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**NATIONAL AGRICULTURAL HOLDINGS LIMITED**  
**國農控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1236)**

**ANNOUNCEMENT OF INTERIM RESULTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2016**

**HIGHLIGHTS**

Revenue for the six months ended 30 June 2016 increased by 6.1% to RMB77,618,000 (2015: RMB73,176,000).

Net loss for the six months ended 30 June 2016 was RMB17,979,000 (2015: net loss of RMB440,883,000).

Basic and diluted loss per share was RMB0.88 cents (2015: basic and diluted loss per share of RMB25.29 cents).

## INTERIM RESULTS (UNAUDITED)

The board (the “Board”) of directors (the “Directors”) of National Agricultural Holdings Limited (the “Company”) would like to announce the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2016 together with the comparative unaudited figures for the corresponding period in 2015 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	NOTES	Six months ended 30 June	
		2016 RMB'000 (unaudited)	2015 RMB'000 (restated)
Turnover	6	77,618	73,176
Cost of sales		<u>(23,994)</u>	<u>(21,959)</u>
Gross profit		53,624	51,217
Other income	7	12,700	10,275
Other gains and losses	8	5,394	(424,851)
Share of loss of an associate		(14,286)	–
Selling and distribution costs		(27,490)	(25,971)
Research and development costs		(20,368)	(20,388)
Administrative expenses		(25,694)	(25,362)
Finance costs	9	–	–
Loss before tax	10	(16,120)	(435,080)
Income tax expense	11	<u>(1,859)</u>	<u>(5,803)</u>
Loss for the period		<u>(17,979)</u>	<u>(440,883)</u>
<b>Other comprehensive (expense) income</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
Exchange differences arising on translation		<u>(3,977)</u>	<u>1,444</u>
<b>Total comprehensive expense for the period</b>		<u>(21,956)</u>	<u>(439,439)</u>
<b>(Loss) profit for the period attributable to:</b>			
Owners of the Company		(18,641)	(441,410)
Non-controlling interests		<u>662</u>	<u>527</u>
		<u>(17,979)</u>	<u>(440,883)</u>
<b>Total comprehensive (expense) income for the period attributable to:</b>			
Owners of the Company		(22,618)	(439,966)
Non-controlling interests		<u>662</u>	<u>527</u>
		<u>(21,956)</u>	<u>(439,439)</u>
Loss per share	13		
– Basic and diluted (RMB cents)		<u>(0.88)</u>	<u>(25.29)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	<i>NOTES</i>	<b>30 June 2016 RMB'000 (unaudited)</b>	31 December 2015 RMB'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	14	22,419	23,351
Goodwill		182	182
Interest in an associate	15	90,714	105,000
Earnest money paid for potential investment	18(b)	149,109	149,109
Amounts due from related parties	16	–	1,820,380
Finance lease receivables	17	17,963	53,469
Deposit paid for acquisition of intangible asset		4,000	–
Deferred tax assets		223	581
		<u>284,610</u>	<u>2,152,072</u>
<b>Current assets</b>			
Inventories		16	36
Amounts due from related parties	16	24,000	–
Finance lease receivables	17	73,544	74,581
Trade and other receivables	18(a)	245,739	154,873
Deposits and prepayments	18(b)	14,235	13,115
Structured deposits	19	35,200	16,000
Cash and cash equivalents		1,974,324	265,291
		<u>2,367,058</u>	<u>523,896</u>
<b>Current liabilities</b>			
Trade and other payables	20	58,134	76,370
Amounts due to non-controlling interests	28	322	322
Bank borrowings	21	48,754	53,071
Deferred revenue	22	44,543	69,969
Tax payable		3,532	4,018
		<u>155,285</u>	<u>203,750</u>
<b>Net current assets</b>		<u>2,211,773</u>	<u>320,146</u>
<b>Total assets less current liabilities</b>		<u>2,496,383</u>	<u>2,472,218</u>

	<i>NOTES</i>	<b>30 June 2016 RMB'000 (unaudited)</b>	31 December 2015 RMB'000 (audited)
<b>Non-current liabilities</b>			
Bank borrowings	21	<b>19,980</b>	41,689
Deferred revenue	22	<b>41,066</b>	20,221
Deferred tax liability		<b>37,262</b>	36,526
		<b>98,308</b>	98,436
<b>Net assets</b>		<b>2,398,075</b>	2,373,782
<b>Capital and reserves</b>			
Share capital	23	<b>48,082</b>	48,082
Reserves		<b>2,307,456</b>	2,283,825
Equity attributable to owners of the Company		<b>2,355,538</b>	2,331,907
Non-controlling interests		<b>42,537</b>	41,875
<b>Total equity</b>		<b>2,398,075</b>	2,373,782

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company												Non-controlling interests	Total
	Share capital	Share premium <sup>1</sup>	Exchange reserve <sup>2</sup>	Statutory reserve <sup>3</sup>	Merger reserve <sup>4</sup>	Warrant reserve <sup>5</sup>	Share option reserve <sup>6</sup>	Treasury shares reserve <sup>7</sup>	Deemed contribution reserve	Retained profits (accumulated losses)	Sub-total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2015</b>														
<b>(audited)</b>	34,863	421,959	(6,760)	24,226	24,598	-	-	-	-	2,586	501,472	101,642	603,114	
Exchange difference arising on translation	-	-	1,444	-	-	-	-	-	-	-	1,444	-	1,444	
(Loss) profit for the period	-	-	-	-	-	-	-	-	-	(441,410)	(441,410)	527	(440,883)	
Total comprehensive income (expense) for the period	-	-	1,444	-	-	-	-	-	-	(441,410)	(439,966)	527	(439,439)	
Issue of ordinary shares	7,368	933,714	-	-	-	-	-	-	-	-	941,082	-	941,082	
Transaction costs attributable to issue of shares <sup>8</sup>	-	(8,041)	-	-	-	-	-	-	-	-	(8,041)	-	(8,041)	
Issue of warrants	-	-	-	-	-	477,290	-	-	-	-	477,290	-	477,290	
Transaction costs attributable to issue of warrants <sup>9</sup>	-	-	-	-	-	(420)	-	-	-	-	(420)	-	(420)	
Exercise of warrants	5,430	1,018,581	-	-	-	(372,370)	-	-	-	-	651,641	-	651,641	
Share-based compensations	-	-	-	-	-	-	4,302	-	-	-	4,302	-	4,302	
Acquisition of additional interest in a subsidiary (Note 3)	-	-	-	-	-	-	-	-	-	51,835	51,835	(51,835)	-	
Deemed capital contribution <sup>10</sup>	-	-	-	-	-	-	-	-	70,233	-	70,233	-	70,233	
<b>Balance at 30 June 2015 (restated)</b>	<b>47,661</b>	<b>2,366,213</b>	<b>(5,316)</b>	<b>24,226</b>	<b>24,598</b>	<b>104,500</b>	<b>4,302</b>	<b>-</b>	<b>70,233</b>	<b>(386,989)</b>	<b>2,249,428</b>	<b>50,334</b>	<b>2,299,762</b>	
<b>Balance at 1 January 2016</b>														
<b>(audited)</b>	48,082	2,437,178	26,843	26,338	24,598	83,852	5,193	(30,580)	314,612	(604,209)	2,331,907	41,875	2,373,782	
Exchange difference arising on translation	-	-	(3,977)	-	-	-	-	-	-	-	(3,977)	-	(3,977)	
(Loss) profit for the period	-	-	-	-	-	-	-	-	-	(18,641)	(18,641)	662	(17,979)	
Total comprehensive income (expense) for the period	-	-	(3,977)	-	-	-	-	-	-	(18,641)	(22,618)	662	(21,956)	
Expiry of warrants	-	-	-	-	-	(83,852)	-	-	-	83,852	-	-	-	
Share-based compensations	-	-	-	-	-	-	1,949	-	-	546	2,495	-	2,495	
Deemed capital contribution <sup>11</sup>	-	-	-	-	-	-	-	-	43,754	-	43,754	-	43,754	
<b>Balance at 30 June 2016</b>														
<b>(unaudited)</b>	<b>48,082</b>	<b>2,437,178</b>	<b>22,866</b>	<b>26,338</b>	<b>24,598</b>	<b>-</b>	<b>7,142</b>	<b>(30,580)</b>	<b>358,366</b>	<b>(538,452)</b>	<b>2,355,538</b>	<b>42,537</b>	<b>2,398,075</b>	

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 remaining amount represented exchange difference aroused from translation of share premium of the Company to the presentation currency of the Company 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 Group into the presentation currency of the Company (i.e. RMB). The reserve is dealt with in accordance with the Group's accounting policy.
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 warrants as at the date of initial recognition, upon exercise of the warrants, the corresponding reserve was transferred to share premium. All the remaining warrants were expired as at 30 June 2016, details are set out in Note 26.
6. The amount represents equity reserve arising from share-based compensations under share options scheme of the Group provided to directors and employees, details are set out in Note 24.
7. The Group repurchased its own equity by the trustee from the market for assigning the share-based compensations under the Share Award Scheme, details are set out in Note 25.
8. The amount represented direct costs incurred directly attributable to the issuance of shares upon the completion of shares placing and subscription.
9. The amount represented direct costs incurred directly attributable to the issuance of unlisted warrants upon the completion of unlisted warrants placing and subscription.

10. During the six months ended 30 June 2015, the Group is entitled to receive fund management services income and financing income amounting to RMB8,221,000 (six months ended 30 June 2016: Nil) and RMB73,767,000 (six months ended 30 June 2016: Nil), respectively, from a subsidiary (“Party A”) of China Co-Op Group Company Limited\* 中國供銷集團有限公司 (“China Co-op”), a company established in the PRC and the wholly owned subsidiary of All China Federation of Supply and Marketing Cooperatives\* 中華全國供銷合作總社, pursuant to a three parties joint cooperation agreement among the Company, Dalian Renewable Energy Exchange Company Limited\* 大連再生資源交易所有限公司 (“Dalian Exchange”) and Party A. In view of the fact that Party A was the party which contracted with its customers and assumed all the substantial performance obligations for management services under the contracts and all the credit risks of the funds lent to the customers and provided all the associated capital for financing incomes, both management services income and financing income received by the Company from Party A, net of corresponding taxes, are recognised in equity as a deemed capital contribution.
  
- 11 The amount represented the settlement of an impaired loan together with its accrued interest of approximately to HK\$51,700,000 (equivalents to RMB43,754,000) by Parko (Hong Kong) Limited 百豪(香港)有限公司 (“Parko”), on behalf of, Dongyue Industrial Limited 東越控股有限公司 (“Dongyue”), a subsidiary of China Co-op, details are set out in Note 16(c).

\* *The English name is for identification purpose only*

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

		<b>Six months ended 30 June</b>	
	<i>NOTE</i>	<b>2016</b>	<b>2015</b>
		<b>RMB'000</b>	<b>RMB'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
<b>OPERATING ACTIVITIES</b>			
Operating cash flows before movements in working capital		(9,352)	77,319
Decrease (increase) in finance lease receivables		36,543	(3,416)
Interest paid		(2,381)	(2,916)
Other operating cash flows		30,222	(63,469)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>55,032</b>	<b>7,518</b>
<b>INVESTING ACTIVITIES</b>			
Refund of earnest money paid to related parties		1,820,380	–
Proceeds from redemption of structured deposits		73,177	–
Repayment of loans to third parties		70,265	22,568
Interest received		3,687	1,881
Repayment of loan advancement to a related party		1,000	–
Acquisition of property, plant and equipment		(795)	(1,474)
Deposit paid for acquisition of intangible asset		(4,000)	–
Advance to a related party		(25,000)	–
Investments in structured deposits		(92,000)	–
Loans advanced to third parties		(206,450)	(25,000)
Earnest money paid for potential investments		–	(455,264)
<b>NET CASH FROM (USED IN) INVESTING</b>		<b>1,640,264</b>	<b>(457,289)</b>
<b>FINANCING ACTIVITIES</b>			
Repayment of impaired loan by Parko on behalf of Dongyue		43,754	–
Repayment of bank loans		(26,026)	(17,666)
Proceeds from issue of shares	30	–	558,200
Transaction costs directly attributable to issue of shares		–	(8,041)
Proceeds from issue of warrant shares	30	–	150,968
Proceeds from issue of warrants	30	–	20,608
Transaction costs directly attributable to issue of warrants		–	(420)
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>17,728</b>	<b>703,649</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>1,713,024</b>	<b>253,878</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>		<b>265,291</b>	<b>190,642</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		<b>(3,991)</b>	<b>(1,574)</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>		<b>1,974,324</b>	<b>442,946</b>



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2016*

### 1. BASIS PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

### 2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for structured deposits which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle

The application of the above amendments to HKFRS in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

### 3. RESTATEMENT OF COMPARATIVE FIGURES

#### Summary of the effects of the restatement

During the six months ended 30 June 2015, the Group is entitled to receive fund management services income and financing income amounting to RMB8,221,000 and RMB73,767,000, respectively, from Party A of China Co-Op, a company established in the PRC and the wholly owned subsidiary of All China Federation of Supply and Marketing Cooperatives\* 中華全國供銷合作總社, pursuant to a three parties joint cooperation agreement among the Company, Dalian Exchange and Party A. In view of the fact that Party A was the party which contracted with its customers and assumed all the substantial performance obligations for management services under the contracts and all the credit risks of the funds lent to the customers and provided all the associated capital for financing incomes, both management services income and financing income received by the Company from Party A, net of corresponding taxes, are recognised in equity as a deemed capital contribution and consequential adjustments would be made for comparatives for the six months ended 30 June 2015.

In addition, as at 1 January 2015, the paid-in capital of China Coop Financial Leasing Co., Ltd\* 中合盟達融資租賃有限公司 (“China Coop Mengda”) made by Ever Harvest Inc Limited (“Ever Harvest”) was RMB70,000,000, representing 41.18% equity interest of China Coop Mengda. On 18 June 2015, Hebei Baihao Commercial and Trading Co. Ltd 河北百豪商貿有限公司 (“Baihao”), a wholly-owned subsidiary of the Company, entered into a capital contribution agreement with China Coop Mengda and made a capital injection amounting to RMB170,000,000 to China Coop Mengda on 24 June 2015. After the additional capital contribution by Baihao, the Group’s equity interest in China Coop Mengda increased to approximately 70.59%. However, such additional capital contribution to China Coop Mengda on 24 June 2015 have not taken into account in the condensed consolidated financial statements of the Group as at 30 June 2015 and consequential adjustments amounting to RMB51,890,000 would be made for the relevant balances as at 30 June 2015.

\* *The English name is for identification purpose only*

The effects of the restatement of comparative figures described above on the results for the preceding interim period by line items presented in the condensed consolidated statement of profit or loss and other comprehensive income is as follows:

	Six months ended 30 June 2015 (originally stated) <i>RMB'000</i>	Effect of restatements <i>RMB'000</i>	Six months ended 30 June 2015 (restated) <i>RMB'000</i>
Turnover	155,164	(81,988)	73,176
Cost of sales	<u>(21,675)</u>	<u>(284)</u>	<u>(21,959)</u>
Gross profit	133,489	(82,272)	51,217
Other income	10,275	–	10,275
Other gains and losses	(424,851)	–	(424,851)
Selling and distribution costs	(25,971)	–	(25,971)
Research and development costs	(20,388)	–	(20,388)
Administrative expenses	<u>(25,362)</u>	<u>–</u>	<u>(25,362)</u>
Loss before tax	(352,808)	(82,272)	(435,080)
Income tax expense	<u>(26,331)</u>	<u>20,528</u>	<u>(5,803)</u>
Loss for the period	<u>(379,139)</u>	<u>(61,744)</u>	<u>(440,883)</u>
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation	<u>1,444</u>	<u>–</u>	<u>1,444</u>
Total comprehensive expense for the period	<u>(377,695)</u>	<u>(61,744)</u>	<u>(439,439)</u>
(Loss) profit for the period attributable to:			
Owners of the Company	(379,721)	(61,689)	(441,410)
Non-controlling interests	<u>582</u>	<u>(55)</u>	<u>527</u>
	<u>(379,139)</u>	<u>(61,744)</u>	<u>(440,883)</u>
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company	(378,277)	(61,689)	(439,966)
Non-controlling interests	<u>582</u>	<u>(55)</u>	<u>527</u>
	<u>(377,695)</u>	<u>(61,744)</u>	<u>(439,439)</u>

The effects of the restatement of comparative figures described above for certain line items presented in the condensed consolidated financial position of the Group as at 30 June 2015 is as follows:

	As at 30 June 2015 (originally stated) <i>RMB'000</i>	Effect of restatements <i>RMB'000</i>	As at 30 June 2015 (restated) <i>RMB'000</i>
Trade and other payables	(43,192)	(4,486)	(47,678)
Tax payable	<u>(22,330)</u>	<u>12,975</u>	<u>(9,355)</u>
Total effect of net assets	<u>(65,522)</u>	<u>8,489</u>	<u>(57,033)</u>
Non-controlling interests	(102,224)	51,890	(50,334)
Deemed capital contribution, including in the reserves	–	(70,233)	(70,233)
Accumulated losses	<u>377,135</u>	<u>9,854</u>	<u>386,989</u>
Total effect of equity	<u>274,911</u>	<u>(8,489)</u>	<u>266,422</u>

The effect of the restatement of comparative figures described above on basic and diluted loss per share:

	Six months ended 30 June 2015 (restated) <i>RMB cents</i>
Basic and diluted loss per share before adjustment	(21.76)
Adjustment arising from restatement of comparative figures	<u>(3.53)</u>
Reported basic and diluted loss per share	<u>(25.29)</u>

#### **4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

##### **Critical judgements in applying accounting policies**

The following are the critical judgement apart from those involving estimations (see below), that the 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 condensed consolidated financial statements.

##### *Classification of lease contracts as finance leases*

The directors of the Company examined the terms of the existing lease contracts as at 30 June 2016 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 30 June 2016 are classified as finance leases. Details are set out in Note 17.

##### **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 within the next financial year.

##### *Estimated impairment of amounts due from related parties*

When there is objective evidence of impairment loss, the Group takes into consideration their recoverability based on their financial status and prevailing market conditions. Impairment loss is applied to amounts due from related parties where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amounts of amounts due from related parties and thus the impairment loss in the period in which such estimate is changed. The directors of the Company reassess the impairment loss of amounts due from related parties at the end of the reporting period.

During the six months ended 30 June 2016 and 2015, no impairment loss has been recognised for the amounts due from related parties. As at 30 June 2016, the carrying amount of the amounts due from related parties is RMB24,000,000 (31 December 2015: RMB1,820,380,000).

#### *Estimated impairment of loan receivables*

The directors of the Company estimate the impairment loss of loan receivables by assessing their recoverability based on the financial position of the borrowers and the prevailing market conditions. This requires the use of estimates and judgements. Impairment loss is applied to loan receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amounts of loan receivables and thus a material impairment loss may arise.

During the six months ended 30 June 2016 and 2015, no impairment loss has been recognised for loan receivables. As at 30 June 2016, the carrying amount of loan receivables is RMB205,097,000 (31 December 2015: RMB61,265,000).

#### *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 six months ended 30 June 2016 and 2015, no impairment loss has been recognised for finance lease receivables. As at 30 June 2016, the carrying amount of finance lease receivables is approximately RMB91,507,000 (31 December 2015: RMB128,050,000).

#### *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 nonstrategic assets that have been abandoned or sold.

As at 30 June 2016, the carrying amount of property, plant and equipment is RMB22,419,000 (31 December 2015: RMB23,351,000). 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 impairment of interest in an associate*

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of the recoverable amount of the associate which is the higher of value in use and fair value less costs to sell. The Group has carried out impairment testing to determine whether the Group's interest in an associate is impaired as indicated by the decline in financial performance of the associate. The management of the Group is unable to have a reliable measurement of the fair value less costs to sell and applied value in use calculation to estimate the future cash flows of the Group expected to arise from the associate and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 30 June 2016, the carrying amount of interest in an associate is amounting to RMB90,714,000 (31 December 2015: RMB105,000,000) and no impairment loss has been recognised. Details of the recoverable amount calculation are disclosed in Note 15.

#### *Estimated allowance for bad and doubtful debts*

The Group estimates the allowance for bad and doubtful debts by assessing 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 30 June 2016, the carrying amount of trade receivables is RMB8,009,000, net of allowance of RMB487,000 (31 December 2015: RMB10,152,000, net of allowance of RMB487,000).

#### *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 19, 24 and 26 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 three operating divisions: (1) research, development and distribution of software and provision of related maintenance, usage and information services (2) finance leasing and (3) operating commodities trading platform. 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.

The following is an analysis of the Group’s revenue and results by reportable and operating segments for the period under review:

### Six months ended 30 June 2016 (unaudited)

	<b>Research, development and distribution of software and provision of related maintenance, usage and information services RMB'000</b>	<b>Finance leasing RMB'000</b>	<b>Operating commodities trading platform RMB'000</b>	<b>Total RMB'000</b>
Segment revenue	<u>74,708</u>	<u>2,910</u>	<u>–</u>	<u>77,618</u>
Segment result	<u>11,714</u>	<u>(1,380)</u>	<u>–</u>	10,334
Unallocated expenses				(23,879)
Share of loss of an associate				(14,286)
Other income				6,334
Other gains and losses				5,377
Finance costs				<u>–</u>
Loss before tax				<u>(16,120)</u>



**Six months ended 30 June 2015 (restated)**

	Research, development and distribution of software and provision of related maintenance, usage and information services <i>RMB'000</i>	Finance leasing <i>RMB'000</i>	Operating commodities trading platform <i>RMB'000</i> (restated)	Total <i>RMB'000</i> (restated)
Segment revenue	<u>59,867</u>	<u>8,297</u>	<u>5,012</u>	<u>73,176</u>
Segment result	<u>452</u>	<u>2,112</u>	<u>4,728</u>	7,292
Unallocated expenses				(19,673)
Other income				2,151
Other gains and losses				(424,850)
Finance costs				<u>—</u>
Loss before tax				<u>(435,080)</u>

Apart from the finance leasing business and operating commodities trading platform, all of the segment revenue is from external customers in the current interim period. For the six months ended 30 June 2016, the revenue arising from finance leasing business and operating commodities trading platform amounted to RMB1,104,000 and Nil (six months ended 30 June 2015: RMB1,436,000 and RMB5,012,000), respectively, were from related companies.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in the Group's annual report for the year ended 31 December 2015. Segment result represents the profit earned or loss incurred by each segment without allocation of certain unallocated expenses, other income, other gains and losses and finance costs. This is the measure reported to the CODM for the purposes of resources allocation and assessment of segment performance.

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

	<b>30 June 2016 RMB'000 (unaudited)</b>	31 December 2015 RMB'000 (audited)
<b>Segment assets</b>		
Research, development and distribution of software and provision of related maintenance, usage and information services	<b>127,211</b>	132,844
Finance leasing	<b>134,113</b>	167,835
Operating commodities trading platform	<u>–</u>	<u>5,884</u>
Total segment assets	<b><u>261,324</u></b>	<b><u>306,563</u></b>
	<b>30 June 2016 RMB'000 (unaudited)</b>	31 December 2015 RMB'000 (audited)
<b>Segment liabilities</b>		
Research, development and distribution of software and provision of related maintenance, usage and information services	<b>98,414</b>	115,642
Finance leasing	<b>74,012</b>	99,743
Operating commodities trading platform	<u>3,387</u>	<u>3,387</u>
Total segment liabilities	<b><u>175,813</u></b>	<b><u>218,772</u></b>

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

- all assets are allocated to reportable segments other than amounts due from related parties, earnest money paid for potential investment, interest in an associate, loan receivables, structured 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 payable of acquisition cost of China Coop Mengda, deferred tax liability and other unallocated corporate liabilities (including accruals and other payables).

## 6. TURNOVER

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(restated)
Maintenance service and usage fees	46,856	36,803
Information service fees	18,976	20,222
Sales of computer software	8,876	1,669
Finance lease income	2,910	8,297
Consultancy fee income	–	1,173
Membership registration fee	–	2,500
Transaction handling fee	–	25
Membership fee	–	2,487
	<u>77,618</u>	<u>73,176</u>

## 7. OTHER INCOME

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(restated)
Value added tax refund ( <i>Note a</i> )	5,240	8,119
Interest income from loan receivables ( <i>Note 18</i> )	3,259	1,098
Interest income from banks deposits	2,007	783
Interest income from amounts due from related parties ( <i>Note 16</i> )	1,068	–
Subsidy income ( <i>Note b</i> )	1,117	–
Sundries	9	5
Gross rental income from investment properties	–	270
	<u>12,700</u>	<u>10,275</u>

### 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 RMB957,000 (six months ended 30 June 2015: Nil) 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 RMB160,000 (six months ended 30 June 2015: Nil) 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 LOSSES

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<i><b>RMB'000</b></i>	<i>RMB'000</i>
	<b>(unaudited)</b>	(unaudited)
Reversal of impairment loss on loan receivable ( <i>Note 18a</i> )	<b>5,000</b>	–
Gain from changes in fair value on structured deposits	<b>377</b>	–
Net exchange gains (losses)	<b>17</b>	(1)
Loss on initial recognition of warrants ( <i>Note 26</i> )	–	(424,850)
	<b><u>5,394</u></b>	<u>(424,851)</u>

## 9. FINANCE COSTS

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<i><b>RMB'000</b></i>	<i>RMB'000</i>
	<b>(unaudited)</b>	(unaudited)
Interest on bank borrowings	<b>2,381</b>	2,916
Less: Interest on bank borrowings included in cost of sales	<b>(2,381)</b>	(2,916)
	<b><u>–</u></b>	<u>–</u>

Included in cost of sales are interest on bank borrowings amounting to RMB2,381,000 for the six months ended 30 June 2016 (six months ended 30 June 2015: RMB2,916,000) under the finance leasing segment.

## 10. LOSS BEFORE TAX

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<i><b>RMB'000</b></i>	<i>RMB'000</i>
	<b>(unaudited)</b>	(unaudited)
Loss before tax is arrived at after charging:		
Salaries and other benefits (included directors' remuneration)	<b>37,454</b>	37,875
Contributions to retirement benefits scheme	<b>7,695</b>	5,925
Share-based compensations	<b>2,495</b>	4,302
	<b><u>47,644</u></b>	<u>48,102</u>
Total staff costs		
Depreciation of property, plant and equipment	<b>1,739</b>	1,836
Legal and professional fees	<b>6,468</b>	6,343
Cost of information service fees	<b>20,638</b>	15,767
	<b><u>20,638</u></b>	<u>15,767</u>

## 11. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(restated)
Current tax		
Hong Kong Profits Tax	–	401
PRC Enterprise Income Tax (“EIT”)	<u>1,859</u>	<u>5,402</u>
	<u>1,859</u>	<u>5,803</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit in both periods. No provision for taxation in Hong Kong has been made for this six months ended 30 June 2016 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%.

According to PRC tax regulations, if a non-resident company derives China-source income from its establishments in the PRC, the relevant China-source income should be subject to PRC EIT at statutory tax rate of 25%, with assessable profits calculated either on an actual basis or by deemed profit method. As the principal location of business activities, which fall outside the scope of charge of Value-added Tax, was situated in the PRC, their income should be subject to Business Tax in the PRC, at 5% of the gross income.

On 15 February 2015 and 27 February 2015, Shanghai Qianlong Advanced Technology Company Limited\* 上海乾隆高科技有限公司 and Shanghai Qianlong Network Technology Company Limited\* 上海乾隆網絡科技有限公司 obtained the High-New Technology Enterprise Certificate and is entitled to enjoy the preferential EIT at the concessionary rate of 15% for three years from 2014 to 2016 according to Article 28 of the EIT Law, respectively.

\* *The English name is for identification purpose only*

## 12. DIVIDEND

No dividend were paid, declared or proposed during the six months ended 30 June 2016 and 2015. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

## 13. 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:

	Six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(restated)
<b>Loss</b>		
Loss for the period for the purposes of basic and diluted loss per share	<u>(18,641)</u>	<u>(441,410)</u>
<b>Number of shares</b>	'000	'000
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>2,123,259</u>	<u>1,745,103</u>

The computation of diluted loss per share does not assume the exercise of the outstanding share options and warrants as the exercise of the share options and warrants would result in a decrease in loss per share for six months ended 30 June 2016 and 2015.

## 14. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group incurred approximately RMB234,000 (2015: RMB69,000) for leasehold improvement of office premises and RMB561,000 (2015: RMB1,405,000) for acquisition of computer and furniture, fixtures and office equipment in order to meet the administrative needs.

## 15. INTEREST IN AN ASSOCIATE

	At 30 June 2016 <i>RMB'000</i> (unaudited)	At 31 December 2015 <i>RMB'000</i> (audited)
Investment cost, unlisted	105,000	105,000
Share of post-acquisition loss	<u>(14,286)</u>	<u>–</u>
	<b><u>90,714</u></b>	<b><u>105,000</u></b>

As at 31 December 2015, the Group completed the acquisition of 30% equity interest in Sino-Agri Equipment Co. Ltd\* 中農集團農業裝備有限公司 (“Sino-Agri Equipment”) by the consideration of RMB105,000,000. Upon completion of the acquisition, the Group is beneficially interested in 30% equity interests in the Sino-Agri Equipment which would be accounted for as an interest in an associate in the condensed consolidated financial statements of the Group.

The recoverable amount of the interest in an associate as at 30 June 2016 and 31 December 2015 has been determined based on the Group’s share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of each of the business units consisting of the manufacturing and trading of agriculture machineries, property development and property investment business. The cash flow projections for these businesses are based on financial budgets approved by management covering a 5-year period, after considered an applicable discount rate and growth rate after the 5-year period. Other key assumptions for the cash flow projections relate to the estimation of cash inflow/outflows which include budgeted revenue and gross margins during the budget period. Budgeted revenue and gross margins have been determined based on past performance and management’s expectations for the market development.

## 16. AMOUNTS DUE FROM RELATED PARTIES

	At 30 June 2016 <i>RMB'000</i> (unaudited)	At 31 December 2015 <i>RMB'000</i> (audited)
Shi Jia Zhuang Ao Yuan Trading Company Limited* ( <i>Note a</i> )	–	1,220,380
A subsidiary of China Co-Op ( <i>Note b</i> )	–	600,000
China Co-Op (Shanghai) Equity Investment Fund Management Company Limited* ( <i>Note c</i> )	24,000	–
Dongyue Industrial Limited ( <i>Note d</i> )	<u>–</u>	<u>40,000</u>
	<b>24,000</b>	1,860,380
Less: allowance for doubtful debt	<u>–</u>	<u>(40,000)</u>
	<b>24,000</b>	1,820,380
Less: amounts shown under non-current assets	<u>–</u>	<u>(1,820,380)</u>
	<b><u>24,000</u></b>	<b><u>–</u></b>
Amounts shown under current assets	<b><u>24,000</u></b>	<b><u>–</u></b>

*Notes:*

- (a) As at 31 December 2015, amount represented an earnest money paid to Shi Jia Zhuang Ao Yuan Trading Company Limited\* 石家莊奧源貿易有限公司 (“Ao Yuan”), a substantial shareholder of a non-wholly owned subsidiary of the Company and a subsidiary of China Co-op, for a potential acquisition of entire equity interest of China Cooperation (Shanghai) Real Estate Co. Ltd.\* 中合(上海)置業有限公司 (the “Target Company”). The amount was settled by i) financing from third parties which were fully repaid during the year ended 31 December 2015 amounting to RMB246,300,000, ii) transferred from an earnest money regarding the potential investment in the Investment Fund (defined below) amounting to RMB250,000,000 and iii) the internal fund of the Company amounting to RMB723,700,000. The amount was unsecured, interest bearing of 0.35% per annum and repayable on demand as at 31 December 2015. The accrued interest income of the earnest money for the six months ended 30 June 2016 is RMB1,068,000 (six months ended 30 June 2015: Nil).

The amount was designated as the potential acquisition of equity interest of the Target Company and classified as non-current assets. In the event that the formal agreement fails to complete within six months after entering into the escrow agreement, Ao Yuan shall refund the earnest money together with the accrued interest to the Company. In March 2016, the amount of RMB1,220,000,000 is fully refunded to the Group.

Details of the above are set out in the Company’s announcement dated 14 March 2016.

- (b) Amount represented an earnest money to a subsidiary of Coopinvest Company Limited\* 中合聯投資有限公司 for a potential investment in an investment fund (the “Investment Fund”) with China Co-Op (Shanghai) Equity Investment Fund Management Company Limited\* 中合供銷(上海)股權投資基金管理有限公司 (“Co-Op Fund Management”). The amount is unsecured, interest-free and repayable on demand.

The amount was designated as the potential investment in the Investment Fund and classified as non-current assets. The parties are still in discussion in respect of the potential investment, the earnest money would be returned to the Company. In March 2016, the amount of RMB600,000,000 is fully refunded to the Group.

Details of the above are set out in the announcements of the Company dated 25 August 2015, 27 August 2015 and 31 December 2015.

- (c) During the six months ended 30 June 2016, the Group advanced RMB25,000,000 to Co-Op Fund Management, which is unsecured, unguaranteed, and bearing a fixed interest rate of 4.8% per annum and repayable within one year. Co-Op Fund Management repaid RMB1,000,000 to the Group during the six months ended 30 June 2016.



- (d) As at 31 December 2015, the amount was unsecured, unguaranteed, interest-free and repayable on demand. In the opinion of the directors of the Company, the amount of HK\$50,000,000 (equivalents to RMB40,000,000) as at 31 December 2015 cannot be recovered and was fully impaired.

On 28 April 2016, the Company entered into a loan agreement with Dongyue Industrial Limited 東越控股有限公司 (“Dongyue”), a subsidiary of China Co-op, in relation to the loan amounting to HK\$50,000,000 made in August 2015 with interest bearing of 5.1% per annum and repayable within one year. The interest payable shall be retrospectively accrued from the loan advancement date up to the loan repayment date.

On 10 May 2016, the controlling shareholder of the Company, Parko (Hong Kong) Limited 百豪(香港)有限公司 (“Parko”), has settled the loan together with accrued interest of approximately to HK\$51,700,000 (equivalents to RMB43,754,000) on behalf of Dongyue in accordance with the loan agreement. This transaction constitutes a deemed capital contribution from the controlling shareholder and the reversal of allowance for doubtful debt and its relevant interest is recognised as deemed capital contribution.

Details of the above are set out in the announcements of the Company dated 10 May 2016.

\* *The English name is for identification purpose only*

## 17. FINANCE LEASE RECEIVABLES

	Minimum lease receipts		Present value of minimum lease receipts	
	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
Finance lease receivables comprise:				
Within one year	72,189	56,112	67,318	52,565
In more than one year				
but not more than two years	12,719	43,883	11,455	38,423
In more than two years				
but not more than five years	6,360	12,720	5,437	10,691
	<b>91,268</b>	112,715	<b>84,210</b>	101,679
Financial lease receivables				
overdue and in default	8,365	26,371	7,297	26,371
Less: Unearned finance lease income	(8,126)	(11,036)	N/A	N/A
Present value of minimum lease receipts	<b>91,507</b>	128,050	<b>91,507</b>	128,050

	<b>30 June 2016 RMB'000 (unaudited)</b>	31 December 2015 RMB'000 (audited)
Analysed as:		
Current finance lease receivables (receivable within twelve months)	<b>73,544</b>	74,581
Non-current finance lease receivables (receivable after twelve months)	<b>17,963</b>	53,469
	<b>91,507</b>	128,050
Fixed-rate finance lease receivables	<b>29,168</b>	60,795
Variable-rate finance lease receivables	<b>62,339</b>	67,255
	<b>91,507</b>	128,050

Effective interest rates per annum of the above finance lease receivables on ten (31 December 2015: twelve) lease agreements are as follows:

	<b>30 June 2016</b>	31 December 2015
Effective interest rates		
Fixed-rate finance lease receivables	<b>6.94% to 6.98%</b>	6.94% to 12.58%
Variable-rate finance lease receivables	<b>10.69% to 12.22%</b>	10.69% to 11.20%

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.

As at 30 June 2016, the carrying value of the finance lease receivables which have been pledged against specific bank borrowings granted to the Group (Note 21) amounting to RMB29,168,000 (31 December 2015: RMB53,351,000). The pledges will be released upon the settlement of bank borrowings.

Finance lease receivables are secured over the leased assets including but not limited to 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 or RMB100.

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

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

As at 30 June 2016, there is a finance lease receivable amounting to RMB29,168,000 from a related party (31 December 2015: RMB34,424,000). The details and relationship with related party are set out in Note 28.

### **Litigation for the default payment of finance lease agreements**

On 24 July 2015, a third party lessee failed to pay the rental payment to the Group in a sum of RMB7,248,000 (including the interest payment) pursuant to the finance lease agreements entered between such lessee and the Group. The lessee denied the authenticity of the finance lease agreements with the Group.

On 12 August 2015, the Group initiated court proceedings (the “Litigation”) against this lessee and 上海京文電子科技有限公司, the designated payer of the transactions contemplated under the finance lease agreements, in relation to the default of the finance lease agreements for the compensation of the outstanding finance lease receivables.

In April 2016, the economic crime division of the public security authority in Beijing filed the case. Up to the date of these condensed consolidated financial statements were authorised for issuance, the case is under investigation by the public security authority and details are set out in the announcement of the Company dated 16 May 2016.

An associate of one of the shareholders of China Coop Mengda (the “Guarantor”), an indirectly non-wholly owned subsidiary of the Group, has provided a letter of guarantee in favour of the Group to guarantee the settlement of the outstanding finance lease receivables at the inception of the finance lease arrangement. During the six months ended 30 June 2016, the Guarantor has deposited an amount of RMB26,371,000 to the bank of the Group to secure for the default payment of the finance lease receivables.

The directors considered the remaining balance of finance lease receivables amounting to RMB71,011,000 under the Litigation cannot be recoverable, and thus such receivables has been fully impaired at 31 December 2015 and 30 June 2016.

## 18. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

### (a) Trade and other receivables

	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
Trade receivables	8,496	10,639
Less: allowance for doubtful debts	<u>(487)</u>	<u>(487)</u>
	<u>8,009</u>	<u>10,152</u>
Loan receivables ( <i>Note</i> )	255,049	116,217
Less: allowance for doubtful debts	<u>(49,952)</u>	<u>(54,952)</u>
	<u>205,097</u>	<u>61,265</u>
Value added tax receivables	27,987	36,995
Other receivables	4,646	3,181
Receivable of fund management services income and financing income from a related party	<u>–</u>	<u>43,280</u>
	<u>32,633</u>	<u>83,456</u>
	<u><b>245,739</b></u>	<u><b>154,873</b></u>

*Note:*

The amount represents sixteen loans (31 December 2015: five loans) advanced to fifteen (31 December 2015: four) independent corporations at the end of the interim period.

As at 31 December 2014, two loans advanced to two independent corporations amounting to RMB40,000,000 during the year ended 31 December 2014 were unsecured and guaranteed by an independent financial guarantee company and indemnified by a major shareholder of the Company, bearing fixed interest rate of 16.8% per annum and repayable within one year. During the year ended 31 December 2015, the above two loans amounting to RMB40,000,000 had been renewed without guarantee and indemnification. The Group reviews the recoverable amount of these two loan receivables as at 31 December 2015, and considered that these two independent corporations were under severe financial difficulties. In the opinion of the directors of the Company, these amounts cannot be recovered and the remaining balances as at 31 December 2015 and 30 June 2016 amounting to RMB39,952,000 were fully impaired.

The remaining three loans receivables amounting to RMB22,568,000 as at 31 December 2014 were unsecured and bearing a fixed interest rate of 18% per annum which advanced to two independent corporations. Pursuant to the fund transfer agreement, these two independent corporations settled the loans with relevant interest total amounting to RMB24,000,000 directly to an independent corporation as new borrower in March 2015. The loan is unsecured, unguaranteed, bearing a fixed interest rate of 5.3% per annum and repayable within one year. The accrued interest income of the loan for the six months ended 30 June 2016 is RMB126,000 (six months ended 30 June 2015: Nil). During the six months ended 30 June 2016, the loan has been fully settled.

During the year ended 31 December 2015, other than the loan with principal amount of RMB24,000,000, another loan with principal amount of RMB33,300,000 was advanced to the same independent corporation, which is unsecured, unguaranteed, bearing fixed interest rate of 5.3% per annum and repayable within one year. The accrued interest income of the loan for the six months ended 30 June 2016 is RMB286,000 (six months ended 30 June 2015: Nil). During the six months ended 30 June 2016, the loan has been fully settled.

In January 2015, a loan of principal amount of RMB25,000,000 was advanced to an independent corporation, which is unsecured, unguaranteed and bearing a fixed interest rate of 1.8% per month and repayable in August 2015. In July 2015, the Group agreed with this independent corporation for extension of loan period to December 2015 and all the relevant interest has been fully settled as at 31 December 2015. In the opinion of the directors of the Company, the remaining loan receivable amounting to RMB15,000,000 as at 31 December 2015 cannot be recovered and was fully impaired. During the six months ended 30 June 2016, this independent corporation has settled the loan receivable amounting to RMB15,000,000 with interest amounting to RMB200,000 and the allowance for doubtful debts amounting to RMB5,000,000 has been reversed.

During the six months ended 30 June 2016, the Group advanced thirteen new loans (six months ended 30 June 2015: three new loans) to twelve (six months ended 30 June 2015: three) independent corporations with total principal amount of RMB206,450,000 (six months ended 30 June 2015: RMB65,000,000) which is unsecured, unguaranteed, bearing fixed interest rate of 4.8% per annum and repayable within one year. The accrued interest income of these loans for the six months ended 30 June 2016 is RMB2,647,000 (six months ended 30 June 2015: Nil). During the six months ended 30 June 2016, RMB4,000,000 has been repaid to the Group. Subsequent to the reporting period, the loans with their accrued interest amounting to RMB66,205,000 have been fully settled.

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:

	At <b>30 June</b> <b>2016</b> <i>RMB'000</i> <b>(unaudited)</b>	At 31 December 2015 <i>RMB'000</i> (audited)
0 to 30 days	<b>3,362</b>	9,194
31 to 90 days	<b>523</b>	87
91 to 365 days	<b>4,019</b>	745
Over 365 days	<b>105</b>	126
	<b>8,009</b>	10,152

(b) Deposits and prepayments

	At <b>30 June</b> <b>2016</b> <i>RMB'000</i> <b>(unaudited)</b>	At 31 December 2015 <i>RMB'000</i> (audited)
Deposits	<b>1,987</b>	2,014
Prepaid data fee	<b>10,087</b>	8,058
Prepaid rent	<b>816</b>	868
Prepaid network custody fee	<b>760</b>	490
Deposits for potential investments ( <i>Note</i> )	<b>149,109</b>	149,109
Others	<b>585</b>	1,685
	<b>163,344</b>	162,224
Less: Amounts shown under current assets	<b>(14,235)</b>	(13,115)
Amounts shown under non-current assets	<b>149,109</b>	149,109

*Note:*

The amount represents earnest money paid to a private company incorporated in Marshall Islands as escrow agent during the year ended 31 December 2014 in relation to a cooperation framework agreement entered into between the Company and Guangdong Agricultural Means of Production Company Corporation\* 廣東省農業生產資料總公司 (“Guangdong-agri Group”) regarding a possible capital injection by the Company in 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 Skyrise”), amounting to RMB149,109,000 and classified as a non-current asset as at 30 June 2016 and 31 December 2015. On 4 July 2016, the Company and Guangdong New Co-Op Skyrise entered into a cooperation agreement (the “Cooperation Agreement”) to establish a joint venture company (the “JV Company”), to engage in, among other things, electronic commerce and operation of the electronic trading platform. The Cooperation Agreement shall be effective from 4 July 2016 to 30 June 2026. Pursuant to the Cooperation Agreement, the initial registered capital of the JV Company will be RMB 100 million. New Co-Op Skyrise shall hold 51% interest, while the Company shall hold 49% interest in the JV Company and RMB49,000,000 would be transferred to the JV Company as capital injection.

Up to the date of these condensed consolidated financial statements were authorised for issuance, the directors of the Company are intended to inject the remaining earnest money paid amounting to RMB100,109,000 to the JV Company as capital injection and subject further negotiation with Guangdong New Co-Op Skyrise.

Details of the above are set out in the announcements of the Company dated 24 December 2014, 22 May 2015, 20 August 2015, 19 January 2016, 18 May 2016 and 4 July 2016.

\* *The English name is for identification purpose only*

## **19. STRUCTURED DEPOSITS**

The structured deposits as at 30 June 2016 represented deposits of RMB35,200,000 (31 December 2015: RMB16,000,000) denominated in RMB and were issued by banks in the PRC. The structured deposits carry interests at expected interest rate that range from 1.9% to 3% per annum (31 December 2015: 2.3% to 4.12% per annum), which are linked to the performance of the underlying money market instruments, debt and equity instruments, payable on maturity within one year from the date of purchase. The structured deposits are designated at fair value through profit or loss on initial recognition as they contain non-closely related embedded derivative. The directors considered the fair value of the structured deposits approximate its carrying value.

The structured deposits were fully redeemed in August 2016. The change in fair value up to the date of redemption were not significant.

No change in fair value for the structured deposits that have been matured is recognised for the six months ended 30 June 2016 and 2015 as the effect is not significant.

## 20. TRADE AND OTHER PAYABLES

	At 30 June 2016 <i>RMB'000</i> (unaudited)	At 31 December 2015 <i>RMB'000</i> (audited)
Trade payables	2,181	1,580
Salaries and bonus payables	6,314	19,128
Receipts in advance	1,780	1,136
Accruals	5,604	13,727
Other tax payables	25,975	26,196
Other payables	4,330	2,653
Payable for acquisition cost of China Coop Mengda	11,950	11,950
	<u>58,134</u>	<u>76,370</u>

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

	At 30 June 2016 <i>RMB'000</i> (unaudited)	At 31 December 2015 <i>RMB'000</i> (audited)
0 to 30 days	829	1,009
31 to 90 days	1,080	571
Over 90 days	272	–
	<u>2,181</u>	<u>1,580</u>

## 21. BANK BORROWINGS

During the six months ended 30 June 2016, the Group repaid bank loans of approximately RMB26,026,000 (six months ended 30 June 2015: RMB17,666,000). The loans carry interest at variable-rate at 4.51% to 5.7% per annum (six months ended 30 June 2015: 6.6% to 7.38% per annum). The loans are secured by the Group's finance lease receivables. The proceeds were mainly used in the finance leasing business and general banking capital for the Group for the six months ended 30 June 2016 and 2015.



## 22. DEFERRED REVENUE

	At 30 June 2016 <i>RMB'000</i> (unaudited)	At 31 December 2015 <i>RMB'000</i> (audited)
Amounts to be recognised as revenue within one year, classified as current liabilities	44,543	69,969
Amounts to be recognised as revenue after one year, classified as non-current liabilities	<u>41,066</u>	<u>20,221</u>
	<u><b>85,609</b></u>	<u><b>90,190</b></u>

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

## 23. SHARE CAPITAL

	Number of ordinary shares '000	Share capital <i>RMB'000</i>
Authorised:		
At 1 January 2015, 31 December 2015 and 30 June 2016		
– Ordinary shares of HK\$0.025 each	<u>4,000,000</u>	<u>106,510</u>
Issued and fully paid:		
At 1 January 2015 - Ordinary shares of HK\$0.025 each	1,453,971	34,863
Issuance of new shares ( <i>Note a</i> )	314,737	6,229
Issuance of shares upon exercise of warrants ( <i>Note b</i> )	291,281	5,742
Issuance of new shares ( <i>Note c</i> )	58,000	1,139
Exercise of share options ( <i>Note d</i> )	<u>5,270</u>	<u>109</u>
At 31 December 2015 and 30 June 2016		
– Ordinary shares of HK\$0.025 each	<u>2,123,259</u>	<u>48,082</u>

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

*Notes:*

- (a) Upon the completion of share placing and subscription by third parties and Parko on 6 February 2015, the Company issued 314,737,000 ordinary shares at the price of HK\$3.00 per share.
- (b) Upon the completion of unlisted warrants placement and subscription by third parties and Parko on 2 June 2015, the warrant holders are entitled to exercise the warrants to subscribe for shares of the Company at an exercise price of HK\$3.00 each. During the year ended 31 December 2015, 291,281,500 warrants were exercised and 291,281,500 shares were issued by the Company. Upon expired of the warrants on 2 June 2016, no warrants were exercised during the interim period.
- (c) Upon the completion of share placing to third parties on 23 June 2015, the Company issued 58,000,000 new shares at the price of HK\$4.25 per share.
- (d) On 2 April 2015, the Company granted 19,500,000 share options to the directors and the employees under the share option scheme as disclosed in Note 24. The option holders are entitled to exercise the options to subscribe the share of the Company at an exercise price of HK\$2.33 each after the vesting date. 5,270,000 share options were exercised during the year ended 31 December 2015 and no share options were exercised during the six months ended 30 June 2016.

#### **24. SHARE OPTION SCHEME**

The Company has adopted a share option scheme on 12 June 2014 to provide incentives and rewards to the directors and employees of the Group for their future contribution and to retain key and senior employees of the Group. The total number of options granted under the share option scheme was 19,500,000 on 2 April 2015. The directors and the employees under the share option scheme are required to complete the service period until the vesting date. The subscription price for the shares under the share option scheme is at HK\$2.33 determined with reference to the highest of (i) the closing price of HK\$2.33 per share as stated in the daily quotation sheets issued by the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on the date of grant; (ii) the average closing price of HK\$2.326 per share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of HK\$0.025 per share.

The fair value of these options at date of grant was amounting to HK\$15,592,000 (equivalent to RMB12,299,000), of which RMB2,495,000 (six months ended 30 June 2015: RMB4,302,000) was charged to the profit or loss for the six months ended 30 June 2016. The following table summarises information about the share options outstanding and exercisable for the six months ended 30 June 2016 and 2015.

## Six months ended 30 June 2016

Category of grantees	Date of grant	Exercise period	Exercise price per share HK\$	Number of share options				
				Outstanding at 1.1.2016	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 30.6.2016
Directors of the Company	2.4.2015	8.4.2015 - 7.4.2016	2.33	450,000	-	-	(450,000)	-
	2.4.2015	8.4.2016 - 7.4.2017	2.33	3,060,000	-	-	(450,000)	2,610,000
	2.4.2015	10.4.2017 - 6.4.2018	2.33	4,080,000	-	-	(600,000)	3,480,000
Employees of the Group	2.4.2015	8.4.2015 - 7.4.2016	2.33	40,000	-	-	(40,000)	-
	2.4.2015	8.4.2016 - 7.4.2017	2.33	2,700,000	-	-	-	2,700,000
	2.4.2015	10.4.2017 - 6.4.2018	2.33	3,600,000	-	-	-	3,600,000
Total				<u>13,930,000</u>	<u>-</u>	<u>-</u>	<u>(1,540,000)</u>	<u>12,390,000</u>
Exercisable at period end								<u>5,310,000</u>

## Six months ended 30 June 2015

Category of grantees	Date of grant	Exercise period	Exercise price per share HK\$	Number of share options		
				Outstanding at 1.1.2015	Granted during the period	Outstanding at 30.6.2015
Directors of the Company	2.4.2015	8.4.2015 - 7.4.2016	2.33	-	3,150,000	3,150,000
	2.4.2015	8.4.2016 - 7.4.2017	2.33	-	3,150,000	3,150,000
	2.4.2015	10.4.2017 - 6.4.2018	2.33	-	4,200,000	4,200,000
Employees of the Group	2.4.2015	8.4.2015 - 7.4.2016	2.33	-	2,700,000	2,700,000
	2.4.2015	8.4.2016 - 7.4.2017	2.33	-	2,700,000	2,700,000
	2.4.2015	10.4.2017 - 6.4.2018	2.33	-	3,600,000	3,600,000
Total				<u>-</u>	<u>19,500,000</u>	<u>19,500,000</u>
Exercisable at period end						<u>5,850,000</u>

No share option was exercised during the six months ended 30 June 2016 and 2015.

The fair value of the share options is measured by Black-Scholes Model, using the following assumption:

Share price (HK\$)	2.33
Exercise price (HK\$)	2.33
Risk-free rate	0.674%
Dividend yield	0%
Volatility	64.298%
Expiry date	7 April 2016, 7 April 2017, 6 April 2018
Suboptimal factor	3.0

## 25. SHARE AWARD SCHEME

During the year ended 31 December 2015, the Company established a Share Award Scheme (the “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 Scheme, existing shares of up to 10% of the issued share capital of the Company as at the date of adoption of the 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 selected grantees in accordance with the rules of the Scheme.

A selected grantee may be required to pay a grant price which represents a discount to the closing price of the shares on the date of granting the shares. In determining the grant price, the implementation committee shall take into account, among other things, the performance of the relevant selected grantee and/or his contributions to the Group of the Scheme and the market price of the shares at the date of granting the shares. The terms and conditions, including the vesting period, of any shares granted with grant price shall be subject to the rules of the Scheme.

During the year ended 31 December 2015, the Company repurchased 15,198,000 own shares amounting to RMB30,580,000 through its trustee and recognised in treasury shares reserve. No shares were granted to employees and other eligible persons under the Scheme during the six months ended 30 June 2016 and 2015.

## 26. WARRANTS

On 28 January 2015, the Company entered into a placing agreement with a placing agent, pursuant to which, the Company has conditionally agreed to issue and the placing agent has conditionally agreed to procure, on a best effort basis, not less than six places to subscribe for up to 141,463,000 warrants at an issue price of HK\$0.189 per warrant. The placing warrants will entitle the holders to subscribe for up to 141,463,000 new shares at an exercise price of HK\$3.0 per share (subject to adjustments). On the same date, the Company also entered into a subscription agreement with Parko, pursuant to which, the Company has conditionally agreed to issue and Parko has conditionally agreed to subscribe for up to 212,194,500 warrants at an issue price of HK\$0.189 per warrant. The subscription warrants will entitle the holders to subscribe for up to 212,194,500 new shares at an exercise price of HK\$3.0 per share (subject to adjustments).

Each warrant carries the right to subscribe for one warrant share within 12 months from the date of the issue of the warrants. 353,657,500 placing and subscription warrants are subsequently issued on 2 June 2015 at the price of HK\$0.189 per warrant. All the substantive conditions for the issue of the warrants were achieved on 13 May 2015.

The warrants were recognised at fair value, determined based on the valuations performed by an independent professional valuer using the Black-Scholes Model with the following key assumptions:

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

The warrants were measured at fair value of approximately HK\$608,400,000 (equivalent to RMB477,290,000) at the initial recognition, and were credited to warrant reserve. The excess of the fair value of the warrants over the consideration of issuance of warrants of approximately HK\$66,845,000 (equivalent to approximately RMB52,440,000) amounting to HK\$541,556,000 (equivalent to RMB424,850,000) was recognised as a loss in the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2015.

Warrants of 276,157,500 shares were exercised at the price of HK\$3.0 during the six months ended 30 June 2015 and were credited to share capital with an amount of approximately HK\$6,904,000 (equivalent to approximately RMB5,430,000). The excess of the exercise price over the par value, amounting to HK\$821,569,000 (equivalent to approximately RMB646,210,000) was recognised as share premium. Other than warrants of 15,124,000 shares were exercised in the second half of 2015, the remaining warrants of 62,376,000 shares were expired on 2 June 2016 and transferred approximately RMB83,852,000 from warrant reserve to accumulated losses.

## 27. CAPITAL COMMITMENT

	At 30 June 2016 <i>RMB'000</i> (unaudited)	At 31 December 2015 <i>RMB'000</i> (audited)
Capital expenditure in respect of the formation of subsidiaries contracted for but not provided in the condensed consolidated financial statements ( <i>Note a</i> )	<u>1,035,508</u>	<u>25,508</u>
Capital expenditure in respect of possible capital injection in joint operations authorised but not contracted for ( <i>Note b</i> )	<u>155,891</u>	<u>150,891</u>
Capital expenditure in respect of potential contribution to a subsidiary contracted for but not provided in the condensed consolidated financial statement ( <i>Note c</i> )	<u>141,700</u>	<u>141,700</u>
Capital expenditure in respect of very substantial acquisition authorised but not contracted for ( <i>Note d</i> )	<u>2,685,000</u>	<u>2,685,000</u>
Capital expenditure in respect of potential investment in Investment Fund authorised but not contracted for ( <i>Note e</i> )	<u>600,000</u>	<u>600,000</u>

Notes:

**(a) Formation of a subsidiary**

- i) On 21 March 2014, the Group, through a wholly-owned subsidiary of the Company, 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 Agricultural Consultancy Co., Ltd.\* 北京市國農泰豐農業諮詢有限公司 (“Beijing Guonong Taifeng”) in the PRC which engaged 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.

On 24 June 2016, Ever Harvest entered into a sale and purchase agreement (the “SPA”) with Xinyuan and pursuant to the SPA, Xinyuan agreed to sell and Ever Harvest agreed to acquire the remaining 29% equity interests in Beijing Guonong Taifeng. Upon completion of the transactions contemplated under the SPA, Beijing Guonong Taifeng shall become a wholly-owned subsidiary of Ever Harvest. Up to 30 June 2016, the Group paid RMB9,992,000 as cash capital contribution to Beijing Guonong Taifeng, thus, the capital commitment is amounting to RMB25,508,000 as at 30 June 2016 (31 December 2015: RMB25,508,000).

- ii) During the six months ended 30 June 2016, the Group, through its wholly-owned subsidiaries, incorporated three wholly-owned subsidiaries, called Guangzhou Linong Investment Management Consultancy Limited\* 廣州利農投資管理諮詢有限公司, Xinong Investment Consultancy (Shanghai) Limited\* 璽農投資諮詢(上海)有限公司 and China Co-op Fund Management (Shenzhen) Limited Company\* 中合國業基金管理(深圳)有限公司 with registered capital of RMB500,000,000, RMB500,000,000 and RMB10,000,000, respectively. The new incorporated subsidiaries are remained dormant during the six months ended 30 June 2016. Up to the end of the interim period, no capital injections were made by the Group to these new incorporated subsidiaries, thus, the capital commitment is amounting to RMB1,010,000,000 as at 30 June 2016.

Details of the above are set out in the Company’s announcement dated 23 March 2014 and 24 June 2016.

**(b) Possible capital injection**

- i) On 22 May 2015, the Company entered into a cooperation framework agreement with Guangdong-agri Group in relation to the possible capital injection (“Possible Capital Injection”) by the Company in Guangdong New Co-Op Skyrise up to RMB300,000,000.

On 20 August 2015, the Company, Guangdong-agri Group and Guangdong New Co-Op Skyrise entered into a supplemental framework agreement (the “Supplemental Framework Agreement”) to set out further arrangements in relation to the Possible Capital Injection.

Pursuant to the Fourth Supplemental Framework Agreement, the parties agreed to execute formal agreement on or before 30 June 2016 and shall complete the transactions on or before 30 September 2016.

As a result of the signing of a memorandum of understanding with Guangdong New Co-Op Skyrise in December 2014, the Company deposited an amount of RMB149,109,000 to an escrow agent mutually agreed by the Company and Guangdong New Co-Op Skyrise to hold the fund in escrow as earnest money of the possible investment. Considering the plan under the possible investment could be better achieved through the possible capital injection, the Company will proceed with the Possible Capital Injection instead of the possible investment.

Details of the above are set out in the Company's announcements dated 24 December 2015, 22 May 2015, 20 August 2015, 19 January 2016, 18 May 2016 and 4 July 2016.

- ii) During the six months ended 30 June 2016, the Group, through a wholly-owned subsidiary, Yi-Agri Investment Management (Shanghai) Company Limited\* 怡農投資管理(上海)有限公司 (“Yi-Agri Investment”), entered into an agreement with Sichuan Agricultural Means of Production Corporation\* 四川省農業生產資料總公司 (the “Sichuan Agricultural Joint Venture Agreement”), to form Sichuan Agricultural Group Electronic Commerce Limited\* 四川農資集團電子商務有限公司 (“Sichuan Agricultural Electronic”). Sichuan Agricultural Electronic is remained dormant since its establishment.

Pursuant to the Sichuan Agricultural Joint Venture Agreement, Yi-Agri Investment has conditionally agreed to make a cash capital contribution of RMB5,000,000 to Sichuan Agricultural Electronic, equivalent to 49% of the total registered capital of Sichuan Agricultural Electronic and has the right to appoint two out of five directors in the board of directors of Sichuan Agricultural Electronic. Up to the end of the interim period, no capital injections were made by the Group to Sichuan Agricultural Electronic, thus, the capital commitment is amounting to RMB5,000,000 as at 30 June 2016.

**(c) 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.

During the six months ended 30 June 2016 and 2015, no capital contribution were made to China Coop Mengda, thus, the capital commitment is amounting to RMB141,700,000 as at 30 June 2016 and 31 December 2015.

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

**(d) Potential very substantial acquisition**

On 11 January 2016, the Company entered into the sale and purchase agreement, pursuant to which the Company conditionally agreed to purchase (or procure its nominee(s) to purchase) the entire equity interest of the Target Company, at the consideration of RMB2,685,000,000 which will be satisfied as to RMB1,300,000,000 in cash and the remaining of RMB1,385,000,000 by the allotment and issue of the consideration shares at the issue price of HK\$3.2505 per consideration share by the Company.

On 30 June 2016, as additional time is required for the Company to finalise the information to be included in the circular, the despatch of the circular will be delayed to on or before 30 November 2016.

Details of the above are set out in the Company's announcements dated 11 January 2016, 29 February 2016, 31 March 2016 and 30 June 2016.

**(e) Potential investment in Investment Fund**

On 25 August 2015, the Company and Co-Op Fund Management entered into a framework cooperation agreement in relation to the possible cooperation between the Company and Co-Op Fund Management in establishment of the Investment Fund, the Company, as one of the general partners of the Investment Fund, shall make a capital contribution commitment in an amount not more than 3% of the total capital of the Investment Fund. As of 30 June 2016, the directors of the Company has authorised the contribution to the Investment Fund amounting to RMB600,000,000, after part of the contributions amounting to RMB250,000,000 has been transferred to Ao Yuan for the purpose of settling the earnest money regarding to the acquisition of 100% equity interest in the Target Company.

Details of the above are set out in the announcements of the Company dated 25 August 2015, 27 August 2015 and 31 December 2015.

\* *The English name is for identification purpose only*



## 28. RELATED PARTY DISCLOSURE

The Controlling Shareholder of the Company defined under the Listing Rules is Parko which is controlled by Hebei SMC which for administration and operation purposes is under the All China Federation of Supply and Marketing Cooperatives (“All China FSMC”) which in turn is under 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 related to All China FSMC and its subsidiaries (collectively referred as “All China FSMC Group”). The balances with Hebei SMC and its subsidiaries, All China FSMC Group and other PRC government-related financial institutions are disclosed below.

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

	At 30 June 2016 RMB’000 (unaudited)	At 31 December 2015 RMB’000 (audited)
Amounts due to non-controlling interests	<u>(322)</u>	<u>(322)</u>
Amounts due from related parties ( <i>Note 16</i> )	<u>24,000</u>	<u>1,820,380</u>
Receivable of membership registration fee, transaction handling fee and membership fee from a related party	<u>–</u>	<u>5,884</u>
Receivable of fund management services income and financing income from a related party ( <i>Note 18(a)</i> )	<u>–</u>	<u>43,280</u>
Finance lease receivable from a related party ( <i>Note 17</i> )	<u>29,168</u>	<u>34,424</u>

Amounts due to non-controlling interests and receivables of membership registration fee, transaction handling fee, membership fee, fund management services income and financing income from a related party are unsecured, interest-free and repayable on demand.

Finance lease receivable from a related party is guaranteed by an independent third party, with effective interest range from 6.94% to 6.98% and with lease term of three years.

**(b) Transaction with All China FSMC Group**

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(restated)</b>
Interest income from amounts due from related parties	<b>1,068</b>	–
Finance lease income	<b>1,104</b>	1,436
Membership registration fee	–	2,500
Transaction handling fee	–	25
Membership fee	–	2,487
Fund management service income ( <i>Note</i> )	–	8,221
Financing income ( <i>Note</i> )	–	73,767

*Note:*

During the six months ended 30 June 2015, the Group is entitled to receive fund management services income and financing income amounting to RMB8,221,000 (six months ended 30 June 2016: Nil) and RMB73,767,000 (six months ended 30 June 2016: Nil), respectively, from Party A, a company established in the PRC and the wholly owned subsidiary of All China Federation of Supply and Marketing Cooperatives\* 中華全國供銷合作總社, pursuant to a three parties joint cooperation agreement among the Company, Dalian Exchange and Party A. In view of the fact that Party A was the party which contracted with its customers and assumed all the substantial performance obligations for management services under the contracts and all the credit risks of the funds lent to the customers and provided all the associated capital for financing incomes, both management services income and financing income received by the Company from Party A, net of corresponding taxes, are recognised in equity as a deemed capital contribution.

**(c) Transactions with related parties of All China FSMC Group**

Three loans with principal amount of RMB26,000,000, RMB22,000,000 and RMB17,000,000 were advanced to three independent corporations, respectively, through Ao Yuan. The loans are unsecured, unguaranteed and bearing a fixed interest rate of 4.8% per annum and repayable within one year.

The Group advanced RMB9,000,000 to an independent corporation through Co-Op Fund Management as guarantor, which is unsecured, bearing a fixed interest rate of 4.8% per annum and repayable within one year.

Two loans with principal amount of RMB21,039,000 and RMB6,311,000 were advanced to two independent corporations, respectively, through Sino Agri International (Group) Limited 華農國際(集團)有限公司, a subsidiary of China Co-op, which are unsecured, unguaranteed, bearing a fixed interest rate of 4.8% per annum and repayable within one year.

**(d) Balances with other PRC government-related entities**

Apart from the balances with All China FSMC Group as disclosed in Notes 28(a) and (b), the Group has entered into various transactions in its ordinary course of business including bank balances, bank deposits and bank borrowings, with certain banks which are government-related entities.

**(e) The remuneration of key management personnel included directors' remuneration are as follows:**

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Salaries and other benefits	4,062	3,636
Share-based compensation	2,411	4,170
	<u>6,473</u>	<u>7,806</u>

**29. 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 held by 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 values	Fair value hierarchy	Valuation technique and key inputs	Relationship of unobservable inputs to fair value
Structured deposits	Bank deposits in the PRC with non-closely related embedded derivative: RMB35,200,000 as at 30 June 2016 (31 December 2015: RMB16,000,000).	Level 3	Discounted cashflows  Key unobservable inputs are: expected yields of money market instruments and debt instruments invested by bank and a discount rate that reflects the credit risk of the bank ( <i>Note</i> ).	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 structured deposits classified as Level 3 in current and prior year, as the amount involved is insignificant, and therefore no reconciliation of Level 3 fair value measurements is presented.

**(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 condensed consolidated financial statements approximate their fair values using discounted cash flow valuation technique.

**30. MAJOR NON-CASH TRANSACTION**

- (a) During the six months ended 30 June 2015, the Group used the proceeds from issue of shares, a cheque issued by a subsidiary of Hebei SMC (“Party B”) to the Group as the consideration for the shares issued to Parko amounting to RMB186,900,000 and placed directly to a PRC lawyer, as an earnest money for a potential investment in Ji Lin Agricultural Means of Production Co. Limited\* 吉林省農業生產資料股份有限公司.
- (b) During the six months ended 30 June 2015, the Group used the proceeds from issue of shares, a cheque issued by Party B to the Group as the consideration for the shares issued to Parko amounting to RMB200,000,000 to a PRC lawyer, as an earnest money for a potential investment in Dujiangyan City Modern Agricultural Development Investment Co., Limited\* 都江堰市現代農業發展投資有限公司 (“Dujiangyan Investment Co.”) for Chengdu West Agricultural Products Wholesale Market\* 成都西部農產品批發市場 with Dujiangyan Investment Co..
- (c) During the six months ended 30 June 2015, the Group used the proceeds from the issue and exercise of warrants, a cheque issued by Parko to Dongyue, for its subscription and exercise of the warrants to the Company amounting to RMB528,491,000, as an earnest money for a possible investment in an Investment Fund.

\* *The English name is for identification purpose only*

### 31. EVENTS AFTER REPORTING PERIOD

(a) **Cooperation agreement in relation to the formation of a joint venture with Guangdong New Co-Op Skyrise**

On 4 July 2016, the Company and Guangdong New Co-Op Skyrise entered into a Cooperation Agreement to establish a JV Company, to engage in, among other things, electronic commerce and operation of the electronic trading platform. The Cooperation Agreement shall be effective from 4 July 2016 to 30 June 2026. Pursuant to the Cooperation Agreement, the initial registered capital of the JV Company will be RMB100 million. New Co-Op Skyrise shall hold 51% interest, while the Company shall hold 49% interest in the JV Company.

Details of the above are set out in the Company's announcement dated 4 July 2016.

(b) **Continuing connected transactions - supplemental joint operation agreement**

On 13 July 2016, the Company entered into the supplemental joint operation agreement with Dalian Exchange, pursuant to which the Company shall provide, among others, fund management services to Dalian Exchange. Pursuant to the supplemental joint operational agreement, the renewed joint operation agreement shall be terminated with effect from the date of the supplemental joint operational agreement.

Details of the above are set out in the Company's announcement dated 14 July 2016.

(c) **Letter of intent in relation to formation of a joint venture with Dalian Exchange**

On 15 July 2016, the Company and Dalian Exchange entered into a letter of intent to establish a Joint Venture Company – Gongxiao (Dalian) Commodity Clearing Centre Company Limited\* 供銷(大連)商品清算中心有限公司 to jointly operate a clearing centre for bulk commodities in order to (i) provide a unified settlement and transaction risk controls for various factor markets and platforms of Dalian Exchange and/or bulk commodity exchanges and/or other exchanges; and (ii) promote the development of financial derivatives and the establishment of value-added financial service markets and rating standards (the "Possible Cooperation"). The parties are in the course of having discussions in relation to the Possible Cooperation. Up to the date of these condensed consolidated financial statements were authorised for issuance, no formal agreement has been entered into relating to the Possible Cooperation.

Details of the above are set out in the Company's announcement dated 15 July 2016.

\* *The English name is for identification purpose only*

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

#### *Macro-economy and the Group's Strategic Direction*

With the structural reforms, industry transformation and upgrade pushing forward, the PRC economy posed the uptrend of stability and growth in the first half of 2016, recording a GDP growth rate of 6.7%. The “Document NO. 1” released by the central government in January highlighted the speeding up of modernization of agricultural industry and promoting middle class, which reflected the State’s heightened focus on the concept of “strengthening agriculture to solidify economic foundation”. Apart from a series of new perspectives and measures, “Document NO. 1” also set forth certain new concepts for the first time, such as “New Concept of Development”, “Structural Reforms for the Agricultural Supply Side”, “Green Development for Agricultural Industry” and “Industrial Fusion as Means of Continual Rapid Increase of Income for Farmers”, which offer practical guidance to speeding up works on “Agriculture, Rural Areas and Farmers” and promotion of agricultural transformation and upgrade. In addition, the government published the “Notification on Roll-out of Three Subsidies Reform for Agricultural Industry” in May of this year, which announced the roll-out of the “Three Subsidies” reform from 2016, playing a positive role in promoting development of the agricultural industry and the rural areas.

During the period under review, riding on the Chinese government’s policies, the Group proactively pursued cooperation with quality partners including two rural capital financed supply and marketing cooperatives at province level from Sichuan and Guangdong provinces. The Group entered into cooperation agreements and founded joint ventures with Sichuan Agricultural Means of Production Group (四川省農資集團) and Guangdong New Co-Op Skyrise Investment Co., Ltd.\* (廣東新供銷天成投資有限公司) respectively. In July, the Group also entered into a letter of intent with Dalian Renewable Energy Exchange Company Limited\* (大連再生資源交易所有限公司), whose annual transaction amount for last year exceeded RMB1,000 billion. Pursuant to which, both parties intend to join efforts in the operation of Commodity Clearing Centre Company Limited, laying a sound foundation for future rapid growth of the two major in-house platforms, i.e. Agripay and China Agricultural Trading Platform, and consolidating the layout of the internet finance industry chain of the Group. At the same time, efforts were made to facilitate the steady growth of the Group’s three major businesses, namely “Rural Financial Services”, “Trading in Agricultural Means of Production” and “Urbanization Planning, Operating and Managing”.

Moreover, as the sole overseas-listed platform of the supply and marketing system under the direct supervision of the State Council, the Company benefits from full support by the supply and marketing system and the controlling shareholders. In addition to the proposed acquisition of equity interests in the indirect holding company of the Company by an enterprise under All China Federation of Supply and Marketing Cooperatives (中華全國供銷合作總社) to beneficially hold shares in the Company, Parko (Hong Kong) Limited, one of the controlling shareholders, also purchased additional shares in the Company for several times during the period under review, adding up to 270 million shares in total, which demonstrated the recognition of and full support for the Group's rural financial service strategy by the existing controlling shareholders, and also reiterated full confidence in the prospect of the layout of the internet finance industry chain of the Group.

### *Rural Financial Services*

Since launching in June 2015, "Agripay" aims to facilitate cash settlement for transactions involving agricultural means of production and major agricultural by-products, and helps users to reduce capital costs and improve trading efficiency. Looking back, the Group had launched Agripay version 2.0 in cooperation with Agricultural Bank of China, so as to optimize the payment and settlement capability of "Agripay" and upgrade the system. The Group also entered into a business cooperation agreement with Dalian Renewable Energy Exchange Company Limited under China Co-Op Group last year for cash sweep in the platform of Agripay System and the Group has been entrusted for discretionary management and operation of funds of the exchange. This not only reflected that the Agripay System was strongly supported by the companies within the system while further enhancing the corporate fund management and reducing the cost of idle funds, but the layout of the internet finance industry chain of the Group will also be further strengthened.

In order to promote the steady development of the cash sweep platform (i.e. the "Agripay System"), the Group, following its entering into a cooperation agreement with Sichuan Agricultural Means of Production Group in May, sealed a cooperation agreement with Guangdong New Co-Op Skyrise Investment Co., Ltd. under the Guangdong Supply and Marketing Cooperative (廣東省供銷社) in July 2016 to co-found an e-commerce joint venture. The strategic cooperation between both parties shall optimize and upgrade the existing payment and settlement capability of the "Agripay" system, facilitating the further development of the "Agripay" system while prospering the long-term development of the Group's fund management services involving the agricultural industry. Given that Guangdong province is one of the key areas for tea production and trading in China, thus another mission of the joint venture is to establish a tea-specific trading platform with international standards and warehousing facilities, and to promote the online transaction covering the entire industrial chain comprising tea production, trading and circulation.

### *Trading in Agricultural Means of Production*

The Group has been making strenuous efforts in promoting rapid development of the business. In response to the “One Belt One Road” policy, in January 2016, the Company entered into the official sale and purchase agreement to acquire the 100% equity interests in China Cooperation (Shanghai) Real Estate with the intention to acquire the Shanghai Trans-National Procurement Center and its related property held by it at a consideration of RMB2.685 billion. Situated at the Eastern starting point as defined by the “One Belt One Road” strategy, Shanghai Trans-National Procurement Center is the designated international merchandising trading platform under the policy of “One Belt One Road”. Leveraging the various advantages of Shanghai Trans-National Procurement Center, the Company expects the center can provide an ideal venue for achieving the comprehensive functions of the agricultural trading platform of the Group and seeks to develop the center into the exhibition center, trading center and big data collection center for the agricultural trading platform for processing, categorizing and using the transaction information of various industry peers, including important information such as transaction records and behavior, so as to improve the agricultural trading business of the Group as well as strengthen the layout of the internet finance industry chain of the Group.

During the period, the Group has successfully entered into cooperation agreements with several rural capital financed supply and marketing cooperatives at provincial level, laying a crucial foundation for overall expansion of its agricultural industry chain strategy. Among which, the Company entered into a cooperation agreement with Sichuan Agricultural Means of Production Group Company Limited (四川省農業生產資料集團有限公司) in May 2016. Pursuant to which, both parties planned to jointly establish an e-commerce joint venture for the development of an e-trading platform. Leveraging its advantage as the sole overseas-listed platform under the All China Federation of Supply and Marketing Cooperatives, the Company shall integrate block trade, mobile e-commerce trade and finance into the production, management and operation of Sichuan Agricultural Means of Production Group and its subsidiaries, so as to improve their operational efficiency and economic benefits, eventually improving their competitiveness. The joint venture has a diversified business portfolio including sales of fertilizers, pesticides, seeds, agricultural machinery and tools and agricultural-related chemical products, purchase and resale of agricultural by products, recycling and trade of waste and used materials, consultancy, financial and warehousing services. Subsequent to the period, the Group entered into another cooperation agreement with Guangdong New Co-Op Skyrise Investment Co., Ltd. under Guangdong Province Supply and Marketing Cooperatives in July to co-found an e-commerce joint venture, marking the second cooperation with a rural capital financed supply and marketing cooperative at provincial level during the year.



Furthermore, in order to seize opportunities arising from the booming buoyant development of various factor markets in China, the Group entered into a letter of intent with Dalian Renewable Energy Exchange Company Limited\* (大連再生資源交易所有限公司) in July 2016. Pursuant to which, both parties planned to establish a joint venture – Gongxiao (Dalian) Commodity Clearing Centre Company Limited\* (供銷(大連)商品清算中心有限公司) (the company name proposed by the parties), so as to provide a unified settlement and transaction risk controls for various factor markets and platforms of Dalian Renewable Energy Exchange Company Limited, bulk commodity exchanges and other exchanges, while promoting the development of financial derivatives and the establishment of value-added financial service markets and rating standards.

### *Urbanization Planning, Operating and Managing*

Information system construction has deeply penetrated into every aspect of social and economic development. The central government recently released the “Strategy Guidelines for National Information Systems”, which further revealed the strong demand for information system by economic development during the “13th Five-Year Plan”, and a mega trend to facilitate urbanization and supply-side structural reform by innovating e-commerce development model. In light of the above factors, following its entering into an agreement to make contribution to Guangdong New Co-Op Skyrise Investment Co., Ltd. and acquire 45% of its enlarged equity interests, the Company entered into further cooperation agreements with Guangdong New Co-Op Skyrise Investment Co., Ltd. and Sichuan Agricultural Means of Production Group to jointly establish an e-commerce joint venture, so as to expand the influence of its e-commerce platform and “Agripay” platform in various provinces, while extending its internet finance industry chain nationwide and promoting integration of information system with industrialization, urbanization, and agricultural modernization.

### **Outlook**

In 2016, the fiscal policy of the central government continued to provide support for the development of the agricultural industry. In addition to the implementation of the “Three Subsidies” for agricultural industry nationwide, the “Document No.1” released by the central government explicitly puts forward the proposal of speeding up development of e-commerce in rural areas, which demonstrates that internet finance will become an important innovative development model in the agricultural industry in the coming years and the supply and

marketing cooperative system will embrace a very bright future. As the sole overseas-listed platform in the supply and marketing cooperative system, the controlling shareholders place high hopes on our business model and future. Utilizing its advantages in its own capital, platform and channels, the Group will proactively explore agricultural trading platform and internet finance business through online and offline cooperation with the supply and marketing systems from various provinces. By entering into a letter of intent with Dalian Renewable Energy Exchange Co., Ltd. (“**Dalian Exchange**”) under China Co-Op Group to establish a clearing center, the Group will leverage on the advantages of Dalian Exchange in trading items and user base to promote the development of financial derivatives and the establishment of value-added financial service markets and rating standards, further improving our business scale and efficiency and creating lucrative long-term return for our shareholders.

As to online cooperation with the supply and marketing cooperatives from various provinces, the Group will focus on development of the e-commerce joint ventures jointly established with Sichuan Agricultural Means of Production Group and Guangdong New Co-Op Skyrise Investment Co., Ltd., among which, its cooperation with Sichuan Agricultural Means of Production Group has established the basic model for a win-win cooperation between the Company and the agricultural supply companies from various provinces. The Company will seize the favorable opportunity to expand such benchmark cooperation model to the remaining seven provinces, and will spare no efforts to promote the online cooperation with agricultural supply companies in the remaining provinces, with an aim to build “Online Operation with Agricultural Supply Companies in Eight Provinces” into the core competitiveness for the internet finance platform focused on agriculture, rural areas and farmers, building up a solid and extensive customer base and transaction volume for the in-house agricultural trading platform and “Agripay” finance platform.

In addition, the Group will embrace the opportunities to carry out offline cooperation with the supply and market cooperatives from various provinces. Leveraging on the advantages in finance, platform and channels of the Company and the supply and marketing cooperatives from various provinces as well as the favorable policy for the agricultural industry implemented by the government, and in response to the State Council’s call to speeding up construction of modernized rural operation and service system, the Group will join hands with quality enterprises under the supply and marketing cooperative system of various provinces to accelerate vertical and horizontal integration in areas such as agricultural supply and agricultural byproducts and invest in quality projects, so as to share the abundant results of agricultural economic development.

Riding on the rapid development of various factor markets and trading platforms in China, the Group will take proactive measures to operate the clearing center jointly established with Dalian Exchange, in an effort to developing it into a comprehensive service platform in the PRC to serve various factor markets and lead innovative development of the relevant financial business, so as to promote value-added financial services on the factor markets and establish credit-rating standards for the factor markets in China, making contribution to the healthy development of domestic factor markets and platform market and further improving its depth and profitability of its participation in rural financial services.

## **Financial Review**

For the six months ended 30 June 2016, the Group reported a turnover of RMB77,618,000, representing an increase of 6.1% as compared with the same period last year. Gross profit increased by 4.7% to RMB53,624,000. Loss attributable to owners of the Company was RMB18,641,000, compared to a loss of RMB441,410,000 in the same period last year. Basic and diluted loss per share was RMB0.88 cents, compared to basic and diluted loss per share of RMB25.29 cents in the same period last year.

The loss recorded for the six months ended 30 June 2016 was mainly attributable to the share of loss of an associate amounting to RMB14,286,000.

## **PERFORMANCE OF THE GROUP'S RURAL FINANCIAL SERVICES**

Leveraging on the national policies that are favorable for the development of agriculture, rural areas and farmers, the “internet finance industry chain” (互聯網金控產業鏈) strategic blueprint of the Group has come into shape in the first half of 2016. Regarding financial leasing businesses, China Coop Mengda plans to focus on the provision of general leasing of movable properties and financial leasing services to state-owned enterprises in China, large-scale corporations and enterprises under the supply and marketing cooperatives system supervised and directed by the All China Federation of Supply and Marketing Cooperatives. Areas in which China Coop Mengda is currently involved include leasing of machinery, production lines, information technology and equipment, power systems, elevators and air-conditioning systems.

Regarding internet financial services, the Group's "Agripay" capital management platform continued to run smoothly. By entering into the renewed joint operation agreement for a term from 2016 to 2018 with Dalian Renewable Energy Exchange, the Group will continue to provide intensive capital management and online supply chain financial services through its "Agripay" platform to Dalian Exchange and all of its online trading customers in the next three years, which demonstrated market recognition of the existing capital management mode and online financial services offered by "Agripay" and will become the main income resources of the Group in relation to internet finance for the next three years, including the membership registration fee, transaction handling fee, membership fee and (the most important) fund management fee and financing service fee incurred by all members of Dalian Exchange for online transactions. During the first half of the year, "Agripay" also focused on the improvement and optimisation of its own online financial product design, covering the design and optimisation of online intensive capital operation products and the design and optimisation of online supply chain financial products.

## **PERFORMANCE OF THE GROUP'S TRADING IN AGRO-PRODUCTS AND CONSOLIDATION OF AGRO-INDUSTRY**

In the first half year of 2016, leveraging on the strong support from Federation of Supply and Marketing Cooperatives and the supply and marketing cooperatives and Agricultural Means of Production Groups of various provinces, the Group's trading in agricultural means of production sector achieved breakthrough progress.

During the reporting period, the Group entered into the cooperation agreement with Sichuan Agricultural Means of Production Group to jointly establish a joint venture principally engaged in operation of e-commerce. The Special E-commerce Project of Sichuan Agricultural Means of Production run by the joint venture is a key project supported by Sichuan provincial government, which is in line with the government's overall strategic guideline of supporting the development of "agriculture, rural areas and farmers", innovating rural financial service model and aggressively developing e-commerce in rural area, enjoying many favorable policy supports. The mission of the joint venture is, based on the existing resources of Sichuan Agricultural Means of Production Group and combining its advantage as the sole overseas-listed platform of the Federation of Supply and Marketing Cooperatives and the resource advantage of the operating e-commerce platform, to establish an e-commerce platform operation center in Sichuan province for trading of bulk agricultural means of production and farm-products, with an aim to gradually improve comprehensive service functions of a large

number of existing sales points at the township level operated by Sichuan Agricultural Means of Production Group, gradually upgrade the e-commerce application of the existing core enterprises and operation networks under Sichuan Agricultural Means of Production Group, and gradually perfect the all-round supply chain system from raw material suppliers to end-users of Sichuan Agricultural Means of Production Group. Meanwhile, the joint venture will make good use of the e-commerce platform operation center to provide ancillary services such as supply chain financial services, rural financial service, logistics and warehousing services, information service and cross-border e-commerce trading services for all online clients, in order to build the rural e-commerce ecosphere that is suitable to the actual situation of Sichuan province and the characteristics of Sichuan Agricultural Means of Production Group.

During the reporting period, the Group also entered into the cooperation agreement with Guangdong New CO-OP Skyrise Investment Co., Ltd. under Guangdong Supply and Marketing Cooperatives to jointly establish a joint venture engaged in e-commerce, which aims to, based on the existing resources of Guangdong Supply and Marketing Cooperatives and tapping the upstream and downstream resources along the supply chain of Guangdong New CO-OP Skyrise Investment Co., Ltd. such as suppliers, enterprises, distributors, customers and offline business outlets, establish an e-commerce platform operation center in Guangdong province for trading of bulk agricultural means of production and farm products, so as to develop local member traders in Guangdong province, promote online transactions and provide online traders with value-added services such as supply chain optimization management and supply chain financing services. In addition, given that Guangdong province is also one of the key areas for production and trading of Chinese tea, the joint venture also aims to build a dedicated tea trading platform of international standard and the supervisory warehouse, and will spare no efforts in promoting online trading of the whole industrial chain from tea production, trading to logistics.

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

In the first half of 2016, with correction at bottom level in the PRC securities market, market demands for securities software were weakened. Under this backdrop, the Company adhered to the business philosophy of integrity and innovation, vigorously explored market demand, focused on product innovation and marketing innovation, and worked hard to win trust of the market and users by establishing a reliable and professional corporate image.

In the area of personal edition software products, through improvement of customer service quality, the Company has received market recognition. And based on the first-hand information of user needs gained from our services, the Group developed a number of new products in line with the current price and volume characteristics of the stocks, such as Wealth Matrix 3 (財富矩陣3) and Golden Stock Strategy (金股策略), achieving marvelous sales performance and building up outstanding reputation among users. Meanwhile, by launching a package of content services such as Stock Review Tip (複盤寶典) and the Video Centre, the Company provided better user experience on product trials, further consolidating its user base.

As for the software market in the US, by significantly upgrading sources of industry information to obtain real-time market data from the NASDAQ, Qianlong US Stocks Software (錢龍美股通軟體) has become the professional Chinese US stocks trading terminal with the updatest information and complete trading volume data of the US stocks, which has steadily expanded its user base and won good reputation among users. With further opening up and development of the capital market, Qianlong US Stocks product is expected to become a new source of income growth of Qianlong series of products.

In the Hong Kong software market, focusing on the concept of Shenzhen-Hong Kong Stock Connect, the Company developed a practice operation training platform with sophisticated functions to improve the users' operation capability through stimulated practice, with an aim to earn the trust of users on Qianlong Hong Kong Stocks market data terminal. The Company expanded its new user base at a steady pace while taking proactive measure to retain its existing users.

With respect to marketing, our network sales team continued to show a good momentum of development. Leveraging on a wide range of various marketing channels such as the SEO, Wechat, QQ, video and online celebrity, the Company managed to sustain stable sales performance in respect of the personal edition software products under a generally challenging stock market.

In the area of enterprise edition software products, in response to the business mode transformation of the securities companies, the Company sought for new growth driver by acquiring large companies. In particular, the all-in-one Qianlong Options Kit (錢龍期權寶) software which featured market data, strategy and trade execution continues to improve and upgrade, creating an excellent experience for professional option investors and its user reputation ranked top. In the future, as the options market gradually grows, Qianlong Option Kit will become a stable source of growth of our results.

Meanwhile, the Company continued to extend efforts in improving the functionality and scalability of Qianlong Securities Service Platform (錢龍證券服務平臺), which will enable the securities companies to provide quality services for the investors and adapt to precision marketing under the new circumstances. Currently, the number of contracted clients of Qianlong Securities Service Platform maintains a steady growth, giving the Company with a very optimistic sales prospect.

In the future, the Company will continue to increase its research and development and marketing efforts to fully develop the business department's onsite and Internet platforms, as well as the enterprise edition and personal edition products with great confidence. The aim is to turn the Qianlong series of products into a comprehensive securities information platform integrating market information/news/analysis/trading/services/management into an all-in-one software.

### **Administrative Expenses**

For the six months ended 30 June 2016, the Group's administrative expenses increased by 1.3% to RMB25,694,000, primarily due to the slightly increase in office expenses.

### **Working Capital and Financial Resources**

As at 30 June 2016, the Group's cash and cash equivalents amounted to RMB1,974,324,000 (31 December 2015: RMB265,291,000), representing an increase of 644.2%, which is mainly contributed by the refund of the earnest money together with the accrued interest from Ao Yuan and a subsidiary of Coopinvest Company Limited for a potential investment in an Investment Fund (Please find more details in Note 16 (a) and 16 (b)).

### **Major Investments**

#### *(i) Formation of A Joint Venture with Sichuan-agri Group*

On 6 May 2016, the Company entered into a cooperation agreement with Sichuan Agricultural Means of Production Group Company Limited\* (四川省農業生產資料集團有限公司) ("Sichuan-agri Group"), an independent third party of the Company, pursuant to which the parties agreed to establish a joint venture company in the People's Republic of China (the "PRC"), which will be held as to 51% by Sichuan-agri Group and 49% by the Company, respectively.

Details of the above are set out in the Company's announcement dated 6 May 2016.

\* *The English name is for identification purpose only.*



(ii) *Third and fourth supplemental agreement in relation to a possible investment in Guangdong New Co-Op Skyrise*

References are made to the announcements of the Company dated 24 December 2014, 22 May 2015, 20 August 2015, 30 September 2015 and 19 January 2016 in relation to the possible capital injection by the Company in Guangdong New Co-Op Skyrise Investment Co., Ltd.\* (廣東新供銷天成投資有限公司) (“New Co-Op Skyrise”). Pursuant to the Third Supplemental Framework Agreement dated 19 January 2016 (the “Third Supplemental Framework Agreement”), the parties agreed to finalize the terms of Possible Capital Injection (the “Possible Capital Injection”) and enter into a formal agreement on or before 31 March 2016. As more time is required to finalize the terms and arrangement of the Possible Capital Injection, the parties entered into a fourth supplemental framework agreement on 18 May 2016 (the “Fourth Supplemental Framework Agreement”), pursuant to which the parties agreed to enter into a formal agreement on or before 30 June 2016 and shall complete the transactions on or before 30 September 2016.

Details of the above are set out in the Company’s announcements dated 19 January 2016 and 18 May 2016.

(iii) *Formation of A Joint Venture with Guangdong New Co-Op Skyrise*

On 4 July 2016 (after trading hours), the Company and Guangdong New Co-Op Skyrise, entered into a cooperation agreement (the “Cooperation Agreement”) to establish a joint venture enterprise (the “JV Company”), to engage in, among other things, electronic commerce and operation of the electronic trading platform. The Cooperation Agreement shall be effective from 4 July 2016 to 30 June 2026.

Details of the above are set out in the Company’s announcements dated 4 July 2016.

(iv) *Acquisition of 29% Equity Interests in Beijing Guonong Taifeng Agricultural Consultancy Co., Ltd.*

On 24 June 2016, Ever Harvest Inc. Limited (禾恒有限公司) (“Ever Harvest”), a wholly owned subsidiary of the Company, entered into a sale and purchase agreement (the “SPA”) 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 Taifeng”), a



minority shareholder of Beijing Guonong Taifeng Agricultural Consultancy Co., Ltd. (北京市國農泰豐農業諮詢有限公司) (“Guonong Taifeng”). Pursuant to the SPA, Xinyuan Taifeng agreed to sell and Ever Harvest agreed to acquire 29% equity interests in Guonong Taifeng. Upon completion of the transactions contemplated under the SPA, Guonong Taifeng shall become a wholly owned subsidiary of Ever Harvest.

Details of the above are set out in the Company’s announcement dated 24 June 2016.

### **Gearing Ratio**

As at 30 June 2016, the Group’s total gearing ratio (total borrowings divided by total equity) was approximately 3% (31 December 2015: approximately 4%). The Group’s assets were not subject to any charges or mortgages.

### **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. Certain capital transactions as described under “Working Capital and Financial Resources” are denominated in Hong Kong dollars. The Group considered the exchange rate fluctuation exposure is small and no financial instruments have been used for hedging purposes.

### **Employment and Remuneration Policies**

The total number of staff of the Group as at 30 June 2016 was 512 (2015: 394). The Group offers a remuneration package by reference to prevailing market conditions and performance, qualifications and experience of individual employees. Other benefits for employees include retirement benefit, provident fund and medical insurance scheme. For the six months ended 30 June 2016, the total cost for staff (including salary, bonus and other welfare) was RMB47,644,000 (2015: RMB48,102,000), representing a decrease of 1% as compared to the same period of 2015.

As at 30 June 2016, the Company had not granted any share award.

### **Contingent liabilities**

The Group did not have any significant contingent liabilities as at 30 June 2016.

\* *The English name is for identification purpose only.*

## **Important Events after 30 June 2016**

*(a) Cooperation agreement in relation to the formation of a joint venture with Guangdong New Co-Op Skyrise*

On 4 July 2016, the Company and Guangdong New Co-Op Skyrise entered into a cooperation agreement (the “Cooperation Agreement”) to establish a joint venture company (the “JV Company”), to engage in, among other things, electronic commerce and operation of the electronic trading platform. The Cooperation Agreement shall be effective from 4 July 2016 to 30 June 2026. Pursuant to the Cooperation Agreement, the initial registered capital of the JV Company will be RMB 100 million. New Co-Op Skyrise shall hold 51% while the Company shall hold 49% equity interest in the JV Company.

Details of the above are set out in the Company’s announcement dated 4 July 2016.

*(b) Continuing connected transactions - supplemental joint operation agreement*

On 13 July 2016, the Company entered into the Supplemental Joint Operation Agreement with Dalian Exchange, pursuant to which the Company shall provide, among others, fund management services to Dalian Exchange. Pursuant to the Supplemental Joint Operation Agreement, the renewed joint operation agreement dated 20 January 2016 was terminated with effect from the date of the Supplemental Joint Operation Agreement.

Details of the above are set out in the Company’s announcement dated 14 July 2016.

*(c) Letter of intent in relation to formation of a joint venture with Dalian Exchange*

On 15 July 2016, the Company and Dalian Exchange entered into a letter of intent (the “LOI”) to establish a joint venture enterprise – Gongxiao (Dalian) Commodity Clearing Centre Company Limited\* 供銷(大連)商品清算中心有限公司 (“Gongxiao Clearing Centre”), to jointly operate a clearing centre for bulk commodities in order to (i) provide a unified settlement and transaction risk controls for various factor markets and platforms of Dalian Renewable Energy Exchange and/or bulk commodity exchanges and/or other exchanges; and (ii) promote the development of financial derivatives and the establishment of value-added financial service markets and rating standards (the “Possible Cooperation”). As at the date of this announcement, the parties are still in the course of having discussions in relation to the Possible Cooperation, and no formal agreement has been entered into relating to the Possible Cooperation.

Details of the above are set out in the Company’s announcement dated 15 July 2016.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Save as disclosed above, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's securities for the six months ended 30 June 2016.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company has adopted the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The deviation from the Corporate Governance Code during the six months ended 30 June 2016 are set out below:

<b>Code</b>	<b>Deviation</b>	<b>Explanation</b>
C.1.2	Management accounts were not provided to all members of the Board on a monthly basis.	According to Code Provision C.1.2 of the Corporate Governance Code, management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the listed company's performance, position and prospects. In view of the nature of the Company's business, the Board considers that management accounts and business updates prepared at quarterly intervals to the Board is sufficient to serve the said purposes. Management shall continue to review the need to provide monthly updates to the Board.

Save as the aforesaid, the Company has applied the principles of and complied with all applicable code provisions of the Corporate Governance Code during the six months ended 30 June 2016.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. All Directors have confirmed, following specific enquiry made by the Company, that they have complied with the Model Code throughout the six months ended 30 June 2016.

## **AUDIT COMMITTEE**

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

The interim results of the Group for the six months ended 30 June 2016 are unaudited and have not been reviewed by the auditor of the Company. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the condensed consolidated financial statements for the six months ended 30 June 2016.

## **APPRECIATION**

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

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

The interim results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the Company's website at [www.natagri.com.hk](http://www.natagri.com.hk).

The interim report will be despatched to the shareholders of the Company and available on the website of the Stock Exchange and that of the Company in due course.

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

Hong Kong, 31 August 2016

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