will include major issues for discussion and signature of requisitionists. The requisitions have to be delivered to the Company's main office in Hong Kong (or if the Company no longer sets the main office then it will be the registered office). The requisitionists are required to submit no less than one-tenth of paid-up capital before earning the voting rights in the general shareholders' meeting on the requisition delivery date.

Special general meetings can also be convened at the written request of any shareholder (as a recognized clearing house (or its agent)). The requisitions have to be delivered to the Company's registered office in Hong Kong, listing the major issues for meeting discussion which are signed by the requisitionists. The requisitionists are required to represent the voting rights of no less than one-tenth of paid-up capital in the general shareholders' meeting on the requisition delivery date.

If the Board fails to convene the special general meeting within twenty-one days from the date of the receipt of the requisition(s) in accordance with the established procedures, the requisitionists may themselves or any requisitionist representing those who hold more than 50% of the total voting rights can convene such a meeting (in a manner as similar as possible to the manner in which shareholders' meetings are convened by the Board) within three months from the date of the receipt of the requisition(s) by the Board. Any reasonable expenses incurred by the requisitionists by reason of failure by the Board to duly convene a meeting shall be repaid to the requisitionists by the Company.

SHAREHOLDERS COMMUNICATION POLICY

The Company has established several channels to maintain constant communication with shareholders.

1. The Company news, annual reports, interim reports and announcements are issued in printed form and are also available on the Stock Exchange website www.hkex.com.hk and the Company's website http://www.natagri.com.hk;

2. The announcements made to the Stock Exchange on a regular basis are issued respectively on the Company's and the Stock Exchange's website;

3. The corporate information and Memorandum and Articles of Association of the Company are available on the Company's website;

4. Annual and special general meetings provide the shareholders with the platform to comment and exchange views with the Directors and senior management; and

5. The Company's share registrar provides the shareholders with equity registration, dividend distribution, shareholder information change and other relevant service.

If investors have any queries, they can directly send a letter to the Company's principal place of business in Hong Kong. Contact details are as follows:

Address: Suites 1604–5, Prudential Tower, Harbour City, 21 Canton Road, Tsimshatsui, Kowloon, Hong Kong
Telephone: (852) 2886 7188
Fax: (852) 2868 9101
Email: info@natagri.com.hk

DIRECTORS' REPORT

The Directors present their report together with the audited consolidated financial statements of the Company for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group are research, development and distribution of software, provision of related maintenance, usage and information services and provision of financial leasing business in the PRC. In the future, the Group will engage in rural finance, trading in agricultural means of production and urbanisation planning, operating and managing.

The principal activities of the Company's subsidiaries are set out in note 32 to the consolidated financial statements.

No geographical analysis is shown as the principal activities of the Group are mainly carried out in the PRC.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 21% of the Group's total sales for the year and sales to the largest customer included therein accounted for approximately 6% of the Group's total sales.

Purchases from the Group's five largest suppliers accounted for approximately 72% of the Group's total purchases for the year and purchases from the largest supplier included therein accounted for approximately 29% of the Group's total purchases.

None of the Directors, or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital), had any beneficial interest in the Group's five largest customers or suppliers.

RESULTS AND APPROPRIATIONS

The loss of the Group for the year ended 31 December 2014 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 45 to 127.

The Directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2014.

CONVERTIBLE LOAN NOTES

Details of the subscription and redemption of convertible loan notes of the Group are set out in note 29 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the year are set out in notes 16 and 17 to the consolidated financial statements, respectively.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 30 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

On 22 October 2014, the Company completed (i) the placing of 61,298,000 new shares to independent shareholders and (ii) the issuance of 64,362,900 new shares to Parko, all at the price of HK$3.0 per share 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.

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.

PRE-EMPTIVE RIGHTS

There are no provisions for the pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out on page 48 of this annual report and in note 33 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

At 31 December 2014, the Company had accumulated losses of RMB54,350,000, and after taking into consideration of the balance of share premium account, subject to the provisions of the Cayman Islands Companies Law (Revised) as detailed in note 33 of the consolidated financial statements, the aggregate amount of reserves available for distribution to owners of the Company was RMB412,639,000.

DIRECTORS' REPORT

At 31 December 2013, the Company had accumulated losses of RMB31,030,000, and the Hong Kong Dollar denominated share premium was fully distributed by the Company as at 31 December 2013, the remaining amount of RMB8,352,000 represented the non-distributable exchange difference as a result of the translation of the Company's share premium into the Group's presentation currency with reference to historical exchange rate and the exchange rate of the day on which capital distribution was made (as more particularly described in note 33 of the consolidated financial statements).

DIRECTORS

The Directors of the Company during the year and up to the date of this report were as follows:

Executive Directors
Chen Li-Jun *(Chairman)*
Ren Hai
Peng Guojiang
Zhang Yuliang
Wen Yuanyi
Liu Yong (appointed on 1 July 2014)
Zhang Yanhui (resigned on 12 June 2014)

Independent non-executive Directors
Chiu Kam Hing, Kathy
Ting Tit Cheung
Law Yee Kwan, Quinn
Fan William Chung Yue (appointed on 12 January 2015)
Tsai Jeng-Yang (resigned on 12 June 2014)
Shum Wan Lung (resigned on 31 December 2014)

In accordance with article 16.2 of the Company's articles of association, Liu Yong and Fan William Chung Yue retire from office as Directors and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

In accordance with article 16.18 of the Company's articles of association, one-third of the Directors shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years.

Biographical details of the Directors are set out on pages 9 to 11 of this annual report. Details of the Directors' remuneration are set out in note 10 to the consolidated financial statements.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules for the year ended 31 December 2014 and the Company considers all of the independent non-executive Directors are independent.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to the Company's business to which the Company, or any of its subsidiaries was a party, and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' SERVICE CONTRACTS

The Company has entered into service contracts with each of the executive Directors Zhang Yuliang and Liu Yong for a term of one year and with each of Chen Li-Jun, Ren Hai, Peng Guojiang and Wen Yuanyi for a term of three years and shall continue thereafter until terminated by either party giving to the other at least one month's prior notice in writing.

The Company has also entered into service contracts with each of the independent non-executive Directors for a term of one year and shall continue thereafter until terminated by either party giving to the other at least one month's prior notice in writing.

Save as aforesaid, none of the Directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2014, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 of the Listing Rules were as follows:

Long Positions in the Shares of the Company

Name of Director	Nature of interest and capacity	Number of ordinary shares of the Company	Approximate % of the Company's issued share capital
Ms. Wen Yuanyi	Interest of spouse (Note)	107,864	0.0074

Note: These shares were held by 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 purposes of Part XV of the SFO.

Long Position in the Shares of Associated Corporations

Name of Director	Nature of interest	Name of associated corporation	Number of shares	Approximate % of the issued share capital of the associated corporation
Mr. 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	15.50%

Note: Hebei AMP owned 51% of Million Rich Hong Kong Holdings Company Limited ("Million Rich") which in turn owned 100% issued share capital of Parko. Parko owned approximately 51.02% of the Company as at 31 December 2014. As such, Hebei AMP was a holding company of and therefore an associated corporation of the Company pursuant to section 308 of the SFO. Mr. Chen Li-Jun held 15.5% interest in Hebei AMP.

Saved as disclosed above, as at 31 December 2014, none of the Directors nor the chief executives of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were recorded in the register maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

MANAGEMENT CONTRACTS

The Board confirmed that no contracts rendering the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year under review.

DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES

At no time during the year ended 31 December 2014 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executives of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEME OF THE COMPANY

At the annual general meeting of the Company held on 12 June 2014, the shareholders of the Company approved the adoption of the Share Option Scheme. As at 31 December 2014, no option has been granted or agreed to be granted by the Company pursuant to the Share Option Scheme. A summary of the Share Option Scheme disclosed in accordance with the Listing Rules is as follows:

1. Purpose

The purpose of the Share Option Scheme is to recognise and acknowledge the contributions that eligible participants have made or may make to the Group, to motivate the eligible participants to optimise their performance and efficiency for the benefit of the Group; and to attract and retain or otherwise maintain ongoing business relationship with the eligible participants whose contributions are, will or expected to be beneficial to the Group.

2. Eligible Participants

The Board may at its discretion grant options to: (i) any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds an interest or a subsidiary of such company; or (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate; or (iii) a company beneficially owned by any director, employee, consultant, professional, customer, supplier, agent, partner, adviser of or contractor to the Group or an affiliate.

3. **Total Number of Shares Available for Issue**

The total number of shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme and any other share option schemes must not in aggregate exceed 10% of the total issued share capital of the Company as at the date of its adoption unless the Company obtains a fresh approval from shareholders to renew the 10% limit on the basis that the maximum number of shares in respect of which share options may be granted under the Share Option Scheme together with any share options outstanding and yet to be exercised under the Share Option Scheme and any other share option schemes must not exceed 30% of the issued share capital of the Company from time to time.

4. **Maximum Entitlement of Each Eligible Participant**

No option may be granted to any eligible participant which, if exercised in full, would result in the total number of shares issued and to be issued upon exercise of the options already granted or to be granted to such eligible participant under the Share Option Scheme (including exercised, cancelled and outstanding share options) in any 12-month period up to and including the date of such grant exceeding 1% in aggregate of the shares in issue as at the date of such grant.

5. **Period Within Which The Shares Must be Taken Up Under an Option**

The period within which an option may be exercised shall be determined by the Board at its absolute discretion and notified to each grantee at the date of grant, which shall not be more than 10 years from the date of grant. Subject to any restrictions applicable under the Listing Rules, an option may be exercised by the grantee at any time during the exercise period in accordance with the terms of the Share Option Scheme and the terms on which the option was granted.

6. **Minimum Period for Which an Option Must be Held Before It Can be Exercised**

There is no minimum period for which the share options granted under the Share Option Scheme must be held before they can be exercised. The Board, however, has the authority to set terms and conditions in granting of the share options (i.e. to set conditions in relation to the minimum period of the share options to be held and/or the performance targets to be achieved before such share options can be exercised and the requirement for a minimum subscription price).

7. **Amount Payable Upon Acceptance of The Option**

An offer shall be accepted when the Company receives the duly signed offer letter from the grantee together with a remittance of HK$1.00 (or such other nominal sum in any currency as the Board may determine) in favour of the Company as consideration for the grant thereof. Such remittance shall in no circumstances be refundable. Once accepted, the option is granted as from the date on which it was offered to the relevant eligible participant.

8. **Basis of Determining The Exercise Price**

The exercise price for any share under this Share Option Scheme shall be a price determined by the Board and notified to each grantee and shall not be less than the highest of:

(a) the closing price of a share as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day;

(b) an amount equivalent to the average closing price of a share as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of grant; and

(c) the nominal value of a share on the date of grant.

9. **Remaining Life**

Subject to the early termination of the Share Option Scheme pursuant to the terms thereof, the Share Option Scheme shall remain valid and effective for 10 years commencing on the date of adoption on 12 June 2014.

SHARE AWARD SCHEME OF THE COMPANY

On 23 January 2015, the Company also 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. Pursuant to 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 from the market out of cash contributed by the Group and be held on trust for the relevant selected grantees until such shares are vested with the relevant grantees in accordance with the rules relating to the Share Award Scheme.

SUBSTANTIAL INTERESTS IN THE SHARES AND UNDERLYING SHARES

Save as disclosed above, as at 31 December 2014, the following parties had interests in the shares and underlying shares of the Company as recorded in the register kept by the Company pursuant to Section 336 of SFO:

Name	Nature of interest and capacity	Long/short position	Number of shares held	Approximate % of interest in issued share capital
Parko (Hong Kong) Limited	Beneficial owner	Long	933,875,692 (Note 1, 2 & 3)	64.23
		Short	26,315,789	1.81

Name	Nature of interest and capacity	Long/short position	Number of shares held	Approximate % of interest in issued share capital
Million Rich Hong Kong Holdings Company Limited	Interest in controlled corporation	Long	933,875,692 (Note 1 & 2)	64.23
		Short	26,315,789	1.81
Hebei Agricultural Means of Production Company Limited* (河北省農業生產資料有限公司)	Interest in controlled corporation	Long	933,875,692 (Note 1 & 2)	64.23
		Short	26,315,789	1.81
Hebei New Cooperation Group Holdings Limited* (河北省新合作控股集團有限公司) ("Hebei New Cooperation")	Interest in controlled corporation	Long	933,875,692 (Note 1 & 2)	64.23
		Short	26,315,789	1.81
Mr. Chou Shih-Chung	Beneficial owner	Long	91,792,000	6.31

Notes:

(1) The total number of 933,875,692 shares comprised of 741,801,292 shares in the equity capital of the Company as at 31 December 2014 and 192,074,400 shares representing the number of shares that could be subscribed by Parko pursuant to the subscription agreement entered into between the Company and Parko dated 20 November 2014, as supplemented and amended by the supplemental agreement dated 4 December 2014.

(2) Hebei AMP and Hebei New Cooperation owned 51% and 49% of Million Rich respectively. Million Rich in turn owned 100% issued share capital in Parko which owned approximately 51.02% of the issued share capital in the Company. Million Rich, Hebei AMP and Hebei New Cooperation are deemed to be interested in the shares held by Parko for the purpose of Part XV of the SFO.

(3) Hebei Supply and Marketing Cooperative, through its indirect interests in Parko is the controlling shareholder of the Company.

Save as disclosed above, as at 31 December 2014, so far as known to any Directors or chief executive of the Company, no other substantial shareholder or person had an interest or short position in the shares or underlying shares of the Company which are required to be recorded in the register kept by the Company under Section 336 of the SFO.

AUDIT COMMITTEE

The Company established an audit committee in 1999 with written terms of reference pursuant to Rules 3.21 to 3.23 of the Listing Rules. The audit committee comprises four 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. Ms. Chiu Kam Hing, Kathy is the chairman of the audit committee.

Duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group, and to provide advice and comments to the Board. The audit committee has reviewed the Group's audited consolidated results and annual report for the year ended 31 December 2014.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements is set out on page 128 of this annual report. This summary does not form part of the audited consolidated financial statements.

PROPERTIES

Location	Existing use	Term of lease	% interest
Leasehold land and buildings: 26/F, World Plaza, No. 855 Pudong South Road, Shanghai, the PRC	Office building	Medium	100%
Assets classified as held for sale: 25/F and 10 parking spaces at basement 2, World Plaza, No. 855 Pudong South Road, Shanghai, the PRC (Approximate gross floor area 1,761 sq. meter)	Office building	Medium	100%

RETIREMENT SCHEMES

Details of the Group's retirement schemes during the year are set out in note 12 to the consolidated financial statements.

EMOLUMENT POLICY

The emolument policy regarding the employees of the Group is formulated by the remuneration committee of the Company and is based on the merit, qualifications and competence of the employees.

The emoluments of the Directors are decided by the remuneration committee of the Company having regard to the Company's operating results, individual performance and comparable market statistics.

DIRECTORS' INTEREST IN COMPETING BUSINESS

For the year ended 31 December 2014, the Directors are not aware of any business or interest of the Directors, the controlling shareholders and their respective associates (as defined under the Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interests which any such person has or may have with the Group.

RELATED PARTY TRANSACTIONS

The Directors consider that those significant related party transactions disclosed in note 37 to the consolidated financial statements are not regarded as connected transactions or continuing connected transactions under the Listing Rules.

FINANCE LEASE TRANSACTIONS

During the period from 15 July 2014 to 13 January 2015, China Coop Mengda, as the lessor, has entered into several finance lease agreements with a client which is an independent third party, as the lessee, pursuant to which China Coop Mengda agreed to purchase certain IT equipment from supplier(s) selected by the lessee and such equipment will be leased back to the lessee ("Finance Lease Agreements"). The total principal and interest payment under the Finance Lease Agreements was approximately RMB115 million (equivalent to approximately HK$144 million). As more than one of the applicable percentage ratios for the transactions contemplated under the Finance Lease Agreements in aggregate calculated under Rule 14.07 of the Listing Rules are more than 5% but less than 25%, the Finance Lease Agreements constituted discloseable transactions for the Company under Chapter 14 of the Listing Rules.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 22 to 31 of this annual report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best of the Directors' knowledge, the Company has maintained a sufficient prescribed public float of the issued shares of the Company under the Listing Rules throughout the year ended 31 December 2014.

EVENTS AFTER REPORTING PERIOD

1. **Strategic Cooperation with PICC**

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

2. **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.

3. **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 extra-ordinary 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.

4. **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.

AUDITOR

Messrs. Deloitte Touche Tohmatsu was appointed as auditor of the Company with effect from 5 December 2013 to fill the casual vacancy occasioned by the resignation of Messrs. BDO Limited. The consolidated financial statements of the Group for the years ended 31 December 2014 and 2013 have been audited by Deloitte Touche Tohmatsu who will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Deloitte Touche Tohmatsu as the auditor of the Company will be proposed at the upcoming annual general meeting.

By Order of the Board
Chen Li-Jun
Chairman

Hong Kong
31 March 2015

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

Deloitte.
德勤

TO THE SHAREHOLDERS OF
NATIONAL AGRICULTURAL HOLDINGS LIMITED
國農控股有限公司
(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of National Agricultural Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 45 to 127, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
31 March 2015

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	6	**116,767**	95,659
Cost of sales		**(28,692)**	(28,442)
Gross profit		**88,075**	67,217
Other income	7	**17,303**	14,150
Other gains and loss	8	**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	29	**(795)**	(2,152)
Loss before tax	9	**(23,170)**	(26,060)
Income tax (expense) credit	13	**(3,577)**	99
Loss for the year		**(26,747)**	(25,961)
Other comprehensive expense			
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**(97)**	(785)
Total comprehensive expense for the year		**(26,844)**	(26,746)
(Loss) profit for the year attributable to:			
Owners of the Company		**(32,759)**	(25,961)
Non-controlling interests		**6,012**	–
		(26,747)	(25,961)
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(32,856)**	(26,746)
Non-controlling interests		**6,012**	–
		(26,844)	(26,746)
Loss per share	14		
– Basic and diluted (RMB cents)		**(2.47)**	(2.57)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	NOTES	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	16	**24,421**	26,059
Investment properties	17	**–**	14,791
Goodwill	18	**182**	–
Deposits for potential investments	23(b)	**301,948**	–
Prepaid lease payments	19	**–**	36,959
Finance lease receivables	20	**58,438**	–
Deferred tax assets	21	**295**	257
		385,284	78,066
Current assets			
Inventories	22	**37**	32
Finance lease receivables	20	**52,027**	–
Trade and other receivables	23(a)	**95,011**	6,656
Deposits and prepayments	23(b)	**6,458**	7,603
Other financial asset	18	**624**	–
Prepaid lease payments	19	**–**	1,369
Tax recoverable		**55**	297
Structured deposits	24	**–**	37,300
Restricted bank deposits	26	**217**	–
Cash and cash equivalents	25	**190,642**	180,020
		345,071	233,277
Assets classified as held for sale	15	**50,948**	–
		396,019	233,277
Current liabilities			
Trade and other payables	26	**26,463**	18,375
Amount due to a controlling shareholder	37	**–**	1,068
Amount due to non-controlling interests	37	**3,204**	–
Bank borrowings	27	**36,223**	–
Deferred revenue	28	**44,449**	41,241
Tax payable		**995**	–
		111,334	60,684
Net current assets		**284,685**	172,593
Total assets less current liabilities		**669,969**	250,659

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	NOTES	2014 RMB'000	2013 RMB'000
Non-current liabilities			
Bank borrowings	27	**54,760**	–
Convertible loan notes	29	**–**	71,226
Deferred revenue	28	**12,095**	9,219
		66,855	80,445
Net assets		**603,114**	170,214
Capital and reserves			
Share capital	30	**34,863**	26,128
Reserves		**466,609**	144,086
Equity attributable to owners of the Company		**501,472**	170,214
Non-controlling interests	31	**101,642**	–
Total equity		**603,114**	170,214

The consolidated financial statements on pages 45 to 127 were approved and authorised for issue by the board of directors on 31 March 2015 and are signed on its behalf by:

Chen Li-Jun
DIRECTOR

Peng Guojiang
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium[1] RMB'000	Exchange reserve[2] RMB'000	Statutory reserve[3] RMB'000	Merger reserve[4] RMB'000	Convertible loan notes equity reserve[5] RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2013	26,128	23,692	(5,878)	22,487	24,598	–	67,425	158,452	–	158,452
Exchange difference arising on translation	–	–	(785)	–	–	–	–	(785)	–	(785)
Loss for the year	–	–	–	–	–	–	(25,961)	(25,961)	–	(25,961)
Total comprehensive expense	–	–	(785)	–	–	–	(25,961)	(26,746)	–	(26,746)
Recognition of equity component of convertible loan notes (note 29)	–	–	–	–	–	59,452	–	59,452	–	59,452
Transaction costs directly attributable to equity component of convertible loan notes	–	–	–	–	–	(1,224)	–	(1,224)	–	(1,224)
Special dividend paid (note 34)	–	(15,340)	–	–	–	–	(4,380)	(19,720)	–	(19,720)
Transfer to statutory reserve	–	–	–	903	–	–	(903)	–	–	–
Balance at 31 December 2013	26,128	8,352	(6,663)	23,390	24,598	58,228	36,181	170,214	–	170,214
Exchange difference arising on translation	–	–	(97)	–	–	–	–	(97)	–	(97)
(Loss) profit for the year	–	–	–	–	–	–	(32,759)	(32,759)	6,012	(26,747)
Total comprehensive (expense) income	–	–	(97)	–	–	–	(32,759)	(32,856)	6,012	(26,844)
Conversion of convertible loan notes (note 29)	6,247	123,288	–	–	–	(58,228)	–	71,307	–	71,307
Acquisition of a subsidiary (note 18)	–	–	–	–	–	–	–	–	98,834	98,834
Issue of ordinary shares (note 30)	2,488	296,101	–	–	–	–	–	298,589	–	298,589
Transaction costs attributable to issue of shares[6]	–	(5,782)	–	–	–	–	–	(5,782)	–	(5,782)
Dividend to non-controlling interests	–	–	–	–	–	–	–	–	(3,204)	(3,204)
Transfer to statutory reserve	–	–	–	836	–	–	(836)	–	–	–
Balance at 31 December 2014	34,863	421,959	(6,760)	24,226	24,598	–	2,586	501,472	101,642	603,114

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

1 The application of the share premium account is governed by Article 24.12 of the Company's articles of association and the Cayman Islands Companies Law (Revised), which provides that the share premium account may be applied in paying distributions or dividends to members, provided immediately following the date on which distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business. The Hong Kong Dollar denominated share premium was fully distributed by the Company as at 31 December 2013, the remaining amount represented exchange difference aroused from translation of share premium of the Company to the presentation currency of the Group between the historical rate and the rate at the date of capital distributions which is not distributable.

2 The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of the Company into the presentation currency of the Group (i.e. RMB). The reserve is dealt with in accordance with the Group's accounting policy set out in note 3 to the consolidated financial statements.

3 According to the relevant rules and regulations in the People's Republic of China (the "PRC"), each of the Company's PRC subsidiaries shall provide 10% of the annual net income after tax, based on the subsidiary's PRC statutory accounts, as a statutory reserve, until the balance reaches 50% of the respective subsidiary's registered capital. Further appropriations can be made at the directors' discretion.

The statutory reserve can be used to set off any accumulated losses or converted into paid-up capital of the respective subsidiary.

4 The merger reserve arose as a result of the Group reorganisation in 1999 and represented the net difference between the value recorded for the shares issued by the Company and the nominal value of the issued share capital of the subsidiary received in exchange.

5 The amount represented the fair value of equity component of convertible loan notes as at the date of initial recognition. On 28 January 2014, the convertible loan notes equity reserve was transferred to share premium upon the conversion of the convertible loan notes. Details are set out in note 29 to the consolidated financial statements.

6 The amount represented direct costs incurred directly attributable to the issuance of shares upon the completion of shares placing and subscription on 22 October 2014.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	NOTES	2014 RMB'000	2013 RMB'000
OPERATING ACTIVITIES			
Loss before tax		**(23,170)**	(26,060)
Adjustments for:			
Interest income		**(5,898)**	(2,927)
Finance costs		**795**	2,152
Allowance for (reversal of) doubtful debts		**268**	(4)
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
Gain from changes in fair value on financial instruments		**(1,436)**	(511)
Loss on initial recognition of convertible loan notes	29	**–**	11,089
Expenses paid by a controlling shareholder on behalf of the Company		**–**	294
Unrealised exchange gain		**–**	(800)
Operating cash flows before movements in working capital		**(24,329)**	(11,962)
(Increase) decrease in inventories		**(5)**	4
(Increase) decrease in trade and other receivables		**(20,260)**	3,850
Decrease (increase) in deposits and prepayments		**1,145**	(4,101)
Decrease in finance lease receivables		**1,238**	–
Decrease in held-for-trading investments		**–**	5,511
(Decrease) increase in trade and other payables		**(21,690)**	1,592
Increase (decrease) in deferred revenue		**6,084**	(1,587)
Cash used in operations		**(57,817)**	(6,693)
PRC income tax paid		**(1,718)**	(4,439)
NET CASH USED IN OPERATING ACTIVITIES		**(59,535)**	(11,132)
INVESTING ACTIVITIES			
Proceeds from redemption of structured deposits		**405,432**	61,000
Refund of deposit paid to a property escrow agent		**34,530**	–
Acquisition of a subsidiary	18	**32,837**	–
Withdrawal of restricted bank deposits		**9,942**	–
Interest received		**5,898**	2,927
Investments in structured deposits		**(366,696)**	(98,300)
Deposits paid for a potential investment	23(b)	**(149,109)**	–
Loans advanced to third parties		**(62,568)**	–
Deposits paid to a property escrow agent		**(34,530)**	–
Placement of restricted bank deposits		**(10,159)**	–
Acquisition of property, plant and equipment		**(1,260)**	(1,060)
NET CASH USED IN INVESTING ACTIVITIES		**(135,683)**	(35,433)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	NOTES	2014 RMB'000	2013 RMB'000
FINANCING ACTIVITIES			
Proceeds from issue of shares	40	**139,968**	–
Proceeds from bank borrowings		**78,891**	–
Repayment of bank borrowings		**(10,908)**	–
Repayment on amount due to a controlling shareholder		**(1,068)**	–
Interest paid for convertible loan notes		**(714)**	–
Repayment of amount due to non-controlling interests		**(235)**	–
Proceeds from issue of convertible loan notes	29	**–**	119,231
Special dividend paid	34	**–**	(19,720)
Transaction costs directly attributable to issue of convertible loan notes	29	**–**	(2,683)
NET CASH FROM FINANCING ACTIVITIES		**205,934**	96,828
NET INCREASE IN CASH AND CASH EQUIVALENTS		**10,716**	50,263
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**180,020**	130,061
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(94)**	(304)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**190,642**	180,020
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS	25		
Cash and bank balances		**162,642**	140,020
Time deposits with original maturity of less than three months when acquired		**28,000**	40,000
		190,642	180,020

1. GENERAL

National Agricultural Holdings Limited (formerly known as Qianlong Technology International Holdings Limited) (the "Company") is a public limited company incorporated in Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate parent is Parko (Hong Kong) Limited ("Parko"), a company incorporated in Hong Kong and its ultimate parent is Hebei Supply and Marketing Cooperative ("Hebei SMC"), a company established in the People's Republic of China (the "PRC") (see note 37). The addresses of registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company is an investment holding company. The principal activities of the Group are the research, development and distribution of software, and provision of related maintenance, usage and information services and provision of financial leasing business in the PRC. The details and principal activities of the subsidiaries are set out in note 32.

The consolidated financial statements are presented in Renminbi ("RMB"), as the currency of the primary economic environment in which the principal subsidiaries of the Company operate is in the PRC, while the functional currency of the Company is Hong Kong dollar.

2. 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.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

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

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

HKFRS 9 *Financial Instruments* (Continued)

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held-for-trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of HKFRS 9 in the future may have an impact on the amounts reported in respect of the Group's financial assets and financial liabilities. It is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

The directors do not anticipate that the application of the other new and revised HKFRSs will have a material effect on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance (Cap. 32).

The consolidated financial statements have been prepared on the historical cost basis except for the structured deposits and other financial asset which are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (Continued)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations (Continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another HKFRS.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Assets classified as held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production of goods, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their residual values, as follows:

Leasehold land and buildings	20 years or shorter of the lease term
Leasehold improvements	5 years or shorter of the lease term
Computer equipment	3–5 years
Furniture, fixtures and office equipment	3–5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment property is property held to earn rentals and/or for capital appreciation.

Investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment property over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method.

The investment properties are depreciated on a straight-line basis over the shorter of the terms of the lease and 20 years.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment losses on tangible assets (see the accounting policy in respect of goodwill above)

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at lower of cost and net realisable value.

Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following two categories: financial assets at FVTPL and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held-for-trading or it is designated as at FVTPL.

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held-for-trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the other gains and loss line item. Fair value is determined in the manner described in note 39(c).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets (other than finance lease receivables) with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, bank balances and cash, restricted bank deposit and time deposits) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Loans and receivables and finance lease receivables are assessed for indicators of impairment at the end of the reporting period. Financial assets as considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at financial asset's original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets, with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Other financial liabilities, including trade and other payables, amount due to a controlling shareholder, amounts due to non-controlling interests and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Convertible loan notes

The component parts of the convertible loan notes issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be remained in the convertible loan notes equity reserve. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds or the fair value of combined instrument as a whole. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are recorded in profit or loss directly.

Derecognition

Financial assets (including loans and receivables and finance lease receivables) are derecognised when the contractual rights to the cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets to another entity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Derecognition (Continued)

Finance lease receivables are derecognised when the Group entered into a finance lease receivable factoring arrangement with a bank and all the following conditions are satisfied:

- The Group transfers the contractual rights to receive cash flow from the finance lease receivables to a bank or the Group retains the contractual rights to receive the cash flows of the finance lease receivable, but assumes a contractual obligation to pay the cash flows to the bank in an arrangement;

- The Group has no obligation to pay amounts to the bank unless it collects equivalent amounts from the original asset;

- The Group is prohibited by the terms of the transfer contract (the finance lease receivable factoring arrangement) from selling or pledging the original asset other than as a security to the bank for the obligation to pay them cash flows;

- The Group has an obligation to remit any cash flows it collects on behalf of the bank without material delay; and

- The Group transfers substantially all the risks and rewards of ownership of the finance lease receivable.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

If the transfer of a finance lease receivable does not qualify for derecognition when the Group entered into a finance lease receivable factoring arrangement with a bank, the Group continue to recognise the finance lease receivable in its entirety and recognise the obligation arising from factoring of finance lease receivable as a liability.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held as cash with banks, and other short term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other year and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and value added tax.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Information service fees and maintenance service and usage fees are billed in advance and are recognised as income on a straight-line basis over the period of the provision of the related services. The unrecognised portion is recorded as deferred revenue in the consolidated statement of financial position.

Finance income from finance leases of which the Group is a lessor, is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the finance leases.

Consultancy fee income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy for recognition of revenue from operating lease is described in the accounting policy for leasing below.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Examples and indicators that individually or in combination would normally lead to a lease being classified as a finance lease are:

(a) the lease transfers ownership of the asset to the lessee by the end of the lease term;

(b) the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;

(c) the lease term is for the major part of the economic life of the asset even if title is not transferred;

(d) at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset;

(e) the leased assets are of such a specialised nature that only the lessee can use them without major modifications;

(f) if the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee;

(g) gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (for example, in the form of a rent rebate equalling most of the sales proceeds at the end of the lease); and

(h) the lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing (Continued)

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and buildings

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than functional currency of that entity (foreign currencies) are recognised at the rates of exchange on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in the equity under the heading of exchange reserve (attributable to non-controlling interest as appropriate).

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Research and development expenditure

Expenditure on research and development activities (including staff cost), that do not meet the recognition criteria as an intangible asset, is recognised as an expense in the period in which it is incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Grants related to expense items are recognised in the same period as those expenses are charged to profit or loss and are deducted in the reporting of the related expenses.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retirement benefit costs

Payments to the state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Control over China Coop Financial Leasing Co., Ltd. (中合盟達融資租賃有限公司) ("China Coop Mengda")*

China Coop Mengda was considered as a subsidiary of the Group although the Group has only approximately 41.18% ownership interest in China Coop Mengda.

The directors assessed whether or not the Group has control over China Coop Mengda based on whether the Group has the practical ability to direct the relevant activities of China Coop Mengda unilaterally. In making their judgement, the directors considered the Group's absolute size of holding in China Coop Mengda, the number of directors of China Coop Mengda, the commitment for the attendance of each board meeting by the board of directors and the relative size of and dispersion of the shareholdings owned by the other shareholders. After assessment, the directors concluded that the Group has sufficiently dominant voting interest in the board of directors to direct the relevant activities of China Coop Mengda and therefore the Group has control over China Coop Mengda. Details are set out in note 18.

* The English name is for identification purpose only.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical judgements in applying accounting policies (Continued)

Classification of lease contracts as finance leases

The directors of the Company examined the terms of the existing lease contracts as at 31 December 2014 and evaluated the extent to which the risks and rewards incidental to the ownership of leased asset lie with China Coop Mengda as the lessor, or the lessee. In making their judgement, the directors considered the indicators of classification of a lease as a finance lease set out in HKAS 17 *Leases*. Taking into account the facts and circumstances, among others, that (i) the lessees have the option to purchase the leased assets at the end of the lease term at a nominal price; and (ii) the lessee is required to compensate China Coop Mengda for an amount equivalent to the outstanding finance lease receivable if the lessee cancels the lease, the directors are satisfied that the terms of the leases transferred substantially all the risks and rewards of ownership to the lessees and the lease contracts as at 31 December 2014 are classified as finance leases. Details are set out in note 20.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of finance lease receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows expected to arise from the settlement of the finance lease receivables and fair value of the secured leased assets less cost to sell. The amount of the impairment loss is measured as the difference between the financial asset's carrying amount and higher of the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition) and the fair value of the secured leased assets less cost to sell. Where the actual future cash flows or the net selling price of the secured leased assets are less than expected, a material impairment loss may arise.

During the current year, no impairment loss has been recognised for finance lease receivables. As at 31 December 2014, the carrying amount of finance lease receivables is RMB110,465,000 (2013: nil).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

Estimation of useful lives and residual values of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

As at 31 December 2014, the carrying amount of property, plant and equipment is RMB24,421,000 (2013: RMB26,059,000). Depreciation is recognised by the Group so as to write off the cost or revalued amount of items of property, plant and equipment less their residual values over the estimated useful lives of three to twenty years, using the straight-line method commencing from the date the property, plant and equipment are placed into use. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of that property, plant and equipment.

Estimated allowance for bad and doubtful debts

The Group estimates the allowance for bad and doubtful debts by assessing of their recoverability based on credit history and prevailing market conditions. This requires the use of management judgement and estimates. Allowances are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of trade and other receivables and doubtful debt expenses/written back in the period in which the estimate has been changed. The Group reassesses the allowance for bad and doubtful debts at the end of the reporting period. As at 31 December 2014, the carrying amount of trade receivables is RMB2,319,000, net of allowance of RMB317,000 (2013: RMB4,256,000, net of allowance of RMB49,000).

Fair value measurements and valuation processes

Some of Group's assets are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the management establishes the appropriate valuation techniques and inputs for fair value measurement. Notes 18, 24 and 39(c) provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets.

5. 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 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.

5. SEGMENT REPORTING (CONTINUED)

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)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment result represents the profit earned or loss incurred by each segment without allocation of certain unallocated expenses, other income, other gains and loss and finance costs. This is the measure reported to the CODM for the purposes of resources allocation and assessment of segment performance.

5. SEGMENT REPORTING (CONTINUED)

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.

6. 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

7. OTHER INCOME

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

Notes:

(a) A tax concession has been granted by 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.

8. OTHER GAINS AND LOSS

	2014 RMB'000	2013 RMB'000
Gain from changes in fair value on financial instruments	**1,436**	511
Loss on initial recognition of convertible loan notes (note 29)	**–**	(11,089)
Exchange gain, net	**502**	–
	1,938	(10,578)

9. LOSS BEFORE TAX

	2014 RMB'000	2013 RMB'000
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
Total depreciation and amortisation	**5,112**	4,805
Directors' emoluments (note 10)	**3,824**	3,312
Other staff costs:		
Salaries and other benefits	**62,419**	39,225
Contributions to retirement benefits scheme (note 12)	**10,501**	10,181
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
	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 (Note)	**12,469**	15,710

9. LOSS BEFORE TAX (CONTINUED)

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 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.

During the year ended 31 December 2013, legal and professional fees mainly related to (i) a one-off strategic review of the financial information services and software terminal operation of the Group; and (ii) the Company's obligations under the Hong Kong Code on Takeovers and Mergers in relation to the acquisition of 34.54% equity interest in the Company by Parko, and a mandatory conditional general cash offer (the "Offer") made by Parko after which its equity interest further increased to 54.73% of the total issued share capital of the Company and Parko became the single largest controlling shareholder of the Company.

* The English name is for identification purpose only.

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the twelve (2013: eighteen) directors and the chief executive were as follows:

	Directors' fees RMB'000	Salaries, and other benefits RMB'000	Contributions to retirement benefits schemes RMB'000	Total RMB'000
2014				
Executive directors:				
Chen Li-Jun *(Chairman)*	–	2,355	–	2,355
Ren Hai	–	154	–	154
Peng Guojiang	–	154	–	154
Zhang Yuliang	–	154	–	154
Wen Yuanyi	–	154	–	154
Liu Yong (appointed on 1 July 2014)	–	71	–	71
Zhang Yanhui (resigned on 12 June 2014)	–	71	–	71
Independent non-executive directors:				
Chiu Kam Hing, Kathy	154	–	–	154
Ting Tit Cheung	154	–	–	154
Law Yee Kwan Quinn	154	–	–	154
Tsai Jeng-Yang (resigned on 12 June 2014)	95	–	–	95
Shum Wan Lung (resigned on 31 December 2014)	154	–	–	154
	711	3,113	–	3,824

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

	Directors' fees RMB'000	Salaries, and other benefits RMB'000	Contributions to retirement benefits schemes RMB'000	Total RMB'000
2013				
Executive directors (appointed on 15 October 2013):				
Chen Li-Jun *(Chairman)*	–	12	–	12
Zhang Yanhui	–	12	–	12
Ren Hai	–	12	–	12
Peng Guojiang	–	12	–	12
Zhang Yuliang	–	12	–	12
Wen Yuanyi	–	12	–	12
Executive directors (resigned on 5 November 2013):				
Liao Chao-Ping *(Chairman)*	–	413	–	413
Fan Ping-Yi *(Vice-chairman)*	–	380	–	380
Yang Ching Shou *(Chief Executive)*	–	827	–	827
Chen Ming-Chuan	–	380	–	380
Yu Shih-Pi	–	380	–	380
Liao Angela Min-Yin	–	380	–	380
Independent non-executive directors:				
Chiu Kam Hing, Kathy	156	–	–	156
Tsai Jeng-Yang	156	–	–	156
Ting Tit Cheung (appointed on 18 December 2013)	12	–	–	12
Shum Wan Lung (appointed on 18 December 2013)	12	–	–	12
Law Yee Kwan Quinn (appointed on 18 December 2013)	12	–	–	12
Hsieh Billy Shao-Ven (resigned on 18 December 2013)	132	–	–	132
	480	2,832	–	3,312

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

Mr. Yang Ching Shou was also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive for the period from 1 January 2013 to 5 November 2013, before his resignation. No Chief Executive was appointed by the Group since then up to the report date of these consolidated financial statements on 31 March 2015.

No emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office during the current and prior years.

There were no arrangements under which a director waived or agreed to waive any remuneration during the current and prior years.

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2013: one) was director whose emoluments are included in the disclosures in note 10 above. The emoluments of the remaining four (2013: four) individuals were as follows:

	2014 RMB'000	2013 RMB'000
Salaries and other benefits	**4,660**	2,741
Contributions to retirement benefits scheme	**149**	266
	4,809	3,007

Their emoluments were within the following band:

	2014 No. of employees	2013 No. of employees
Nil to HK$1,000,000 (equivalent to nil to RMB788,000) (2013: Nil to RMB786,000)	**2**	4
HK$1,000,001 to HK$1,500,000 (equivalent to RMB788,001 to RMB1,181,000)	**1**	–
HK$3,000,001 to HK$3,500,000 (equivalent to RMB2,362,001 to RMB2,757,000)	**1**	–

12. RETIREMENT BENEFITS

Hong Kong

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of an independent trustee. During the year ended 31 December 2014, the retirement benefit scheme contributions to the MPF Scheme charged to profit or loss were approximately RMB57,000 (2013: nil).

The PRC

The employees of the Company's PRC subsidiaries are members of a central pension scheme operated by the local government. The subsidiaries are required to contribute a certain percentage of the employees' monthly salaries to the central pension scheme to fund the employees' retirement benefits. During the year ended 31 December 2014, the Group's contributions to the central pension scheme amounted to RMB10,444,000 (2013: RMB10,181,000).

13. INCOME TAX EXPENSE (CREDIT)

	2014 **RMB'000**	2013 RMB'000
Current tax – PRC Enterprise Income Tax ("EIT")		
– Charge for the year	**3,605**	–
– Under(over)provision in prior years	**10**	(35)
	3,615	(35)
Deferred tax (note 21)		
– Credit for the year	**(38)**	(64)
	3,577	(99)

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.

13. INCOME TAX EXPENSE (CREDIT) (CONTINUED)

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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The income tax expense (credit) for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2014 RMB'000	2013 RMB'000
Loss before tax	**(23,170)**	(26,060)
Income tax calculated at PRC EIT rate of 25%[a]	**(5,793)**	(6,515)
Tax effect of expenses not deductible for tax purpose[b]	**9,530**	8,145
Tax effect of income not taxable for tax purpose	**(2,791)**	(1,296)
Tax effect of tax losses not recognised	**3,644**	290
Utilisation of tax losses previously not recognised	**(864)**	–
Effect of preferential tax rate granted to the PRC subsidiaries	**(159)**	(566)
Effect of different tax rates of entities in Hong Kong		
Overprovision of withholding tax on distributable profits of the PRC subsidiaries	**–**	(122)
Under(over)provision in prior years	**10**	(35)
Income tax expense (credit) for the year	**3,577**	(99)

(a) The Group's major operating subsidiaries are all located in the PRC and subjected to EIT. Accordingly, EIT rate is applied for tax reconciliation purpose.

(b) The amount mainly represented the tax effect arising from the legal and professional fees incurred by the Company.

14. 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 **RMB'000**	2013 RMB'000
Loss for the purposes of calculation of basic and diluted loss per share	**(32,759)**	(25,961)

Number of shares

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

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 29), ii) the subdivision of the Company's ordinary shares in February 2014 (details of the shares' subdivision are disclosed in note 30(a)); and iii) the placing and subscription of the Company's ordinary shares in October 2014 (details are disclosed in note 30(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 30(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.

15. ASSETS CLASSIFIED AS HELD FOR SALE

The Group intends to dispose of the investment properties with the carrying value of RMB13,988,000 and associated leasehold land with the carrying value of RMB36,960,000 in Shanghai which are no longer held to earn rentals or for capital appreciation in the next twelve months. A search is underway for a buyer and the Group has engaged external housing agent to sell the properties. No impairment loss was recognised on reclassification of the assets as held for sale nor 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 assets 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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16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings RMB'000 (Note)	Leasehold improvements RMB'000	Computer equipment RMB'000	Furniture, fixtures and office equipment RMB'000	Total RMB'000
COST					
At 1 January 2013	34,455	5,378	5,401	828	46,062
Additions	–	1,251	421	162	1,834
Written off	–	(256)	–	–	(256)
Exchange realignment	–	(12)	(3)	(1)	(16)
At 31 December 2013	34,455	6,361	5,819	989	47,624
Additions	–	724	497	39	1,260
Acquisition of a subsidiary	–	–	–	38	38
Written off	–	(1,320)	–	–	(1,320)
Exchange realignment	–	4	1	–	5
At 31 December 2014	34,455	5,769	6,317	1,066	47,607
ACCUMULATED DEPRECIATION					
At 1 January 2013	9,691	5,132	3,932	433	19,188
Provided for the year	1,550	212	723	148	2,633
Written off	–	(256)	–	–	(256)
At 31 December 2013	11,241	5,088	4,655	581	21,565
Provided for the year	1,550	653	552	185	2,940
Written off	–	(1,320)	–	–	(1,320)
Exchange realignment	–	1	–	–	1
At 31 December 2014	12,791	4,422	5,207	766	23,186
CARRYING AMOUNTS					
At 31 December 2014	21,664	1,347	1,110	300	24,421
At 31 December 2013	23,214	1,273	1,164	408	26,059

Note: Since the land lease prepayment cannot be allocated reliably between the land and buildings elements at the inception of the lease, the entire lease prepayment is included in the cost of land and buildings as a finance lease in property, plant and equipment. The leasehold land and buildings of the Group are held outside Hong Kong under a medium-term lease.

17. INVESTMENT PROPERTIES

	RMB'000
COST	
At 1 January 2013 and 31 December 2013	16,910
Reclassified as held for sale (see note 15)	(16,910)
At 31 December 2014	–
ACCUMULATED DEPRECIATION	
At 1 January 2013	1,316
Provided for the year	803
At 31 December 2013	2,119
Provided for the year	803
Eliminated on reclassification as held for sale (see note 15)	(2,922)
At 31 December 2014	–
CARRYING AMOUNTS	
At 31 December 2014	–
At 31 December 2013	14,791

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 15).

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.

17. INVESTMENT PROPERTIES (CONTINUED)

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 arrived at 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 from the valuation technique used in the prior 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.

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Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2013 are 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.

18. 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

	RMB'000
Cash	70,000

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.

18. ACQUISITION OF A SUBSIDIARY (CONTINUED)

Capital injection as consideration (Continued)

Assets and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Office equipment	38
Finance lease receivables	111,703
Amounts due from equity owners	8
Other receivables	5,795
Tax recoverable	660
Cash and cash equivalents	32,837
Amount due to an equity owner	(235)
Other payables and accruals	(29,778)
Bank borrowing	(23,000)
	98,028

Goodwill arising on acquisition

	RMB'000	RMB'000
Cash consideration for investment in approximately 41.18% equity interests in China Coop Mengda		70,000
Plus: Non-controlling interests (approximately 58.82% in China Coop Mengda)		98,834
Less: Call option granted to the Group classified as other financial asset (note 39(c))		(624)
Less: Capital contribution by the Group	(70,000)	
Less: Net identifiable assets of China Coop Mengda before investment in China Coop Mengda by the Group	(98,028)	
Fair value of the net identifiable assets of China Coop Mengda		(168,028)
Goodwill (Note)		182

Note:

The directors of the Company has assessed whether there is any impairment on the goodwill as at 31 December 2014 and concluded that there is no impairment in respect of the goodwill.

18. ACQUISITION OF A SUBSIDIARY (CONTINUED)

Goodwill arising on acquisition (Continued)

The non-controlling interest (approximately 58.82% in China Coop Mengda) recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of China Coop Mengda after the capital contribution by the Group.

Goodwill arose on the acquisition of China Coop Mengda because the acquisition included a control premium. In addition, the consideration paid for the contribution effectively included amounts in relation to the benefit of expected revenue growth and future market development. These assets could not be separately recognised from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash inflow arising on acquisition

	RMB'000
Cash and cash equivalents balances acquired	32,837

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.

19. PREPAID LEASE PAYMENTS

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

	2014 **RMB'000**	2013 RMB'000
Current assets	–	1,369
Non-current assets	–	36,959
	–	38,328

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 15).

20. 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**	–
	126,342	–	**110,465**	–
Less: Unearned finance lease income	**(15,877)**	–	**N/A**	N/A
Present value of minimum lease receipts	**110,465**	–	**110,465**	–

20. FINANCE LEASE RECEIVABLES (CONTINUED)

	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**	–
	110,465	–
Fixed-rate finance lease receivables	**88,202**	–
Variable-rate finance lease receivables	**22,263**	–
	110,465	–

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 of RMB1 and RMB100 respectively.

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.

20. FINANCE LEASE RECEIVABLES (CONTINUED)

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. The details and relationship with this related party is set out in note 37. Subsequent to the year end, the finance lease income receivable was received by the Group 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.

21. DEFERRED TAXATION

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2014 RMB'000	2013 RMB'000
Deferred tax assets	**295**	257

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the current and prior years:

	Allowance for doubtful debts RMB'000	**Other deductible temporary differences** RMB'000	**Withholding tax on distributable profit of subsidiaries in the PRC** RMB'000	**Total** RMB'000
At 1 January 2013	7	308	(1,628)	(1,313)
(Charge) credit to profit or loss for the year	–	(58)	122	64
Release upon payments of dividends	–	–	1,506	1,506
At 31 December 2013	7	250	–	257
Credit (charge) to profit or loss for the year	41	(3)	–	38
At 31 December 2014	48	247	–	295

21. DEFERRED TAXATION (CONTINUED)

At the end of the reporting period, the Group has unused tax losses of approximately RMB28,811,000 (2013: RMB17,690,000) available for offset against future profits. The unused tax losses can be carried forward for 5 years from the year they were incurred. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses of RMB1,913,000, RMB6,638,000, RMB5,682,000 and RMB14,578,000 will expire in 2016, 2017, 2018 and 2019, respectively (2013: RMB601,000, RMB2,033,000, RMB8,264,000 and RMB6,792,000 will expire in 2014, 2016, 2017 and 2018, respectively).

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB49,571,000 (2013: RMB61,130,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

22. INVENTORIES

	2014 **RMB'000**	2013 RMB'000
Accessories	**26**	29
Finished goods	**11**	3
	37	32

23. TRADE AND OTHER RECEIVABLES/DEPOSITS AND PREPAYMENTS

(a) Trade and other receivables

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

23. TRADE AND OTHER RECEIVABLES/DEPOSITS AND PREPAYMENTS (CONTINUED)

(a) Trade and other receivables (Continued)

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 a major shareholder of the Company, 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 RMB'000	2013 RMB'000
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
	2,636	4,256

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.

23. TRADE AND OTHER RECEIVABLES/DEPOSITS AND PREPAYMENTS (CONTINUED)

(a) Trade and other receivables (Continued)

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

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

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

	2014 RMB'000	2013 RMB'000
At the beginning of year	49	53
Allowance for (reversal of) doubtful debts	268	(4)
At the end of year	317	49

23. TRADE AND OTHER RECEIVABLES/DEPOSITS AND PREPAYMENTS (CONTINUED)

(b) Deposits and prepayments

	2014 RMB'000	2013 RMB'000
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 (Note)	301,948	–
Others	2,493	832
	308,406	7,603
Less: Amounts shown under current assets	(6,458)	(7,603)
Amount shown under non-current assets	301,948	–

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 corporation 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 a major shareholder of the Company, 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.

24. STRUCTURED DEPOSITS

The structured deposits at 31 December 2013 consist of deposits of RMB37,300,000 denominated in RMB and were issued by banks in the PRC. The structured deposits carried interest at expected interest rate that range from 4.16% to 6.00% per annum, which was linked to the performance of the underlying money market instruments and debt instruments, payable on maturity within one year from the date of purchase. The structured deposits were designated at fair value through profit or loss on initial recognition as they contained non-closely related embedded derivative. The directors considered the fair values of the structured deposits, approximate their carrying values (see note 39(c)).

All the structured deposits were redeemed in current year.

25. CASH AND CASH EQUIVALENTS

	2014 **RMB'000**	2013 RMB'000
Bank balances and cash	**162,642**	140,020
Time deposits	**28,000**	40,000
	190,642	180,020

Cash at banks and time deposits carry interest at market rate which range from 0.35% to 2.85% (2013: 0.35% to 2.85%) per annum. Short term time deposits are made for varying periods within three months depending on the immediate cash requirements of the Group.

26. TRADE AND OTHER PAYABLES

	2014 **RMB'000**	2013 RMB'000
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 (Note)	**217**	–
Other payables	**3,548**	1,980
Rental deposits received	**–**	407
	26,463	18,375

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

	2014 **RMB'000**	2013 RMB'000
0 to 30 days	**673**	782
31 to 90 days	**671**	483
	1,344	1,265

26. TRADE AND OTHER PAYABLES (CONTINUED)

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 36(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.

* The English name is for identification purpose only.

27. BANK BORROWINGS

	2014 **RMB'000**	2013 RMB'000
Secured bank loans		
– variable-rate RMB bank loans	**90,983**	–
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	**14,739**	–
	90,983	–
Less: Amounts shown under current liabilities	**(36,223)**	–
	54,760	–

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 18) 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.

28. DEFERRED REVENUE

	2014 RMB'000	2013 RMB'000
Amounts to be recognised as revenue within one year, classified as current liabilities	**44,449**	41,241
Amounts to be recognised as revenue after one year, classified as non-current liabilities	**12,095**	9,219
	56,544	50,460

Deferred revenue represents maintenance service and usage fees received in advance at the end of the reporting period.

29. CONVERTIBLE LOAN NOTES

On 15 July 2013, Parko entered into a convertible loan notes subscription agreement with the Company. Under this subscription agreement, the Company was binding to issue 3% convertible loan notes (the "Notes") to Parko upon the fulfilment of condition precedents for the issue of the Notes at the conversion price of HK$1.9 per share. The principal amount of the Notes was determined upon the closing of Offer by deducting the total consideration payable by Parko to the independent shareholders who have validly accepted the Offer at the close of the Offer, being the number of shares represented by such acceptances multiplied by the offer price, from the initial principal amount of HK$247,925,000 as stated in the subscription agreement. The Notes were subsequently issued on 19 November 2013 with the principal amount of approximately HK$151,008,000 (equivalent to approximately RMB119,231,000).

The Notes are denominated in Hong Kong dollars. The Notes entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the Notes and their maturity date on 19 November 2018 at a conversion price of HK$1.9 per share. If the Notes have not been converted, they will be redeemed by the Company on 19 November 2018. Interest based on the outstanding principal amount will be accrued at 3% per annum coupon rate on timely basis and calculated at simple interest rate and paid in full at maturity date.

29. CONVERTIBLE LOAN NOTES (CONTINUED)

The fair value of the Notes on initial recognition exceeds the consideration proceeds by approximately RMB11,089,000 which is shown as follows:

	2013 RMB'000
Fair value of convertible loan notes	130,320
Consideration proceeds of the convertible loan notes	119,231
Loss on initial recognition of the convertible loan notes	11,089

The Notes contain two components, liability and equity elements. The equity element is presented in equity heading convertible loan note equity reserve. The effective interest rate of the liability component is 14.5% per annum. In subsequent period, the debt component is carried at amortised cost using the effective interest rate method.

The liability and equity components of the Notes on initial recognition are as follows:

	2013 RMB'000
Liability component	70,868
Equity component – conversion option	59,452
	130,320

Transaction costs directly attributable to issue of the Notes were approximately RMB2,683,000, of which RMB1,224,000 and RMB1,459,000 related to the equity component and liability component of the Notes were offset against the convertible loan notes equity reserve and liability component of the Notes, respectively, based on the fair value of the conversion option and the liability component in proportion to the fair value of the Notes.

29. CONVERTIBLE LOAN NOTES (CONTINUED)

On 28 January 2014, the Company received a conversion notice from Parko in respect of the full conversion of all of 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 **RMB'000**	2013 RMB'000
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)
Carrying amount at the end of the year	**–**	71,226

30. SHARE CAPITAL

	Number of ordinary shares '000	Share capital RMB'000
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 (Note a)	3,000,000	–
At 31 December 2014		
– Ordinary shares of HK$0.025 each	4,000,000	106,510
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 29)	79,478	6,247
Share subdivision (Note a)	996,233	–
Issue of shares (Note b)	125,660	2,488
At 31 December 2014		
– Ordinary shares of HK$0.025 each	1,453,971	34,863

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.

31. NON-CONTROLLING INTERESTS

	Share of net assets of subsidiaries RMB'000
At 1 January 2013 and 31 December 2013	–
Acquisition of a subsidiary (note 18)	98,834
Share of profit for the period	6,012
Payment of dividend	(3,204)
At 31 December 2014	101,642

32. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the subsidiaries at 31 December 2014 and 2013 are as follows:

Name of company	Place of incorporation/ establishment/ operations and legal entity status	Percentage of equity interest				Issued and fully paid ordinary share capital/ registered capital	Principal activities
		Directly		Indirectly			
		2014 %	2013 %	**2014 %**	2013 %		
Ever Harvest Inc Limited	Hong Kong (limited liability)	**100**	100	**–**	–	Ordinary shares of HK$10,000 and paid up capital of HK$1	Investment holding
Hebei Baihao Commercial and Trading Co. Ltd. 河北百豪商貿有限公司	PRC (wholly foreign-owned enterprise)	**–**	–	**100**	100	Registered capital of US$100,000 and paid up capital of US$100,000	Inactive
China Coop Mengda** 中合盟達融資租賃有限公司 (Note 18)	PRC (sino-foreign equity joint venture company)	**–**	–	**41.18**	–	Registered capital of RMB170,000,000 and paid up capital of RMB170,000,000	Provision of financial leasing services
Beijing Guonong Taifeng** 北京市國農泰豐農業諮詢有限公司*	PRC (sino-foreign equity joint venture company)	**–**	–	**71**	–	Registered capital of RMB50,000,000 and paid up capital of nil	Provision of agricultural financial services

32. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name of company	Place of incorporation/ establishment/ operations and legal entity status	Percentage of equity interest Directly 2014 %	Directly 2013 %	Indirectly 2014 %	Indirectly 2013 %	Issued and fully paid ordinary share capital/ registered capital	Principal activities
Qianlong Computers Company Limited	Hong Kong (limited liability)	**100**	100	**–**	–	Ordinary shares of HK$10,000 and paid up capital of HK$10,000	Investment holding
Qianlong Advanced** 上海乾隆高科技有限公司	PRC (wholly foreign-owned enterprise)	**–**	–	**100**	100	Registered capital of US$5,950,000 and paid up capital of US$5,950,000	Development and trading of computer software and the provision of related maintenance, usage and information services
Qianlong Network** 上海乾隆網絡科技有限公司	PRC (wholly foreign-owned enterprise)	**–**	–	**100**	100	Registered capital of RMB10,000,000 and paid up capital of RMB10,000,000	Development and trading of computer software and the provision of related maintenance, usage and information services
Shanghai Xin Long** 上海信龍信息科技有限公司	PRC (wholly foreign-owned enterprise)	**–**	–	**100**	100	Registered capital of RMB5,000,000 and paid up capital of RMB5,000,000	Development of finance database products
FFA Investment Holdings Limited*	British Virgin Islands (limited liability)	**100**	–	**–**	–	Ordinary shares of US$50,000 and paid up capital of US$50,000	Investment holding
FFA (HK) Limited*	Hong Kong (limited liability)	**–**	–	**100**	–	Ordinary shares of HK$10,000 and paid up capital of HK$10,000	Inactive
National Agricultural Investment Holdings Limited*	British Virgin Islands (limited liability)	**100**	–	**–**	–	Ordinary shares of US$50,000 and paid up capital of US$50,000	Investment holding

32. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name of company	Place of incorporation/ establishment/ operations and legal entity status	Percentage of equity interest				Issued and fully paid ordinary share capital/ registered capital	Principal activities
		Directly		Indirectly			
		2014 %	2013 %	2014 %	2013 %		
National Agricultural Investment Limited*	Hong Kong (limited liability)	–	–	100	–	Ordinary shares of HK$10,000 and paid up capital of HK$10,000	Inactive
State Agricultural Holdings Limited*	British Virgin Islands (limited liability)	100	–	–	–	Ordinary shares of US$50,000 and paid up capital of US$50,000	Investment holding

* Established in 2014.

** The English name is for identification purpose only.

None of the subsidiaries had issued any debts securities at the end of the year.

Details of non-wholly owned subsidiary that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiary of the Group that have material non-controlling interests:

Name of subsidiary	Place of establishment and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2014 %	2013 %	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
China Coop Mengda	PRC	58.82	–	6,012	–	101,642	–

32. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (CONTINUED)

Details of non-wholly owned subsidiary that have material non-controlling interests (Continued)

China Coop Mengda is a private company established in the PRC, which was acquired in current year by the Group which engaged in the finance lease business in the PRC (note 18).

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts as at year ended 31 December 2014/since acquisition and before intragroup eliminations.

China Coop Mengda

	2014 RMB'000
Current assets	213,983
Non-current assets	58,473
Current liabilities	(44,606)
Non-current liabilities	(54,760)
Non-controlling interests	71,448
Equity attributable to owners of the Company	101,642

32. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (CONTINUED)

Details of non-wholly owned subsidiary that have material non-controlling interests (Continued)

China Coop Mengda (Continued)

	18.04.2014 to 31.12.2014 RMB'000
Revenue	19,582
Other income and gains	3,568
Expenses	(12,929)
Profit for the period	10,221
Profit and total comprehensive income attributable to owners of the Company	4,209
Profit and total comprehensive income attributable to the non-controlling interests	6,012
Profit and total comprehensive income for the period	10,221
Dividends paid to non-controlling interests	3,204
Net cash outflow from operating activities	(30,887)
Net cash outflow from investing activities	(37,729)
Net cash inflow from financing activities	137,903
Net cash inflow	69,287

For the year ended 31 December 2014

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2014 RMB'000	2013 RMB'000
Non-current assets		
Interests in subsidiaries	**213,638**	12,754
Property, plant and equipment	**1,228**	1,043
Deposit for a potential investment	**149,109**	–
	363,975	13,797
Current assets		
Other receivables and prepayments	**22,994**	1,414
Cash and cash equivalents	**17,792**	117,083
	40,786	118,497
Current liabilities		
Other payables	**4,976**	1,349
Amount due to a controlling shareholder	**–**	1,068
Amounts due to subsidiaries	**3,738**	2,592
	8,714	5,009
Net current assets	**32,072**	113,488
Total assets less current liabilities	**396,047**	127,285
Non-current liabilities		
Convertible loan notes	**–**	71,226
Net assets	**396,047**	56,059
Capital and reserves		
Share capital	**34,863**	26,128
Reserves	**361,184**	29,931
Total equity	**396,047**	56,059

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Movement in reserves

	Share premium[1] RMB'000	**Exchange reserve** RMB'000	**Convertible loan note equity reserve** RMB'000	**Accumulated losses** RMB'000	**Total** RMB'000
At 1 January 2013	23,692	(4,935)	–	(14,819)	3,938
Exchange differences arising on translation of the financial statements of the Company into the presentation currency of the Group	–	(684)	–	–	(684)
Loss for the year	–	–	–	(11,831)	(11,831)
Total comprehensive expense for the year	–	(684)	–	(11,831)	(12,515)
Recognition of equity component of convertible loan notes	–	–	59,452	–	59,452
Transaction costs attributable to equity component of convertible loan notes	–	–	(1,224)	–	(1,224)
Special dividend paid (note 34)	(15,340)	–	–	(4,380)	(19,720)
At 31 December 2013	8,352	(5,619)	58,228	(31,030)	29,931
Exchange differences arising on translation of the financial statements of the Company into the presentation currency of the Group	–	(806)	–	–	(806)
Loss for the year	–	–	–	(23,320)	(23,320)
Total comprehensive expense for the year	–	(806)	–	(23,320)	(24,126)
Conversion of convertible loan notes	123,288	–	(58,228)	–	65,060
Issue of ordinary shares (note 30)	296,101	–	–	–	296,101
Transaction costs attributable to issue of shares	(5,782)	–	–	–	(5,782)
At 31 December 2014	421,959	(6,425)	–	(54,350)	361,184

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Movement in reserves (Continued)

1. The application of the share premium account is governed by Article 24.12 of the Company's articles of association and the Cayman Islands Companies Law (Revised), which provides that the share premium account may be applied in paying distributions or dividends to members, provided immediately following the date on which distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business. As at 31 December 2013, the Hong Kong Dollar denominated share premium was fully distributed by the Company. The remaining amount represented exchange difference aroused from translation of share premium of the Company to the presentation currency of the Group between the historical rate and the rate at the date of capital distributions which is not distributable.

34. 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.

35. OPERATING LEASE

The Group as lessee

Minimum lease payments paid under operating lease in respect of office premises during the year was approximately RMB4,793,000 (2013: RMB2,877,000).

At the end of the reporting period, the Group had outstanding minimum commitments under non-cancellable operating leases, which fall due as follows:

	2014 RMB'000	2013 RMB'000
Within one year	**4,302**	4,358
In the second to fifth years inclusive	**1,663**	5,088
	5,965	9,446

The Group leases office premises under operating leases, which are negotiated for an average term of one to two years. None of the leases includes contingent rentals.

35. OPERATING LEASE (CONTINUED)

The Group as lessor

At the end of the reporting period, the Group's total future minimum lease receivables under non-cancellable operating leases are as follows:

	2014 RMB'000	2013 RMB'000
Within one year	**–**	635

36. CAPITAL COMMITMENT

	2014 RMB'000	2013 RMB'000
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 (Note a)	**35,500**	35,500
Capital expenditure in respect of acquisition of an investment authorised but not contracted for (Note 18)	**–**	70,000
Capital expenditure in respect of potential acquisition authorised but not contracted for (Note b)	**97,161**	–
Capital expenditure in respect of potential investment authorised but not contracted for (Note c)	**150,891**	–
Capital expenditure in respect of potential contribution to a subsidiary contracted for but not provided in the consolidated financial statement (Note d)	**391,124**	–

36. CAPITAL COMMITMENT (CONTINUED)

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"), 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 the new company, 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. Up to the date of authorisation of these consolidated financial statements, the transaction is not completed.

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

* The English name is for identification purpose only.

(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 has put a deposit to a PRC lawyer amounting 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 to a deposit 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.

37. RELATED PARTY TRANSACTIONS

The Controlling Shareholder of the Company defined under the Listing Rules is Parko which is controlled by Hebei SMC which business is guided by the All China Federation of Supply and Marketing Cooperatives ("All China FSMC") led by the State Council of the PRC and its development direction and staff appointments are advised by the Hebei Provincial People's Government. Accordingly, the Group is significantly influenced by All China FSMC and its subsidiaries (collectively referred as "All China FSMC Group"). All China FSMC Group is part of a larger group of companies significantly influenced by the PRC government. The balances with Hebei SMC and its subsidiaries and other PRC government-related financial institutions are disclosed below.

(a) Balances with All China FSMC Group, Parko, Hebei SMC and its subsidiaries

	2014 **RMB'000**	2013 RMB'000
Finance lease income receivable from a related party	**4,224**	–
Amount due to non-controlling interests	**(3,204)**	–
Amount due to Parko	**–**	(1,068)

Finance lease income receivable from a related party and amounts due to non-controlling interests are unsecured, interest-free and repayable on demand.

Amount due to Parko is unsecured, interest-free and repayable on demand. The amount was fully settled during the year ended 31 December 2014.

(b) Transaction with All China FSMC Group

	2014 **RMB'000**	2013 RMB'000
Finance lease income	**6,743**	–

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Balances with other PRC government-related entities

Apart from the balances with All China FSMC Group as disclosed in notes 37(a), the Group has entered into various transactions in its ordinary course of business including bank deposits, with certain banks which are government-related entities.

As at 31 December 2014, 52%, 100% and 100% (2013: 27%, nil and nil) of bank balances, restricted bank deposits and bank borrowings are held with these government-related banks.

There was no individually material bank balance with any single government-related bank.

The remuneration of key management personnel included directors' remuneration, which is disclosed in notes 10 and 11.

Other than disclosed elsewhere in these consolidated financial statements, the Group had no other significant related party transactions for the year ended 31 December 2014.

38. CAPITAL RISK MANAGEMENT

The directors of the Company review the capital structure regularly and manage its capital structure to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The capital structure of the Group consists of convertible loan notes that are fully converted in January 2014 as disclosed in note 29 and bank borrowings as disclosed in note 27, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

39. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2014 RMB'000	2013 RMB'000
Financial assets		
Financial assets at FVTPL	**624**	37,300
Loans and receivables (including cash and cash equivalents)	**285,870**	186,676
Finance lease receivables	**110,465**	–
Financial liabilities		
Amortised cost	**112,239**	84,239

(b) Financial risk management objectives and policies

The Group's major financial instruments include finance lease receivables, trade and other receivables, structured deposits, other financial asset, restricted bank deposits, cash and cash equivalents, trade and other payables, bank borrowings, amount due to a controlling shareholder, amounts due to non-controlling interests and convertible loan notes. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group has only minimal foreign currencies transactions, which expose the Group to foreign currency risk. In management's opinion, the Group has no inherent currencies risk at the year end and no sensitivity analysis is presented.

39. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk

As at 31 December 2014, the Group is mainly exposed to cash flow interest rate risk due to the fluctuation of market interest rate on variable-rate finance lease receivables as disclosed in note 20, bank balances in note 25 and variable-rate bank borrowings as disclosed in note 27.

The Group is also exposed to fair value interest rate risk in relation to fixed-rate finance lease receivables and loan receivables.

The Group's cash flow interest rates are mainly concentrated on i) the fluctuation of the PBC rate for finance lease receivables and bank borrowings, and ii) the fluctuation of benchmark saving rate quoted by the People's Bank of China for bank balances. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

The sensitivity analysis below have been determined based on the exposure to interest rate risk which relates primarily to variable-rate finance lease receivables and bank borrowings and bank balances. The analysis is prepared assuming the amount of asset and liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis points increase or decrease which represents management's assessment of the reasonably possible change in interest rates is used.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2014 would decrease/increase by approximately RMB258,000. This is mainly attributable to the Group's exposure to interest rates on its variable-rate finance lease receivables and bank borrowings.

For bank balances, if the interest rates for benchmark saving rate had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2014 would decrease/increase by approximately RMB715,000.

As at December 2013, the Group's exposures to interest rates on financial liabilities were detailed in the liquidity risk management section of this note. As the Group cash flow interest rate risk was mainly concentrated on the fixed coupon rate arising from the convertible loan notes, there was no sensitivity analysis presented.

39. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Credit risk

As at 31 December 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. The Group had concentration of credit risk by geographical locations is in the PRC, which accounted for 100% (2013: 100%) of the trade and receivables. As at 31 December 2014, the Group has concentration of credit risk as 15% (2013: 36%) and 44% (2013: 57%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within the investment broking and financial services industry.

The credit risk on liquid fund is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Before accepting any new finance lease borrower, the Group assesses the credit quality of each potential finance lease borrower and defined limits for each finance lease borrower. In addition, the Group has reviewed the repayment records of finance lease payments from each finance lease borrower with reference to the repayment schedule from the date of inception of finance lease up to the reporting date to determine the recoverability of a finance lease receivable.

As at 31 December 2014, the Group's concentration of credit risk by geographical locations is in the PRC, which accounted for 100% of finance lease receivables.

39. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The Group also has concentration of credit risk from totally four finance lease borrowers in its finance leasing business. Approximately 80% of the total finance lease receivables was due from the Group's largest finance lease borrower as at 31 December 2014. The Group's four finance lease borrowers are within manufacturing and financial service industries. During the year ended 31 December 2014, all finance lease customers do not have record of late payment.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are variable-rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

39. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity table

	Weighted average interest rate	On demand or less than 1 month RMB'000	1-3 months RMB'000	3 months to 1 year RMB'000	1 to 5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount at 31.12.2014 RMB'000
2014							
Non-derivative financial liabilities							
Trade and other payables	–	18,052	–	–	–	18,052	18,052
Amounts due to non-controlling interests	–	3,204	–	–	–	3,204	3,204
Bank borrowings							
– variable rate	7.22%	2,589	7,513	30,860	57,577	98,539	90,983
		23,845	7,513	30,860	57,577	119,795	112,239

	Weighted average interest rate	On demand or less than 1 month RMB'000	1 to 5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount at 31.12.2013 RMB'000
2013					
Non-derivative financial liabilities					
Trade and other payables	–	11,945	–	11,945	11,945
Amount due to a controlling shareholder	–	1,068	–	1,068	1,068
Convertible loan notes	14.5%	–	136,530	136,530*	71,226
		13,013	136,530	149,543	84,239

* The amount represents the redemption amount of the Notes at the maturity date assuming no conversion taken place.

39. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurements of financial instruments

(i) Fair value of the Group's financial assets are measured at fair value on a recurring basis

Structured deposits of the Group are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Financial assets	Fair value	Fair value hierarchy	Valuation technique and key inputs	Relationship of unobservable inputs to fair value
Call option classified as other financial asset in the consolidated statement of financial position	Asset – RMB624,000 as at 31 December 2014	Level 3	Binomial tree option Pricing Key unobservable inputs are: exercise price, expected volatility and risk free rate	The higher the exercise price, the lower the fair value The higher the expected volatility, the higher the fair value The higher the risk free rate, the lower the fair value
Structured deposits	Bank deposits in Mainland China with non-closely related embedded derivative: RMB37,300,000 as at 31 December 2013	Level 3	Discounted cash flows Key unobservable inputs are: expected yields of money market instruments and debt instruments invested by banks and a discount rate that reflects the credit risk of the banks (Note)	The higher the expected yield, the higher the fair value The higher the discount rate, the lower the fair value

Note: The directors consider that the impact of the fluctuation in expected yields of the money market instruments and debt instruments to the fair value of the structured deposits was insignificant as the deposits have short maturities, and therefore no sensitivity analysis is presented.

No gains or losses are recognised in profit or loss relating to the change in fair value of the call option and structured deposits classified as Level 3 in the current and prior year as the amount involved is insignificant, and therefore no reconciliation of Level 3 fair value measurements is presented.

For the year ended 31 December 2014, all structured deposits have been redeemed by the Group and no structured deposits was held by the Group at the end of the reporting period.

39. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurements of financial instruments (Continued)

(ii) Fair value financial assets and financial liabilities that are not measure at fair value on a recurring basis

The directors consider that the carrying amounts of other financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values using discounted cash flow valuation technique.

40. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2014, conversion shares of 79,477,642 were conversed by capitalisation of liability and equity component of convertible loan notes at the date of conversion on 28 January 2014.

During the year ended 31 December 2014, the Group used the proceeds from issue of shares, a cheque issued by a subsidiary of Hebei SMC as the consideration of share subscription amounting to RMB152,839,000 from Parko, to place directly to a PRC lawyer as a deposit for a potential investment (details disclosed in note 23(b)).

41. 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")

On 15 January 2015, the Company entered into a strategic cooperation framework agreement with Beijing branch of PICC 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.

41. EVENTS AFTER REPORTING PERIOD (CONTINUED)

(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.

FIVE-YEAR FINANCIAL SUMMARY

The consolidated results, assets and liabilities of the Group for the last five financial years as extracted from the audited consolidated financial statements of the Group are summarised below:

Results of the Group for the year ended 31 December

	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
Turnover	**116,767**	95,659	105,747	116,730	112,436
(Loss) profit for the year	**(26,747)**	(25,961)	4,765	20,970	22,574
			(Restated)	(Restated)	(Restated)
(Loss) earnings per share – Basic and diluted (RMB cents)	**(2.47)**	(2.57)	0.47	2.08	2.23

Assets and liabilities of the Group as at 31 December

	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
Total assets	**781,303**	311,343	231,266	237,965	216,467
Less: total liabilities	**(178,189)**	(141,129)	(72,814)	(74,041)	(72,354)
Net assets	**603,114**	170,214	158,452	163,924	144,113