

THE CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **National Agricultural Holdings Limited**, you should at least once hand this circular together with the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



NATIONAL AGRICULTURAL HOLDINGS LIMITED
國農控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1236)

MAJOR TRANSACTION
CAPITAL CONTRIBUTION AGREEMENT

A letter from the Board is set out on pages 4 to 15 of this circular.

24 October 2014

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	4
Appendix I – Financial Information of the Group	16
Appendix IIA – Accountant’s Report of China Coop Mengda for the period ended 30 April 2014	18
Appendix IIB – Accountant’s Report of China Coop Mengda for the year ended 31 December 2012 and 2013	46
Appendix III – The Unaudited Pro Forma Financial Information	70
Appendix IV – General Information	76

DEFINITIONS

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

“All China Federation”	All China Federation of Supply and Market Cooperatives* (中華全國供銷合作總社), an institutional organisation under the State Council of the Central People’s Government of the PRC
“Articles”	the existing memorandum and articles of association of the Company
“Board”	the board of Directors
“Capital Contribution”	the proposed further capital contribution to be made by Ever Harvest to China Coop Mengda within the range of RMB200,000,000 to RMB391,124,000 under the Capital Contribution Agreement
“Capital Contribution Agreement”	the capital contribution agreement entered into between Ever Harvest and China Coop Mengda dated 14 August 2014 in relation to the Capital Contribution
“Capital Contribution Determination Date”	the date which shall be not later than 30 days after the fulfilment of the condition precedent of the Capital Contribution Agreement that Ever Harvest having obtained the necessary funding for the Capital Contribution, by which the final amount of capital contribution to be made by Ever Harvest into China Coop Mengda shall be agreed upon between Ever Harvest and China Coop Mengda
“China Coop Mengda”	China Coop Financial Leasing Co., Ltd* (中合盟達融資租賃有限公司), a limited liability company established in the PRC on 17 August 2012
“Company”	National Agricultural Holdings Limited (國農控股有限公司), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Ever Harvest”	Ever Harvest Inc Limited (禾恒有限公司), a limited company incorporated in Hong Kong and a wholly-owned subsidiary of the Company

DEFINITIONS

“Group”	collectively, the Company and its subsidiaries from time to time
“Hebei AMP”	Hebei Agricultural Means of Production Company Limited* (河北省農業生產資料有限公司), a company established in the PRC
“Hebei New Cooperation”	Hebei New Cooperation Group Holdings Limited* (河北省新合作控股集團有限公司), a company established in the PRC
“Hebei SMC”	Hebei Supply and Marketing Cooperative* (河北省供銷合作總社), Parko’s ultimate controlling shareholder and an institutional organisation of the People’s Government of Hebei Province of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Initial Capital Contribution”	the initial capital contribution made by Ever Harvest into China Coop Mengda in the amount of RMB70 million on 4 June 2014 pursuant to the joint venture agreement dated 21 March 2014 entered into among Ever Harvest and the Other Shareholders (for further details, please refer to the circular of the Company dated 6 June 2014)
“JV Agreement”	the joint venture agreement dated 21 March 2014 entered into among Ever Harvest and the Other Shareholders
“Latest Practicable Date”	23 October 2014, being the latest practicable date prior to printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Million Rich”	Million Rich Hong Kong Holdings Limited, a limited company incorporated in Hong Kong

DEFINITIONS

“Other Shareholders”	shareholders of China Coop Mengda other than Ever Harvest, namely Coopinvest Company Limited* (中合聯投資有限公司), 789 Investments Limited, Shangdong Jindu Dazhan Group Company Limited* (山東金都大展集團有限公司) and Hebei Mingde Machinery Limited Liability Company* (河北銘德機械有限責任公司)
“Parko”	Parko (Hong Kong) Limited, a limited company incorporated in Hong Kong
“PRC” or “China”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong) as amended from time to time
“Share(s)”	ordinary share(s) of HK0.025 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

* for identification purpose only

LETTER FROM THE BOARD



NATIONAL AGRICULTURAL HOLDINGS LIMITED 國農控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1236)

Executive Directors:

Mr. Chen Li-Jun (*Chairman*)

Mr. Ren Hai

Mr. Peng Guojiang

Mr. Zhang Yuliang

Ms. Wen Yuanyi

Mr. Liu Yong

Independent Non-executive Directors:

Ms. Chiu Kam-Hing Kathy

Mr. Ting Tit Cheung

Mr. Shum Wan Lung

Mr. Law Yee Kwan Quinn

Registered office:

P.O. Box 309, Uglan House

Grand Cayman, KY1-1104

Cayman Islands

*Head office and principal place of business
in Hong Kong:*

Suites 1604-5, Prudential Tower,

Harbour City, 21 Canton Road,

Tsimshatsui, Kowloon, Hong Kong

24 October 2014

To the Shareholders

Dear Sir/Madam,

MAJOR TRANSACTION CAPITAL CONTRIBUTION AGREEMENT

INTRODUCTION

Reference is made to the announcement of the Company dated 14 August 2014 in which the Board announced that the Group entered into the Capital Contribution Agreement dated 14 August 2014 with China Coop Mengda.

Pursuant to the Capital Contribution Agreement, Ever Harvest has conditionally agreed to make further capital contribution to China Coop Mengda an amount within the range of RMB200,000,000 to RMB391,124,000. The final amount of Capital Contribution is to be determined by Ever Harvest and China Coop Mengda on the Capital Contribution Determination Date.

LETTER FROM THE BOARD

On 14 August 2014, Parko, the controlling Shareholder which held 677,438,392 Shares, representing approximately 51.00% of the issued share capital of the Company had given a written certificate to the Company to approve the Capital Contribution in lieu of holding a general meeting in accordance with Rule 14.44 of the Listing Rules. Accordingly, the written certificate of Parko will be relied on in lieu of holding a general meeting for approving the Capital Contribution.

The purposes of this circular is to provide you with, among other things, (i) further information on the Capital Contribution; (ii) certain relevant financial information of the Group; and (iii) the accountant's report of China Coop Mengda.

THE CAPITAL CONTRIBUTION

The details of the Capital Contribution Agreement are as follow:

- Date: 14 August 2014
- Parties: (i) Ever Harvest
(ii) China Coop Mengda

Pursuant to the Capital Contribution Agreement, 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. The final amount of Capital Contribution is to be determined by Ever Harvest and China Coop Mengda on the Capital Contribution Determination Date.

The current registered capital of China Coop Mengda is RMB170 million. Subject to the fulfilment of the conditions precedent of the Capital Contribution Agreement, the Capital Contribution shall be made by Ever Harvest which will be recognised as registered capital of China Coop Mengda, and the registered capital of China Coop Mengda will be increased accordingly.

The obligation of Ever Harvest to make the Capital Contribution is conditional upon:

- (i) the approval of the Capital Contribution by the board of directors of Ever Harvest;
- (ii) Ever Harvest having obtained necessary funding for the Capital Contribution;
- (iii) the approval of the Capital Contribution and increase in registered capital by the Other Shareholders and the execution of ancillary documents in relation to the Capital Contribution and the increase in registered capital;

LETTER FROM THE BOARD

- (iv) the approval of the Capital Contribution and the increase in registered capital by the board of directors of China Coop Mengda; and
- (v) the approval of the Capital Contribution and the increase in registered capital by the approval authorities and the issuance of new business licence to China Coop Mengda.

As at the Latest Practicable Date, save as conditions (iii), (iv) and (v) which are not expected to be waived by China Coop Mangda, all the conditions precedent set forth above had been fulfilled.

If any of the conditions precedent under the Capital Contribution Agreement is not fulfilled on or before 14 February 2015 (or such other date as Ever Harvest and China Coop Mengda may agree in writing), the Capital Contribution Agreement shall terminate and all obligations of each of the parties shall cease and no party shall have any claim against the other party in respect of the Capital Contribution Agreement.

The Capital Contribution was determined after arm's length negotiation between Ever Harvest and China Coop Mengda and with reference to the funding needs of China Coop Mengda. Capital Contribution shall be paid in cash within 60 days after obtaining the approval of the Capital Contribution and the increase in registered capital by the approval authorities and the issuance of new business licence to China Coop Mengda.

The Directors are of the view that the terms of the Capital Contribution Agreement are on normal commercial terms and are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

INFORMATION OF CHINA COOP MENGDA

China Coop Mengda was established in the PRC on 17 August 2012 with limited liability. China Coop Mengda is principally engaged in financial leasing, general leasing business, acquisition of leasing properties, treatment and maintenance of leasing properties and the provision of consultancy and guarantee in leasing transactions.

Financial leasing business of China Coop Mengda

China Coop Mengda purchases assets from its customers (or supplier designated by its customers) in cash and lease it back to its customers immediately afterwards in return for an one-off administration fee and quarterly finance lease payments payable by its customers over a pre-agreed lease period according to the terms of contract entered with each customer. Its customer will continue to have custody and the right to use of the asset throughout the lease period. At the end of the lease period, the title of ownership of the asset will be transferred back to its customer at a specified nominal consideration. China Coop Mengda would enter into a lease agreement with the lessee which normally would set out the lease term, repayment term and certain obligations of the lessee such as the lessee shall be responsible for the proper usage and maintenance of the leased asset at its own costs. China Coop Mengda would also require some lessees to provide corporate or

LETTER FROM THE BOARD

personal guarantee in respect of the performance of the payment obligation of the lessee under the finance lease transaction.

The principal marketing strategies of China Coop Mengda include referrals and sourcing of customers by its sales team. After receiving an application for finance lease services, China Coop Mengda would conduct preliminary assessment on the applicant including reviewing the business licence, articles and financial statements provided by the applicant. If China Coop Mengda is satisfied with the application after the preliminary assessment, it will perform an in-depth due diligence on the applicant. Due diligence on the applicant generally includes gaining a thorough understanding of the applicant's business, projects, production process, assets and liabilities, cash flows, source of funds for payment or payment, intended usage of the loan or proceeds, credit history as well as assessing the significance of the loan to the applicant. When the due diligence is completed, the approval committee of China Coop Mengda would review the due diligence findings and consider whether to approve the application. Each financial lease transaction undertaken by China Coop Mengda is subject to the monitoring of credit risk by a designated risk committee. The lease period is normally in the range of 36 to 60 months.

As at the Latest Practicable Date, the total amount of financing granted by China Coop Mengda was approximately RMB121 million, which involved leasing of machinery, production lines, IT equipment, powering systems, elevators and air-conditioning systems.

General leasing business of China Coop Mengda

The business model of the general leasing business of China Coop Mengda is similar to its financial leasing business, with the exception that China Coop Mengda will not transfer the title of ownership of the asset to the lessee at the end of the lease period. As at the Latest Practicable Date, the total amount of general leasing projects of China Coop Mengda amounted to approximately RMB93 million, which mainly involved leasing of IT equipment.

The target market of both financial leasing business and general leasing business of China Coop Mengda is the entire PRC. It will focus on developing its business in Shanghai and Jiangxi Province of the PRC at the initial stage. China Coop Mengda plans to focus on the provision of general leasing of movable properties and financial leasing to PRC state-owned enterprises and the enterprises of the supply and marketing cooperatives (供销社) which are under the supervision and guidance of the All China Federation. As at the Latest Practicable Date, the total amount of leasing projects that China Coop Mengda was negotiating amounted to approximately RMB3 to RMB4 billion.

China Coop Mengda principally finances its business through capital contribution from shareholders, borrowings from banks and profits generated from its operations. Ever Harvest entered into the JV Agreement with the Other Shareholders on 21 March 2014, pursuant to which Ever Harvest agreed to make the Initial Capital Contribution to China Coop Mengda in cash. Ever Harvest had made the Initial Capital Contribution in full on 4 June 2014 pursuant to the JV Agreement and held approximately 41.18% interest in China

LETTER FROM THE BOARD

Coop Mengda after the completion of the Initial Capital Contribution. Upon completion of the Initial Capital Contribution, China Coop Mengda has become an indirect non-wholly owned subsidiary of the Company and the financial information of China Coop Mengda has been consolidated into the consolidated financial statements of the Company. For further details of the JV Agreement and the basis of the consolidation of the financial information of China Coop Mengda into the consolidated financial statements of the Company upon completion of the Initial Capital Contribution, please refer to the circular of the Company dated 6 June 2014.

Assuming that none of the Other Shareholders will make any further capital contribution into China Coop Mengda, the shareholding structure of China Coop Mengda immediately before and after the completion of the Capital Contribution is set out below:

Name of shareholder	Immediately before completion of the Capital Contribution		Immediately after completion of the Capital Contribution (based on minimum capital contribution of RMB200,000,000)		Immediately after completion of the Capital Contribution (based on maximum capital contribution of RMB391,124,000)	
	Amount of capital contribution made (RMB million)	Approximate percentage of interest in China Coop Mengda (%)	Amount of capital contribution made (RMB million)	Approximate percentage of interest in China Coop Mengda (%)	Amount of capital contribution made (RMB million)	Approximate percentage of interest in China Coop Mengda (%)
Ever Harvest	70.00	41.18	270.00	72.97	461.12	82.18
Coopinvest Company Limited*	45.75	26.91	45.75	12.36	45.75	8.15
789 Investments Limited	20.40	12.00	20.40	5.51	20.40	3.64
Shangdong Jindu Dazhan Group Company Limited*	17.00	10.00	17.00	4.59	17.00	3.03
Hebei Mingde Machinery Limited Liability Company*	16.85	9.91	16.85	4.55	16.85	3.00
Total	170.00	100.00	370.00	100.00	561.12	100.00

According to the audited financial statements of China Coop Mengda, the net asset value of China Coop Mengda was approximately RMB98.9 million as at 30 April 2014. The

LETTER FROM THE BOARD

following table shows the (i) audited results of China Coop Mengda for the period from 17 August 2012 (date of establishment) to 31 December 2012 and for the year ended 31 December 2012, and (ii) unaudited results of China Coop Mengda for the four months ended 30 April 2013 and the audited results of China Coop Mengda for the four months ended 30 April 2014 as extracted from the accountants' report of China Coop Mengda.

	For the period from 17 August 2012 (date of establishment) to 31 December 2012 (RMB '000)	For the year ended 31 December 2013 (RMB '000)	For the four months ended 30 April 2014 (RMB '000)	For the four months ended 30 April 2013 (RMB '000) (unaudited)
Net (loss) profit before tax and extraordinary items	(13)	3,215	2,257	105
Net (loss) profit after tax and extraordinary items	(13)	2,399	1,683	79

MANAGEMENT DISCUSSION AND ANALYSIS ON CHINA COOP MENGDA

The following discussion and analysis should be read in conjunction with the financial information of China Coop Mengda (i) for the period ended 30 April 2014, as set out in Appendix IIA of this circular and (ii) for the year ended 31 December 2012 and 2013, as set out in Appendix IIB of this circular.

Liquidity, financial position and capital structure

During the four months ended 30 April 2013, China Coop Mengda funded its operation mainly by proceeds from capital contribution from equity owners. As at 30 April 2013, the cash and cash equivalents were approximately RMB10,609,000.00, and the bank borrowings were nil. The cash and cash equivalents were held in RMB.

During the four months ended 30 April 2014, China Coop Mengda funded its operation mainly by repayment from equity owners and bank borrowing. As at 30 April 2014, the cash and cash equivalents were approximately RMB6,662,000.00, and the bank borrowing was RMB22,655,000.00. The cash and cash equivalents were held in RMB.

During the period from 17 August 2012 (date of establishment) to 31 December 2012, China Coop Mengda funded its operation mainly by proceeds from capital contribution from equity owners. As at 31 December 2012, the cash and cash equivalents were approximately RMB37,000.00, and the bank borrowings were nil. The cash and cash equivalents were held in RMB.

During the year ended 31 December 2013, China Coop Mengda funded its operation mainly by repayment from equity owners. As at 31 December 2013, the cash and cash equivalents were approximately RMB9,295,000.00, and the bank borrowings were nil. The cash and cash equivalents were held in RMB.

LETTER FROM THE BOARD

As at 31 December 2012, the current assets and current liabilities of China Coop Mengda were approximately RMB74,987,000 and nil, respectively. Current assets of China Coop Mengda as at 31 December 2012 comprise mainly of amounts due from equity owners. The current ratio, represented by current assets as a percentage of current liabilities, was nil as at 31 December 2012.

As at 31 December 2013, the current assets and current liabilities of China Coop Mengda were approximately RMB19,918,000 and RMB944,000, respectively. Current assets of China Coop Mengda as at 31 December 2013 comprise mainly of finance lease receivables as well as cash and cash equivalents, and current liabilities of China Coop Mengda as at 31 December 2013 comprise mainly of tax liabilities. The current ratio, represented by current assets as a percentage of current liabilities, was 21.10 times.

As at 30 April 2014, the current assets and current liabilities of China Coop Mengda were approximately RMB29,385,000 and RMB7,751,000, respectively. Current assets of China Coop Mengda as at 30 April 2014 comprise mainly of finance lease receivables, cash and cash equivalents and deposits, prepayments and other receivables, and current liabilities of China Coop Mengda as at 30 April 2014 comprise mainly of bank borrowing. The current ratio, represented by current assets as a percentage of current liabilities, was 3.79 times.

As at 31 December 2012, China Coop Mengda's total assets and total liabilities amounted to approximately RMB74,987,000 and nil, respectively. The gearing ratio, represented by total liabilities as a percentage of total assets, was nil as at 31 December 2012.

As at 31 December 2013, China Coop Mengda's total assets and total liabilities amounted to approximately RMB97,764,000 and RMB944,000, respectively. The gearing ratio, represented by total liabilities as a percentage of total assets, was 0.97% as at 31 December 2013.

As at 30 April 2014, China Coop Mengda's total assets and total liabilities amounted to approximately RMB122,127,000 and RMB23,187,000, respectively. The gearing ratio, represented by total liabilities as a percentage of total assets, was 18.99% as at 30 April 2014.

Revenue

In terms of finance lease income arising from finance leasing business in the PRC, China Coop Mengda generated approximately RMB1.02 million and RMB2.98 million finance lease income for the four months ended 30 April 2013 and 30 April 2014, respectively. The reason for the increase was an increase in business projects.

In terms of finance lease income arising from finance leasing business in the PRC, China Coop Mengda did not generate any finance lease income for the period from 17 August 2012 (date of establishment) to 31 December 2012 and it generated approximately RMB5.28 million finance lease income for the year ended 31 December 2013.

LETTER FROM THE BOARD

Other income

China Coop Mengda recorded interest income of approximately RMB1,000 and RMB6,000 for the four months ended 30 April 2013 and 30 April 2014, respectively.

China Coop Mengda recorded interest income of approximately RMB5,000 and approximately RMB12,000 for the period from 17 August 2012 (date of establishment) to 31 December 2012 and for the year ended 31 December 2013, respectively, and it also recorded a gain of approximately RMB81,000 for the year ended 31 December 2013 as a result of the compensation income from cancellation of lease contract.

Administrative expenses

China Coop Mengda incurred administrative expenses of approximately RMB609,000 and RMB720,000 for the four months ended 30 April 2013 and 30 April 2014, respectively. The increase of administrative expenses in four months ended 30 April 2014 was mainly due to the increasing number of employees in China Coop Mengda.

China Coop Mengda incurred administrative expenses of approximately RMB18,000 and RMB2,483,000 for the period from 17 August 2012 (date of establishment) to 31 December 2012 and for the year ended 31 December 2013, respectively. The increase of administrative expenses in 2013 was mainly due to the increasing number of projects that China Coop Mengda had to deal with in 2013 which resulted in higher administrative fees.

(Loss)/profit for the period/year under review

China Coop Mengda recorded a profit of approximately RMB79,000 and RMB1,683,000 for the four months ended 30 April 2013 and 30 April 2014, respectively. The increase of profit was mainly due to revenue increase.

China Coop Mengda incurred a loss of approximately RMB13,000 for the period from 17 August 2012 (date of establishment) to 31 December 2012 and recorded a profit of approximately RMB2,399,000 for the year ended 31 December 2013.

Employment and remuneration policies

China Coop Mengda had 5 employees as at 30 April 2013 and 12 employees as at 30 April 2014. As at 30 April 2013 and 30 April 2014, its total employee benefit expenses were approximately RMB170,000 and RMB534,000, respectively. The main reason of the increase was because China Coop Mengda hired more employees during the period.

China Coop Mengda had no employees as at 31 December 2012 and its business operations between 17 August 2012 (date of establishment) and 31 December 2013 were administered by personnel who are employed by Coopinvest, and it had 13 employees as at 31 December 2013. China Coop Mengda did not incur any employee benefit expenses for the period from 17 August 2012 (date of establishment) to 31 December 2012, and its total employee benefit expenses for the year ended 31 December 2013 were approximately RMB1,120,000.

LETTER FROM THE BOARD

Significant investment held and future plans for material investments or capital assets

As at 30 April 2013 and 30 April 2014, and as at 31 December 2012 and 31 December 2013, China Coop Mengda did not have any significant investments and it did not have any future plans for material investments or capital assets.

Capital commitment and contingent liabilities

As at 30 April 2013 and 30 April 2014, and as at 31 December 2012 and 31 December 2013, China Coop Mengda had no material capital commitments for the acquisition of fixed assets and intangible assets and contingent liabilities.

Foreign exchange exposure

As at 30 April 2013 and 30 April 2014, and as at 31 December 2012 and 31 December 2013, the operation of China Coop Mengda was principally in the PRC and the principal assets and liabilities of China Coop Mengda were denominated in Renminbi. As such, China Coop Mengda considered that it did not have any material exposure to fluctuations in exchange rate and hence no hedging measures were taken.

As of 30 April 2013 and 30 April 2014, and as of 31 December 2012 and 2013, there was no charge on China Coop Mengda's assets.

Acquisition and disposal

There were no material acquisitions and disposals of subsidiary, jointly controlled entity and associated company by China Coop Mengda during the four months ended 30 April 2013 and 30 April 2014 and from 17 August 2012 to 31 December 2012.

Outlook

The agricultural sector is playing a pivotal role in the overall development of the PRC and in 2013, the total value of the PRC's output of agricultural products reached approximately RMB9,700 billion and the total sales of the PRC's agricultural means of production reached approximately RMB2,700 billion. To keep up with the momentum for such development going forward, participants of the agricultural sector require a channel to obtain funds in a more efficient manner such that their production facilities could be optimised to capture the opportunities, and this has created demands for financial services in the rural areas including but not limited to asset management, financial leasing, rural banks and micro-lending. The Notice Concerning the Accomplishment of Rural Financial Services in 2014 (《關於做好2014年農村金融服務工作的通知》) was issued by the China Banking Regulatory Commission in early March 2014 to give continual and stepped-up support for financing the "agricultural sector, rural areas and farmers" and to encourage the development of property exchange markets in rural areas.

LETTER FROM THE BOARD

Going forward, the Group expects that the pace of the development of China's "agriculture sector, rural areas and farmers" will increase against the backdrop of the nation's economy being back on a rising track and the central government's strenuous support for such development. The expedited development of rural areas will bring forth sustainable upgrade of farmers' lives and in turn their consumption power. China Coop Mengda will leverage on the full support from Hebei SMC and its own competitive strengths to grasp market opportunities amidst a favorable business environment. With the support given by the government together with the growing needs of funds that are pivotal to the long-term development of the agricultural sector, the Board is confident that the cooperation between the Group and China Coop Mengda which involve the contribution of expertise and network by the Group will eventually transform China Coop Mengda into an integral service organization for rural market which would, in turn, ensure the sustainable growth for the Group and China Coop Mengda as a whole.

REASONS FOR AND BENEFITS OF THE CAPITAL CONTRIBUTION

China Coop Mengda is principally engaged in general leasing business, in particular leasing of movable properties (such as industrial equipment) and financial leasing business. The Company is of the view that the Capital Contribution could help enhance the capability of China Coop Mengda to provide general leasing and financial leasing services. According to the Measures on Administration of Investment of Foreign Enterprises in Leasing Business (外商投資租賃業管理辦法), China Coop Mengda is only allowed to engage in general leasing and financial leasing projects with a maximum aggregate leasing value of about 10 times of its net asset value. This has restricted China Coop Mengda from taking on leasing transactions of higher leasing value thus has limited its capability to capture the market opportunities driven by the increasing demand of finance leasing of movable properties in the PRC. Increasing the registered capital of China Coop Mengda through the Capital Contribution could raise the maximum aggregate leasing value that China Mengda could engage in, therefore providing a gateway for it to generate more revenue for the Group.

The Capital Contribution will be used as funding for the purchase of assets for leasing to its customers. As at the Latest Practicable Date, the total amount of leasing projects that China Coop Mengda was negotiating amounted to approximately RMB3 to RMB4 billion. It is necessary for China Coop Mengda to increase such amount of registered capital so as to capture these opportunities should they materialise. Based on the current net asset value of China Coop Mengda, it could take on leasing transactions of maximum aggregate leasing value of approximately RMB1.7 billion. If Ever Harvest makes the minimum capital contribution of RMB200,000,000, the registered capital of China Coop Mengda will be increased to RMB370,000,000, therefore would increase the maximum aggregate leasing value that China Coop Mengda could take on to approximately RMB3.7 billion. If Ever Harvest makes the maximum capital contribution of RMB391,124,000, the registered capital of China Coop Mengda will be increased to RMB561,124,000, therefore would increase the maximum aggregate leasing value that China Coop Mengda could take on to approximately RMB5.6 billion. China Coop Mengda does not have plan to focus on the leasing of certain particular types of assets. The types of assets to be purchased by China Coop Mengda for leasing to its customers by using the Capital Contribution will depend on the particular needs of the customers in the leasing

LETTER FROM THE BOARD

projects that China Coop Mengda are negotiating by the time when the increase of registered capital of China Coop Mengda has become effective. In the event that the Capital Contribution is at the lower-end, China Coop Mengda may be unable to proceed with certain leasing projects that it is negotiating.

FINANCIAL EFFECTS OF THE CAPITAL CONTRIBUTION ON THE GROUP

Earnings

Upon completion of Capital Contribution, the Group will increase its shareholding in China Coop Mengda to a range between 72.97% and 82.18%, depending on the actual capital contribution made. Since the financial information of China Coop Mengda is already consolidated into the consolidated financial statements of the Company before the further capital injection, the only effect of the Capital Contribution will be a reduction in the percentage of the minor interest on the earnings of the Company in the consolidated financial statements.

Assets and liabilities

Since the assets and liabilities of China Coop Mengda are already consolidated into the consolidated financial statements of the Company, the only effect of the Capital Contribution will be a reduction in the percentage of the minor interest on the equity of the Company in the consolidated financial statements, and on the assumption that no capital contribution will be made to China Coop Mengda by the non-controlling shareholders of China Coop Mengda, the assets and liabilities of the Group will remain unchanged upon the completion of the Capital Contribution.

GENERAL INFORMATION

The Group is principally engaged in businesses which include rural financial services, trading in agricultural means of production, urbanisation development, and the development, production and sale of IT products in the financial sector.

The principal business of Ever Harvest is investment holding.

China Coop Mengda is principally engaged in general leasing business, in particular leasing of movable properties (such as industrial equipment) and financial leasing business.

LISTING RULES IMPLICATIONS

Since certain relevant percentage ratio(s) in respect of the Capital Contribution (after the aggregation with the Initial Capital Contribution) pursuant to Rule 14.22 of the Listing Rules are more than 25% but less than 100%, the entering into of the Capital Contribution Agreement constitutes a major transaction under Chapter 14 of the Listing Rules and is therefore subject to the notification, announcement and Shareholders' approval requirements under the Listing Rules.

LETTER FROM THE BOARD

Under Rule 14.44 of the Listing Rules, Shareholders' approval for the Capital Contribution may be obtained by way of written Shareholders' approval in lieu of holding a general meeting if (a) no Shareholder is required to abstain from voting if the Company were to convene a general meeting to obtain such Shareholders' approval; and (b) written Shareholders' approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% in nominal value of the issued share capital of the Company giving the right to vote and attend at that general meeting to approve such transactions.

To the best of the Director's knowledge, no Shareholder would be required to abstain from voting were the Company to convene a general meeting to approve the Capital Contribution. On 14 August 2014, Parko, the controlling Shareholder of the Company which held 741,801,292 Shares, representing approximately 51.02% of the issued share capital of the Company as at the Latest Practicable Date, has given a written certificate to the Company to approve the Capital Contribution and confirms that neither it nor its associates have any interest in any of the above transactions. Accordingly, the written certificate of Parko will therefore be relied on in lieu of holding a general meeting for approving the Capital Contribution.

ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

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

1. FINANCIAL INFORMATION OF THE GROUP AND CHINA COOP MENGDA

Financial information of the Group for each of the three years ended 31 December 2011, 2012 and 2013 are disclosed in the following documents which have been published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk):

- The annual report of the Company for the year ended 31 December 2011 published on 23 April 2012 (pages 37 to 118);
- The annual report of the Company for the year ended 31 December 2012 published on 22 April 2013 (pages 48 to 144);
- The annual report of the Company for the year ended 31 December 2013 published on 25 April 2014 (pages 42 to 108); and
- The interim report of the Company for the period ended 30 June 2014 published on 18 September 2014 (pages 9 to 41).

Financial information of China Coop Mengda for the period from 17 August 2012 (date of establishment) to 31 December 2012 and for the year ended 31 December 2013 are disclosed in the circular of the Company dated 6 June 2014 (pages 27 to 49) which have been published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk).

2. STATEMENT OF INDEBTEDNESS

At the close of business on 31 August 2014, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had outstanding bank borrowing of RMB20,890,000 secured by the Group's finance lease receivable.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have any outstanding at the close of business on 31 August 2014 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors are of the opinion that after taking into account of the Group's financial resources including the available credit facilities, internally generated cash flows and cash on hand and issue of new shares, in the absence of unforeseen circumstances, the Group has sufficient working capital for its requirements, that is for at least 12 months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Since Hebei SMC made its successful debut in Hong Kong's capital market after acquiring a majority stake in the Company, the Group has strengthened its strategic position as a player in the rural market encompassing financial services, trading and information services and promoted the development of "rural finance services", "trading in agricultural means of production" and "urbanization development" by adopting a well-rounded market-oriented operation, which is in line with China's strategic goal of developing agriculture and new urbanization.

In the past nine months, the Group continued to benefit from China's strenuous support of the "agricultural sector, rural areas and farmers", and in particular its emphasis on an agri-subsidizing policy for safeguarding the coordinated social and economic development of rural areas. The Notice Concerning the Accomplishment of Rural Financial Services in 2014 (《關於做好2014年農村金融服務工作的通知》) was issued by the China Banking Regulatory Commission in early March 2014 to give continual and stepped-up support for financing the "agricultural sector, rural areas and farmers" and to encourage the development of property exchange markets in rural areas. Moreover, the National Development and Reform Commission stressed the importance of expediting the establishment of a credit system for micro and small enterprises and rural areas and the integrated development of cities and towns in the second half of the year. In July 2014, Xi Jinping, the President of China, gave his endorsement in respect of the continual efforts on the accomplishment of the supply and marketing cooperatives, and stressed the need for the Party's departments at different levels to fully support the reform and development of supply and marketing cooperatives, and the importance of the supply and marketing cooperatives to play a more pivotal role in the process of establishing China's modern-day agriculture and circulation of rural areas by riding on their solid foundation and unique strengths in serving rural areas. According to the fiscal budget report of the PRC Government, more than RMB9 trillion would be invested in agricultural sector during the period from 2012 to 2014. On the other hand, China Development Bank has projected that RMB25 trillion will be needed for financing China's urbanization in the next three years. The orderly development of "new urbanization" has also driven the establishment of China's modern-day agriculture.

Going forward, the Group will continue to focus on the core businesses of "rural finance services", "trading in agricultural means of production" and "urbanization development", and will realize growth momentum from agricultural e-commerce business. By continually diversifying our business, we will gear up our development as a leading enterprise in agricultural finance and e-commerce for the "agricultural sector, rural areas and farmers", in return for the trust and support bestowed to us by our shareholders.



德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

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

24 October 2014

The Directors
National Agricultural Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to China Coop Financial Leasing Co., Ltd. ("China Coop Mengda"), which comprises the statement of financial position as at 30 April 2014, and statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the four months ended 30 April 2014 and a summary of significant accounting policies and other explanatory notes (the "Financial Information") for inclusion in the circular of National Agricultural Holdings Limited (the "Company") dated 24 October 2014 (the "Circular") in connection with entering into a capital contribution agreement with China Coop Mengda. Pursuant to the capital contribution agreement, Ever Harvest Inc Limited ("Ever Harvest"), a wholly owned subsidiary of the Company, conditionally agrees to make further capital contribution to China Coop Mengda within the range of RMB200,000,000 to RMB391,124,000. The final amount of capital contribution is to be determined by Ever Harvest and China Coop Mengda on the date which shall be not later than 30 days after the fulfilment of the condition precedent of the capital contribution agreement that Ever Harvest having obtained the necessary funding for the capital contribution, by which the final amount of capital contribution to be made by Ever Harvest into China Coop Mengda shall be agreed upon between Ever Harvest and China Coop Mengda.

China Coop Mengda, which is engaged in finance leasing business including the leasing of machineries, motor vehicles, fixtures and electrical equipment in the People's Republic of China (the "PRC"), was established and registered in the PRC with limited liability on 17 August 2012.

No statutory audited financial statements has been prepared for China Coop Mengda for the four months ended 30 April 2014 since there is no statutory requirement to do so.

The statutory financial statements of China Coop Mengda for the year ended 31 December 2013 were audited by 北京中澤永誠會計師事務所有限公司 (Beijing ZZYC Certified Public Accountants Co., Ltd.*), certified public accountants registered in the PRC, in accordance with Accounting Standards for Business Enterprises issued by Ministry of Finance in the PRC.

* English name is for identification purpose only.

**APPENDIX IIA ACCOUNTANT'S REPORT OF CHINA COOP MENGDA
FOR THE PERIOD ENDED 30 APRIL 2014**

For the purpose of this report, the directors of China Coop Mengda have prepared the financial statements of China Coop Mengda for the four months ended 30 April 2014 in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") ("Underlying Financial Statements"). We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA. The accompanying Financial Information has been prepared based on the Underlying Financial Statements and in accordance with HKFRSs.

For the purpose of this report, we have examined the Financial Information, and carried out such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. No adjustments were considered necessary by us to the Underlying Financial Statements in preparing our report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the directors of China Coop Mengda who approved their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the state of affairs of China Coop Mengda as at 30 April 2014, and of China Coop Mengda's results and cash flows for the four months ended 30 April 2014.

The comparative statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of China Coop Mengda for the four months ended 30 April 2013 together with the notes thereon have been extracted from the unaudited financial information for the same period (the "Comparative Financial Information") which was prepared by the directors of China Coop Mengda solely for the purpose of this report. We conducted our review on the Comparative Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the Comparative Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Comparative Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the Comparative Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

APPENDIX IIA ACCOUNTANT'S REPORT OF CHINA COOP MENGDA FOR THE PERIOD ENDED 30 APRIL 2014

A. FINANCIAL INFORMATION

Statement of profit or loss and other comprehensive income

		Four months ended	
		30 April	
	<i>NOTES</i>	2014	2013
		<i>RMB'000</i>	<i>RMB'000</i>
			(unaudited)
Revenue	7	2,981	1,020
Cost of sales		(153)	–
Gross profit		2,828	1,020
Bank interest income		6	1
Exchange gain (loss)		143	(307)
Administrative expenses		(720)	(609)
Profit before tax		2,257	105
Income tax expense	8	(574)	(26)
Profit and total comprehensive income for the period	9	1,683	79

APPENDIX IIA ACCOUNTANT'S REPORT OF CHINA COOP MENGDA FOR THE PERIOD ENDED 30 APRIL 2014

Statement of financial position

	<i>NOTES</i>	30 April 2014 RMB'000	31 December 2013 RMB'000
Non-current assets			
Office equipment	14	38	36
Finance lease receivables	15	92,704	77,810
		92,742	77,846
Current assets			
Finance lease receivables	15	16,964	8,673
Deposits, prepayments and other receivables	16	5,391	1,950
Amount due from an equity owner	21	8	–
Tax recoverable		360	–
Cash and bank balances	17	6,662	9,295
		29,385	19,918
Current liabilities			
Other payables and accruals		297	128
Dividend payable	21	235	–
Bank borrowing	18	7,219	–
Tax liabilities		–	816
		7,751	944
Net current assets		21,634	18,974
Total assets less current liabilities		114,376	96,820
Non-current liability			
Bank borrowing	18	15,436	–
Net assets		98,940	96,820
Capital and reserve			
Paid-in capital	19	100,080	94,434
Accumulated (loss) profit		(1,140)	2,386
Total equity		98,940	96,820

APPENDIX IIA ACCOUNTANT'S REPORT OF CHINA COOP MENGDA FOR THE PERIOD ENDED 30 APRIL 2014

Statement of changes in equity

	Paid-in capital <i>RMB'000</i>	Accumulated (loss) profit <i>RMB'000</i>	Total <i>RMB'000</i>
For the four months ended 30 April 2014			
At 1 January 2014	94,434	2,386	96,820
Profit and total comprehensive income for the period	–	1,683	1,683
Capital contribution	5,646	–	5,646
Dividends declared (<i>note 12</i>)	–	(5,209)	(5,209)
	<u> </u>	<u> </u>	<u> </u>
At 30 April 2014	<u>100,080</u>	<u>(1,140)</u>	<u>98,940</u>
For the four months ended 30 April 2013 (unaudited)			
At 1 January 2013	75,000	(13)	74,987
Profit and total comprehensive income for the period	–	79	79
Capital contribution	9,940	–	9,940
	<u> </u>	<u> </u>	<u> </u>
At 30 April 2013	<u>84,940</u>	<u>66</u>	<u>85,006</u>

APPENDIX IIA ACCOUNTANT'S REPORT OF CHINA COOP MENGDA FOR THE PERIOD ENDED 30 APRIL 2014

Statement of cash flows

	Four months ended	
	30 April	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)
OPERATING ACTIVITIES		
Profit before tax	2,257	105
Adjustments for:		
Depreciation of office equipment	3	1
Bank interest income	(6)	(1)
Interest expenses (included in cost of sales)	153	–
	<hr/>	<hr/>
Operating cash flows before movements in working capital	2,407	105
Increase in finance lease receivables	(23,185)	(71,020)
Increase in amount due from an equity owner	(8)	(362)
Increase in deposits, prepayments and other receivables	(3,441)	(3,054)
Increase in other payables and accruals	16	30
	<hr/>	<hr/>
Cash used in operations	(24,211)	(74,301)
PRC Enterprise Income Tax paid	(1,750)	–
	<hr/>	<hr/>
NET CASH USED IN OPERATING ACTIVITIES	(25,961)	(74,301)
	<hr/>	<hr/>
INVESTING ACTIVITIES		
Bank interest received	6	1
Purchases of office equipment	(5)	(18)
Repayment from equity owners	–	74,950
	<hr/>	<hr/>
NET CASH FROM INVESTING ACTIVITIES	1	74,933
	<hr/>	<hr/>

APPENDIX IIA ACCOUNTANT'S REPORT OF CHINA COOP MENGDA FOR THE PERIOD ENDED 30 APRIL 2014
--

	Four months ended 30 April	
	2014 <i>RMB'000</i>	2013 <i>RMB'000</i> (unaudited)
CASH FROM FINANCING ACTIVITIES		
Proceeds from bank borrowing	23,000	–
Transaction costs directly attributable to bank borrowing	(345)	–
Dividends paid	(4,974)	–
Proceeds from capital contribution	5,646	9,940
 NET CASH FROM FINANCING ACTIVITIES	 23,327	 9,940
 NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	 (2,633)	 10,572
 CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	 9,295	 37
 CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by cash and bank balances	 6,662	 10,609

**APPENDIX IIA ACCOUNTANT'S REPORT OF CHINA COOP MENGDA
FOR THE PERIOD ENDED 30 APRIL 2014**

Notes to Financial Information

1. GENERAL

China Coop Mengda is a sino-foreign equity joint venture established in the PRC on 17 August 2012. The directors of China Coop Mengda are of the opinion that as at 30 April 2014, Ever Harvest Inc Limited (“Ever Harvest”), a company incorporated in Hong Kong, holding approximately 41.18% equity interests in China Coop Mengda, is regarded as its immediate parent as it is able to control over China Coop Mengda pursuant to the terms and conditions of the joint venture agreement. On this basis, its intermediate parent is National Agricultural Holdings Limited which is a public limited company incorporated in Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and its ultimate parent is Hebei Supply and Marketing Cooperative (“Hebei SMC”), a company established in the PRC. The remaining equity interests of China Coop Mengda of approximately 26.91%, 10%, 12% and 9.91% are held by Coopinvest Company Limited* (中合聯投資有限公司) (“Coopinvest”), a company established in the PRC, Shandong Jindu Dazhan Group Company Limited* (山東金都大展集團有限公司) (“Shandong Jindu”), a company established in the PRC, 789 Investments Limited (“789 Investments”), being a foreign equity company, and Hebei Mingde Machinery Limited Liability Company* (河北明德機械有限責任公司) (“Hebei Mingde”), a company established in the PRC, respectively. The address of the registered office of China Coop Mengda is Room 1401, Haiying Apartment 8, Huanghai Road, Economic Development District, Tianjin, the PRC (中國天津經濟開發區黃海路8號海盈公寓1401室) and its principal place of business is 5/F, Block B, A1 Xuanwumenwai Avenue, Xicheng District, Beijing (北京市西城區宣武門外大街甲1號B座5層).

The principal activity of China Coop Mengda is the provision of finance leasing business including the leasing of machineries, motor vehicles, furniture and fixtures and electrical equipment in the PRC.

The Financial Information is presented in Renminbi (“RMB”), which is also China Coop Mengda’s functional currency.

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

For the purpose of preparing and presenting the Financial Information for the four months ended 30 April 2014, China Coop Mengda has applied HKFRSs, Hong Kong Accounting Standards (“HKASs”), amendments and interpretations issued by the HKICPA that are effective for annual accounting periods beginning on 1 January 2014.

China Coop Mengda has not early applied the following new and revised HKFRSs, HKASs, amendments and interpretations that have been issued by HKICPA at the date of this report but are not yet effective:

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

* The English name is for identification purpose only.

APPENDIX IIA ACCOUNTANT'S REPORT OF CHINA COOP MENGDA FOR THE PERIOD ENDED 30 APRIL 2014
--

- ¹ Effective for annual periods beginning on or after 1 January 2018
- ² Effective for annual periods beginning on or after 1 January 2017
- ³ Effective for annual periods beginning on or after 1 July 2014
- ⁴ Effective for annual periods beginning on or after 1 January 2016
- ⁵ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

The directors of China Coop Mengda anticipate that the application of these new and revised HKFRSs, HKASs and amendments in the future will not have material impact on the Financial Information of China Coop Mengda.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods or services.

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

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

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

The principal accounting policies are set out below.

Revenue recognition

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

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

APPENDIX IIA ACCOUNTANT'S REPORT OF CHINA COOP MENGDA FOR THE PERIOD ENDED 30 APRIL 2014
--

Office equipment

Office equipment for administrative purposes are stated in the statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

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

Leasing

Classification of lease as a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Examples and indicators that individually or in combination would normally lead to a lease being classified as a finance lease are:

- (a) the lease transfers ownership of the asset to the lessee by the end of the lease term;
- (b) the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
- (c) the lease term is for the major part of the economic life of the asset even if title is not transferred;
- (d) at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset;
- (e) the leased assets are of such a specialised nature that only the lessee can use them without major modifications;
- (f) if the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee;
- (g) gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (for example, in the form of a rent rebate equalling most of the sales proceeds at the end of the lease); and
- (h) the lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

All other leases are classified as operating leases.

China Coop Mengda as lessor

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

China Coop Mengda as lessee

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

APPENDIX IIA ACCOUNTANT'S REPORT OF CHINA COOP MENGDA FOR THE PERIOD ENDED 30 APRIL 2014
--

Borrowing costs

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

Foreign currency

In preparing the Financial Information of China Coop Mengda, transactions in currencies other than functional currency of China Coop Mengda (foreign currencies) are recognised at the rates of exchange on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on settlement of monetary items and on the translation of the monetary items, are recognised in profit or loss in the period in which they arise.

Retirement benefit costs

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

Taxation

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

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

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

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

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

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when China Coop Mengda becomes a party to the contractual provisions of the instrument.

APPENDIX IIA ACCOUNTANT'S REPORT OF CHINA COOP MENGDA FOR THE PERIOD ENDED 30 APRIL 2014
--

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

China Coop Mengda's financial assets are generally classified as loans and receivables. The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

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

Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets, with the exception of finance lease receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the

APPENDIX IIA ACCOUNTANT'S REPORT OF CHINA COOP MENGDA FOR THE PERIOD ENDED 30 APRIL 2014
--

allowance account are recognised in profit or loss. When a finance lease receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities

Other payables, amount due to an equity owner and bank borrowing are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition

China Coop Mengda derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

China Coop Mengda derecognises financial liabilities when, and only when, China Coop Mengda's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on tangible assets

At the end of each reporting period, China Coop Mengda reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss if any. Where it is not possible to estimate the

APPENDIX IIA ACCOUNTANT'S REPORT OF CHINA COOP MENGDA FOR THE PERIOD ENDED 30 APRIL 2014
--

recoverable amount of an individual asset, China Coop Mengda estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior period. A reversal of an impairment loss is recognised immediately in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimation (see below), that the directors have made in the process of applying China Coop Mengda's accounting policies and that have the most significant effect on the amounts recognised in the Financial Information.

Classification of lease contracts as finance leases

The directors of China Coop Mengda examined the terms of the existing lease contracts as at 30 April 2014 and evaluated the extent to which the risks and rewards incidental to the ownership of leased asset lie with China Coop Mengda as the lessor, or the lessee. In making their judgement, the directors considered the indicators of classification of a lease as a finance lease set out in HKAS 17 "Leases". Taking into account the facts and circumstances, among others, that (i) the lessees have the option to purchase the leased assets at the end of the lease term at a nominal price; and (ii) the lessee is required to compensate China Coop Mengda for an amount equivalent to the outstanding finance lease receivable if the lessee cancels the lease, the directors are satisfied that the terms of the leases transferred substantially all the risks and rewards of ownership to the lessees and the lease contracts as at 30 April 2014 are classified as finance leases. See note 15 for details.

Key sources of estimation uncertainty

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

APPENDIX IIA ACCOUNTANT'S REPORT OF CHINA COOP MENGDA FOR THE PERIOD ENDED 30 APRIL 2014

Estimated impairment of finance lease receivables

When there is objective evidence of impairment loss, China Coop Mengda 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 four months ended 30 April 2014, no impairment loss has been recognised for finance lease receivables. As at 30 April 2014, the carrying amount of finance lease receivables is RMB109,668,000 (31 December 2013: RMB86,483,000).

5. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	30 April 2014	31 December 2013
	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets		
Loan and receivables (including cash and bank balances)	6,670	9,346
Finance lease receivables	109,668	86,483
Financial liabilities		
Amortised costs	22,960	29

b. Financial risk management objectives and policies

China Coop Mengda's major financial instruments for application of HKFRS 7 *Financial Instruments: Disclosures* purposes include finance lease receivables, amount due from (to) an equity owner, cash and bank balances, other payables, and bank borrowing. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

China Coop Mengda has only minimal foreign currencies transactions, which expose the Company to foreign currency risk. In management's opinion, the Company has no inherent currencies risk and no sensitivity analysis is presented.

(ii) Interest rate risk

China Coop Mengda is exposed to cash flow interest rate risk due to the fluctuation of market interest rate on variable-rate bank deposits in note 17. However, the cash flow interest rate risk is insignificant as they are all short term. China Coop Mengda is also exposed to fair value interest rate risk in relation to fixed-rate finance lease receivables in note 15 and fixed-rate bank borrowing in

APPENDIX IIA ACCOUNTANT'S REPORT OF CHINA COOP MENGDA FOR THE PERIOD ENDED 30 APRIL 2014
--

note 18. China Coop Mengda currently does not have an interest rate hedging policy. However, the management monitors interest rate risk exposure and will consider hedging significant interest risk should the need arises.

In management's opinion, China Coop Mengda's exposure to cash flow interest rate risk for bank deposits is insignificant and hence no sensitivity analysis is presented.

Credit risk

As at 30 April 2014, China Coop Mengda's maximum exposure to credit risk which will cause a financial loss to China Coop Mengda due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the statements of financial position.

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

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

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

China Coop Mengda's concentration of credit risk by geographical locations is in the PRC, which accounted for 100% and 100% of amount due from an equity owner and finance lease receivables, respectively, as at 30 April 2014 (31 December 2013: nil and 100%, respectively).

China Coop Mengda also has concentration of credit risk from totally two finance lease borrowers in its finance leasing business. China Coop Mengda's finance lease borrower are within hospitality and financial service industries. 62% of the total finance lease receivables was due from China Coop Mengda's largest finance lease borrower as at 30 April 2014 (31 December 2013: 76%). This borrower is a related company of China Coop Mengda, as it is indirectly controlled by All China Federation of Supply and Marketing Cooperative (the "All China FSMC") which has significant influence over the ultimate parent of China Coop Mengda, Hebei SMC. The finance lease receivable from the related company is approximately RMB67,959,000 as at 30 April 2014 (31 December 2013: approximately RMB66,054,000). The finance lease income received from the related company is approximately RMB1,904,000 for the four months ended 30 April 2014 (four months ended 30 April 2013: approximately RMB1,020,000 (unaudited)). During the four months ended 30 April 2014, both finance lease customers do not have record of late payment.

Liquidity risk

In the management of the liquidity risk, China Coop Mengda monitors and maintains a level of bank balances and cash deemed adequate by the management to finance China Coop Mengda's operations and mitigate the effects of fluctuations in cash flows.

**APPENDIX IIA ACCOUNTANT'S REPORT OF CHINA COOP MENGDA
FOR THE PERIOD ENDED 30 APRIL 2014**

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

The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

Liquidity table

	Weighted average interest rate %	On demand or less than 1 month RMB'000	More than 1 month but less than 1 year RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total undiscounted cash flows and as at 30 April 2014 RMB'000	Carrying amount at 30 April 2014 RMB'000
30 April 2014							
Dividend payable	-	235	-	-	-	235	235
Other payables	-	70	-	-	-	70	70
Bank borrowing	6.765	-	8,956	8,455	7,955	25,366	22,655
		<u>305</u>	<u>8,956</u>	<u>8,455</u>	<u>7,955</u>	<u>25,671</u>	<u>22,960</u>

	Weighted average interest rate %	On demand or less than 1 month RMB'000	Total undiscounted cash flows and as at 31 December 2013 RMB'000	Carrying amount at 31 December 2013 RMB'000
31 December 2013				
Other payables	-	29	29	29
		<u>29</u>	<u>29</u>	<u>29</u>

c. Fair value measurements of financial instruments

Fair value of China Coop Mengda's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of China Coop Mengda consider that the carrying amounts of financial assets and financial liabilities recognised in the Financial Information at amortised costs approximate their fair values.

6. CAPITAL RISK MANAGEMENT

China Coop Mengda manages its capital to ensure that China Coop Mengda will be able to continue as a going concern while maximising the return to owners, to support China Coop Mengda's stability and growth, and to strengthen China Coop Mengda's financial management capability. China Coop Mengda's overall strategy remains unchanged from prior year.

APPENDIX IIA ACCOUNTANT'S REPORT OF CHINA COOP MENGDA FOR THE PERIOD ENDED 30 APRIL 2014

The capital structure of China Coop Mengda consists of cash and bank balances, bank borrowing and equity attributable to owners of China Coop Mengda, comprising paid-in capital and accumulated profit (loss). In order to maintain or adjust the capital structure, China Coop Mengda may adjust the amount of dividends paid to owners, return capital to owners, receive capital contribution from owners as well as issue or raise new debts.

7. REVENUE AND SEGMENT INFORMATION

Revenue represents finance lease income arising from finance leasing business in the PRC during the period.

Information reported to the executive directors of China Coop Mengda, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance focuses on services provided. The CODM regularly reviews the revenue and profit of China Coop Mengda as a whole reported using accounting policies set out in note 3.

(a) Operating and reportable segment

China Coop Mengda operates in a single segment, which is the finance leasing business in the PRC.

(b) Geographical information

All office equipment and operations of China Coop Mengda for the four months ended 30 April 2014 and 2013 were located in the PRC.

(c) Information about a major customer

Revenue from a related company and a third party, individually contributing over 10% of the total revenue of China Coop Mengda under reportable segment of finance leasing are as follows:

	Four months ended 30 April	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)
A related company	1,904	1,020
A third party	1,077	–
	<u> </u>	<u> </u>

8. INCOME TAX EXPENSE

	Four months ended 30 April	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)
Current tax - PRC Enterprise Income Tax ("EIT")		
– Charge for the period	564	26
– Underprovision in prior period	10	–
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

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

APPENDIX IIA ACCOUNTANT'S REPORT OF CHINA COOP MENGDA FOR THE PERIOD ENDED 30 APRIL 2014

The income tax expense for the period can be reconciled to the profit before tax in the statement of profit or loss and other comprehensive income as follows:

	Four months ended	
	30 April	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)
Profit before tax	2,257	105
Income tax calculated at PRC EIT rate of 25%	564	26
Underprovision in prior year	10	–
Income tax expense for the period	574	26

9. PROFIT FOR THE PERIOD

	Four months ended	
	30 April	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)
Profit for the period has been arrived at after charging:		
Directors' remuneration (<i>note 10</i>)	199	82
Other staff costs:		
Salaries and other benefits	326	88
Contributions to retirement benefits scheme	9	–
Total staff costs	534	170
Interest on bank borrowing wholly repayable within five years, included in cost of sales	153	–
Depreciation of office equipment	3	1
Minimum lease payment in respect of office premises	13	–

**APPENDIX IIA ACCOUNTANT'S REPORT OF CHINA COOP MENGDA
FOR THE PERIOD ENDED 30 APRIL 2014**

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors

The emoluments paid or payable to each of the eight and five directors for the four months ended 30 April 2014 and 2013 respectively were as follows:

	Directors' fees	Salaries	Contributions to retirement benefits scheme	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Four months ended				
30 April 2014				
<i>Executive directors:</i>				
Liu Yong	–	75	–	75
Li Long Qun	–	–	–	–
Han Ding	–	62	–	62
Ruiya Qin	–	–	–	–
Chen Li-Jun (appointed on 8 April 2014)	–	–	–	–
Peng Guojiang (appointed on 8 April 2014)	–	–	–	–
Cai WeiWeng (appointed on 8 April 2014)	–	–	–	–
Zhang Jing (resigned on 8 April 2014)	–	62	–	62
	<u>–</u>	<u>199</u>	<u>–</u>	<u>199</u>

	Directors' fees	Salaries	Contributions to retirement benefits scheme	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Four months ended				
30 April 2013 (unaudited)				
<i>Executive directors:</i>				
Liu Yong	–	34	–	34
Zhang Jing	–	24	–	24
Li Long Qun	–	–	–	–
Han Ding	–	24	–	24
Ruiya Qin	–	–	–	–
	<u>–</u>	<u>82</u>	<u>–</u>	<u>82</u>

Contributions to retirement benefits scheme were borne by Coopinvest, one of equity owners of China Coop Mengda.

APPENDIX IIA ACCOUNTANT'S REPORT OF CHINA COOP MENGDA FOR THE PERIOD ENDED 30 APRIL 2014
--

No emoluments were paid by China Coop Mengda to the directors as an inducement to join, or upon joining China Coop Mengda, or as compensation for loss of office for the four months ended 30 April 2014 and 2013.

There were no arrangements under which a director waived or agreed to waive any remuneration for the four months ended 30 April 2014 and 2013.

Employees

The five highest paid individuals of China Coop Mengda included three directors for the four months ended 30 April 2014 (four months ended 30 April 2013: three directors), details of their emoluments are set out above. The emoluments of the remaining two individuals, for the four months ended 30 April 2014 (four months ended 30 April 2013: two individuals) whose emoluments are individually below HK\$1,000,000 (equivalent to approximately RMB790,000) are as follows:

	Four months ended 30 April	
	2014 <i>RMB'000</i>	2013 <i>RMB'000</i> (unaudited)
Salaries and other benefits	155	47
Contributions to retirement benefits scheme	9	–
	164	47

Contribution to retirement benefits scheme for certain employees were borne by Coopinvest, one of the equity owners of China Coop Mengda.

11. RETIREMENT BENEFITS SCHEME

The employees of China Coop Mengda are members of a central pension scheme operated by the local government, which are required to contribute a certain percentage of the employees' monthly salaries to the central pension scheme to fund the employees' retirement benefits.

China Coop Mengda does not have any liabilities to the retirement benefits of the employees other than the monthly contributions to the central pension scheme. China Coop Mengda's contributions to the central pension scheme for the four months ended 30 April 2014 amounted to RMB9,000 (four months ended 30 April 2013: nil (unaudited)).

12. DIVIDENDS

On 10 January 2014, China Coop Mengda declared final dividends for the year ended 31 December 2013 of RMB4,561,000, RMB413,000 and RMB235,000 to Coopinvest, Shandong Jindu and 789 Investments respectively pursuant to the resolution from the Board of Directors of China Coop Mengda based on the operating results of its PRC local financial statements.

13. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful.

APPENDIX IIA ACCOUNTANT'S REPORT OF CHINA COOP MENGDA FOR THE PERIOD ENDED 30 APRIL 2014

14. OFFICE EQUIPMENT

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
COST		
At 1 January	41	–
Additions	5	18
At 30 April	46	18
ACCUMULATED DEPRECIATION		
At 1 January	5	–
Provided for the period	3	1
At 30 April	8	1
Carrying values at 30 April	38	17

15. FINANCE LEASE RECEIVABLES

	Minimum lease receipts		Present value of minimum lease receipts	
	30 April 2014	31 December 2013	30 April 2014	31 December 2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Finance lease receivables comprise:				
Within one year	25,734	15,972	24,169	8,673
In more than one year but not more than two years	25,734	15,972	21,416	9,095
In more than two years but not more than five years	96,076	80,783	64,083	68,715
	147,544	112,727	109,668	86,483
Less: Unearned finance lease income	(37,876)	(26,244)	N/A	N/A
Present value of minimum lease receipts	109,668	86,483	109,668	86,483

APPENDIX IIA ACCOUNTANT'S REPORT OF CHINA COOP MENGDA FOR THE PERIOD ENDED 30 APRIL 2014

	30 April 2014	31 December 2013
	<i>RMB'000</i>	<i>RMB'000</i>
Analysed as:		
Current finance lease receivables (receivable within twelve months)	16,964	8,673
Non-current finance lease receivables (receivable after twelve months)	92,704	77,810
	<u>109,668</u>	<u>86,483</u>
Finance lease receivables from a related company (<i>note 21</i>)	67,959	66,054
Finance lease receivables from a third party	41,709	20,429
	<u>109,668</u>	<u>86,483</u>

Effective interest rates per annum of the above finance lease receivables on lease agreements as at 30 April 2014 and 31 December 2013 are as follows:

Effective interest rates

Fixed-rate finance lease receivables	8.6% to 12.6%
--------------------------------------	---------------

Finance lease receivables as at 30 April 2014 and 31 December 2013 which are neither past due nor impaired, and the directors assessed that the balances are with good credit quality according to their past repayment records.

Finance lease receivables are secured over the machineries, motor vehicles, land, hotel, fixtures and electrical equipment leased. Furthermore, certain land and hotel have also been pledged as security for the finance lease receivables (see details below). China Coop Mengda 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.

Specifically, finance lease receivable of RMB67,959,000 at 30 April 2014 (31 December 2013: RMB66,054,000) involved a sale and lease back arrangement with a related company, whereby the related company sold certain motor vehicles, furniture and fixtures and electrical equipment and immediately leased back these assets from China Coop Mengda under a non-cancellable lease term of five years. The directors of China Coop Mengda evaluated that the leaseback is a finance lease, and China Coop Mengda in substance provided finance to the related company with these assets as security. The outstanding receivable is also secured over certain land and hotel buildings located in Lushan in Jiangxi Province, owned by a fellow subsidiary of the lessee. The relationship with these related parties is set out in note 21.

The lease terms of the other lease agreements are three years. 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.

All China Coop Mengda's finance lease receivables are denominated in RMB, the functional currency of China Coop Mengda.

APPENDIX IIA ACCOUNTANT'S REPORT OF CHINA COOP MENGDA FOR THE PERIOD ENDED 30 APRIL 2014

16. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	30 April 2014	31 December 2013
	<i>RMB'000</i>	<i>RMB'000</i>
Deposits	51	51
Prepayments	4	–
Other tax recoverables	5,336	1,899
	5,391	1,950
	5,391	1,950

17. CASH AND BANK BALANCES

China Coop Mengda's bank deposits carry interest at prevailing bank saving deposits rate of 0.35% per annum as at 30 April 2014 (31 December 2013: 0.35%).

18. BANK BORROWING

The exposure of China Coop Mengda's fixed-rate borrowing and the contractual maturity dates are as follows:

	30 April 2014	31 December 2013
	<i>RMB'000</i>	<i>RMB'000</i>
Fixed rate borrowing:		
Within one year	7,219	–
More than one year, but not exceeding two years	7,285	–
More than two years, but not exceeding five years	8,151	–
	22,655	–
Less: Amount due within one year shown under current liability	(7,219)	–
	15,436	–
	15,436	–

During the four months ended 30 April 2014, China Coop Mengda obtained new bank borrowing in the amount of RMB23,000,000 (2013: nil). The loan bears fixed-rate interest at 6.765%. The proceeds were used in finance leasing business. The bank borrowing is denominated in RMB and secured by a financial lease receivable.

As at 30 April 2014, China Coop Mengda has no undrawn bank borrowing facility. The bank facility of RMB23,000,000 was fully utilised as at 30 April 2014.

Transaction costs directly attributable to raise the bank borrowing of approximately RMB345,000 was offset against the bank borrowing.

APPENDIX IIA ACCOUNTANT'S REPORT OF CHINA COOP MENGDA FOR THE PERIOD ENDED 30 APRIL 2014

19. PAID-IN CAPITAL

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Registered capital:		
At 1 January	100,000	100,000
Addition during the period	70,000	–
At 30 April	170,000	100,000
Paid-in capital:		
At 1 January	94,434	75,000
Addition during the period	5,646	9,940
At 30 April	100,080	89,940

20. OPERATING LEASE

China Coop Mengda as lessee

Minimum lease payments paid under operating lease in respect of office premises for the periods ended 30 April 2014 was approximately RMB13,000 (four months ended 30 April 2013: nil (unaudited)).

At 30 April 2014 and 31 December 2013, China Coop Mengda had outstanding minimum commitments under non-cancellable operating lease, which fall due as follows:

	30 April	31 December
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	–	13

China Coop Mengda leases office premises under operating lease, which are negotiated for a term of one year. None of the lease includes contingent rentals.

21. RELATED PARTY TRANSACTIONS

China Coop Mengda operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government (“government-related entities”). In addition, as at 30 April 2014, the ultimate parent of China Coop Mengda, Hebei SMC, is significantly influenced by the All China FSMC which is led by the State Council of the PRC. China Coop Mengda is also a government related entity.

APPENDIX IIA ACCOUNTANT'S REPORT OF CHINA COOP MENGDA FOR THE PERIOD ENDED 30 APRIL 2014

The transactions and balances with All China FSMC and its subsidiaries (collectively referred to as "All China FSMC Group"), other equity owners as well as other PRC government-related entities are disclosed below.

(a) Balances with All China FSMC Group

	30 April 2014	31 December 2013
	<i>RMB'000</i>	<i>RMB'000</i>
Amount due from Hebei Mingde	8	–
Finance lease receivable from a related company (included in finance lease receivables (<i>note 15</i>))	67,959	66,054
	67,967	66,054

	30 April 2014	31 December 2013
	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amounts of finance lease receivable from a related company comprise:		
On demand or within one year	2,229	1,866
In more than one year but not more than two year	–	1,674
In more than two year but not more than five years	65,730	62,514
	67,959	66,054

Finance lease receivable from a related company indirectly controlled by All China FSMC is secured over machineries, motor vehicles and fixtures leased plus certain land and hotel, located in Lushan in Jiangxi Province, owned by another related party which is also controlled by All China FSMC, and carries interest at the rate of 10.9% per annum as at 30 April 2014 (31 December 2013: 8.6%) and is repayable according to the relevant lease schedule.

Amount due from Hebei Mingde is unsecured, non-interest bearing and recoverable on demand.

(b) Transaction with All China FSMC Group

	Four months ended 30 April	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)
Finance lease income	1,904	1,020

In addition to the above, Coopinvest performed certain administrative services for China Coop Mengda, for which a management fee of nil and RMB290,000 (unaudited) was charged for the four months ended 30 April 2014 and 2013 respectively.

APPENDIX IIA ACCOUNTANT'S REPORT OF CHINA COOP MENGDA FOR THE PERIOD ENDED 30 APRIL 2014
--

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

Apart from the balances with All China FSMC Group as disclosed above, China Coop Mengda has entered into various transactions in its ordinary course of business including bank deposits and bank borrowing, with certain banks which are government-related entities. As at 30 April 2014, 100% and 100% (31 December 2013: 99.99% and nil) of bank balances and bank borrowing are held with these government-related banks respectively.

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

(d) **Balances with equity owners (other than All China FSMC)**

	30 April 2014	31 December 2013
	<i>RMB'000</i>	<i>RMB'000</i>
Dividend payable to 789 Investments (<i>note</i>)	235	–
	235	–

Note: The final dividend payable is unsecured, interest free and repayable on demand. The amount is fully settled subsequent to 30 April 2014.

The remuneration of key management personnel included directors' remuneration which is classified as short term employee benefit, and disclosed in note 10.

Other than disclosed elsewhere in the Financial Information, China Coop Mengda had no other significant related party transactions for the four months ended 30 April 2014 and 2013.

22. EVENTS AFTER REPORTING PERIOD

- (a) On 16 July 2014, China Coop Mengda declared interim dividends of RMB1,955,000, RMB1,499,000, RMB561,000, RMB673,000 and RMB471,000 to Ever Harvest, Coopinvest, Shandong Jindu, 789 Investments and Hebei Mingde respectively pursuant to the resolution from the Board of Directors of China Coop Mengda.
- (b) On 14 August 2014, Ever Harvest entered into a capital contribution agreement with China Coop Mengda. Pursuant to the capital contribution agreement, Ever Harvest conditionally agreed to make further capital contribution to China Coop Mengda within the range of RMB200,000,000 to RMB391,124,000. The final amount of capital contribution is to be determined by Ever Harvest and China Coop Mengda on the date which shall be not later than 30 days after the fulfilment of the condition precedent of the capital contribution agreement that Ever Harvest having obtained the necessary funding for the capital contribution, by which the final amount of capital contribution to be made by Ever Harvest into China Coop Mengda shall be agreed upon between Ever Harvest and China Coop Mengda.

**APPENDIX IIA ACCOUNTANT'S REPORT OF CHINA COOP MENGDA
FOR THE PERIOD ENDED 30 APRIL 2014**

B. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by China Coop Mengda in respect of any period subsequent to 30 April 2014.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong



德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

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

6 June 2014

The Directors
National Agricultural Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) relating to China Coop Financial Leasing Co., Ltd. (“China Coop Mengda”), which comprises the statements of financial position as at 31 December 2012 and 2013, and statements of profit or loss and other comprehensive income, the statements of changes in equity and statements of cash flows for the period from 17 August 2012 (date of establishment) to 31 December 2012 and for the year ended 31 December 2013 (the “Relevant Periods”) and a summary of significant accounting policies and other explanatory notes (the “Financial Information”) for inclusion in the circular of National Agricultural Holdings Limited (the “Company”) dated 6 June 2014 (the “Circular”) in connection with the investment of approximately 41.18% equity interests of China Coop Mengda with a call option granted by an equity owner of China Coop Mengda, Hebei Mingde Machinery Limited Liability Company (“Hebei Mingde”) to acquire its entire equity interest (approximately 9.91% of the total registered capital) in China Coop Mengda and the formation of a joint venture.

China Coop Mengda, which is engaged in finance leasing business including the leasing of machineries, motor vehicles, fixtures and electrical equipment in the People’s Republic of China (the “PRC”), was established and registered in the PRC with limited liability on 17 August 2012.

No statutory audited financial statements had been prepared for China Coop Mengda for the period from 17 August 2012 (date of establishment) to 31 December 2012 since there is no statutory requirement to do so.

The statutory financial statements of China Coop Mengda for the year ended 31 December 2013 were prepared by 北京中澤永誠會計師事務所有限公司, certified public accountants registered in the PRC, in accordance with the relevant accounting principles and financial regulations in the PRC.

For the purpose of this report, the directors of China Coop Mengda have prepared the financial statements of China Coop Mengda for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) (“Underlying Financial Statements”). We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA. The accompanying Financial Information has been prepared based on the Underlying Financial Statements and in accordance with HKFRSs.

APPENDIX IIB ACCOUNTANT'S REPORT OF CHINA COOP MENGDA FOR THE YEAR ENDED 31 DECEMBER 2012 AND 2013
--

For the purpose of this report, we have examined the Financial Information, and carried out such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. No adjustments were considered necessary by us to the Underlying Financial Statements in preparing our report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the directors of China Coop Mengda who approve their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the state of affairs of China Coop Mengda as at 31 December 2012 and 2013, and of China Coop Mengda's results and cash flows for the Relevant Periods.

A. FINANCIAL INFORMATION

Statements of profit or loss and other comprehensive income

	<i>NOTES</i>	17.8.2012 to 31.12.2012 RMB'000	1.1.2013 to 31.12.2013 RMB'000
Revenue	7	–	5,279
Other income	8	5	93
Exchange gain		–	326
Administrative expenses		(18)	(2,483)
 (Loss) profit before tax		(13)	3,215
Income tax expense	9	–	(816)
 (Loss) profit and total comprehensive (expense) income for the period/year	 10	 <u>(13)</u>	 <u>2,399</u>

APPENDIX IIB ACCOUNTANT'S REPORT OF CHINA COOP MENGDA FOR THE YEAR ENDED 31 DECEMBER 2012 AND 2013

Statements of financial position

	<i>NOTES</i>	31.12.2012 <i>RMB'000</i>	31.12.2013 <i>RMB'000</i>
Non-current assets			
Office equipment	14	–	36
Finance lease receivables	15	–	77,810
		–	77,846
Current assets			
Finance lease receivables	15	–	8,673
Deposits and other receivables	16	–	1,950
Amounts due from equity owners	20	74,950	–
Cash and bank balances	17	37	9,295
		74,987	19,918
Current liabilities			
Other payables and accruals		–	128
Tax liabilities		–	816
		–	944
Net current assets		74,987	18,974
Net assets		74,987	96,820
Capital and reserve			
Paid-in capital	18	75,000	94,434
Accumulated (loss) profit		(13)	2,386
Total equity		74,987	96,820

APPENDIX IIB	ACCOUNTANT'S REPORT OF CHINA COOP MENGDA FOR THE YEAR ENDED 31 DECEMBER 2012 AND 2013
--------------	--

Statements of changes in equity

	Paid-in capital <i>RMB'000</i>	Accumulated (loss) profit <i>RMB'000</i>	Total <i>RMB'000</i>
At the date of establishment	—	—	—
Loss and total comprehensive expense for the period	—	(13)	(13)
Capital contribution	75,000	—	75,000
At 31 December 2012	75,000	(13)	74,987
Profit and total comprehensive income for the year	—	2,399	2,399
Capital contribution	19,434	—	19,434
At 31 December 2013	<u>94,434</u>	<u>2,386</u>	<u>96,820</u>

APPENDIX IIB	ACCOUNTANT'S REPORT OF CHINA COOP MENGDA FOR THE YEAR ENDED 31 DECEMBER 2012 AND 2013
---------------------	--

Statements of cash flows

	17.8.2012 to 31.12.2012 RMB'000	1.1.2013 to 31.12.2013 RMB'000
OPERATING ACTIVITIES		
(Loss) profit before tax	(13)	3,215
Adjustments for:		
Depreciation of office equipment	–	5
Bank interest income	(5)	(12)
	(18)	3,208
Operating cash flows before movements in working capital	(18)	3,208
Increase in finance lease receivables	–	(86,483)
Increase in deposits and other receivables	–	(1,950)
Increase in other payables and accruals	–	128
	(18)	(85,097)
NET CASH USED IN OPERATING ACTIVITIES		
	(18)	(85,097)
INVESTING ACTIVITIES		
(Advance to) repayment from equity owners	(74,950)	74,950
Purchases of office equipment (<i>note 14</i>)	–	(41)
Bank interest received	5	12
	(74,945)	74,921
NET CASH (USED IN) FROM INVESTING ACTIVITIES		
	(74,945)	74,921
CASH FROM FINANCING ACTIVITIES		
Proceeds from capital contribution	75,000	19,434
	75,000	19,434
NET INCREASE IN CASH AND CASH EQUIVALENTS		
	37	9,258
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD/YEAR		
	–	37
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD/YEAR, represented by cash and bank balances		
	37	9,295

APPENDIX IIB ACCOUNTANT'S REPORT OF CHINA COOP MENGDA FOR THE YEAR ENDED 31 DECEMBER 2012 AND 2013

Notes to financial information

1. GENERAL

China Coop Mengda is a sino-foreign equity joint venture established in the PRC on 17 August 2012. As at 31 December 2012 and 2013, Coopinvest Company Limited* (中合聯投資有限公司) ("Coopinvest"), a company established in the PRC holding 51% equity interests in China Coop Mengda, is its immediate parent. Its ultimate parent is All China Federation of Supply and Marketing Cooperatives ("All China FSMC") which is led by the State Council of the PRC. The remaining equity interests of 24% and 25% are held by Shandong Jindu Dazhan Group Company Limited* (山東金都大展集團有限公司) ("Shandong Jindu"), a company established in the PRC, and 789 Investments Limited ("789 Investments"), being a foreign equity company, respectively. The address of the registered office of China Coop Mengda is Room 1401, Haiying Apartment 8, Huanghai Road, Economic Development District, Tianjin, the PRC (中國天津經濟開發區黃海路8號海盈公寓1401室) and its principal place of business is 5/F, Block B, A1 Xuanwumenwai Avenue, Xicheng District, Beijing (北京市西城區宣武門外大街甲1號B座5層).

The principal activity of China Coop Mengda is the provision of finance leasing business including the leasing of machineries, motor vehicles, fixtures and electrical equipment in the PRC.

The Financial Information is presented in Renminbi ("RMB"), which is also China Coop Mengda's functional currency.

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

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, China Coop Mengda has consistently applied HKFRSs, Hong Kong Accounting Standards ("HKASs"), amendments and interpretations issued by the HKICPA that are effective for annual accounting periods beginning on 1 January 2013.

China Coop Mengda has not early applied the following new and revised HKFRSs, HKASs, amendments and interpretations that have been issued by HKICPA at the date of this report but are not yet effective:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ¹
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ²
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ³
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets ¹
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle ²
HKFRS 9	Financial Instruments ³
HKFRS 14	Regulatory Deferral Accounts ⁵
HK(IFRIC) - Int 21	Levies ¹

¹ Effective for annual periods beginning on or after 1 January 2014.

² Effective for annual periods beginning on or after 1 July 2014.

³ Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

⁴ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

⁵ Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

* The English name is for identification purpose only.

APPENDIX IIB ACCOUNTANT'S REPORT OF CHINA COOP MENGDA FOR THE YEAR ENDED 31 DECEMBER 2012 AND 2013

The directors of China Coop Mengda anticipate that the application of these new and revised HKFRSs, HKASs, amendments and interpretation in the future will not have material impact on the Financial Information of China Coop Mengda.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods or services.

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

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

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

The principal accounting policies are set out below.

Revenue recognition

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

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

Office equipment

Office equipment for administrative purposes are stated in the statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

APPENDIX IIB	ACCOUNTANT'S REPORT OF CHINA COOP MENGDA FOR THE YEAR ENDED 31 DECEMBER 2012 AND 2013
---------------------	--

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

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

Leasing

Classification of lease as a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Examples and indicators that individually or in combination would normally lead to a lease being classified as a finance lease are:

- (a) the lease transfers ownership of the asset to the lessee by the end of the lease term;
- (b) the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
- (c) the lease term is for the major part of the economic life of the asset even if title is not transferred;
- (d) at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset;
- (e) the leased assets are of such a specialised nature that only the lessee can use them without major modifications;
- (f) if the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee;
- (g) gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (for example, in the form of a rent rebate equalling most of the sales proceeds at the end of the lease); and
- (h) the lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

All other leases are classified as operating leases.

China Coop Mengda as lessor

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

China Coop Mengda as lessee

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

APPENDIX IIB ACCOUNTANT'S REPORT OF CHINA COOP MENGDA FOR THE YEAR ENDED 31 DECEMBER 2012 AND 2013

Foreign currency

In preparing the Financial Information of China Coop Mengda, transactions in currencies other than functional currency of China Coop Mengda (foreign currencies) are recognised at the rates of exchange on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on settlement of monetary items and on the translation of the monetary items, are recognised in profit or loss in the period in which they arise.

Retirement benefit costs

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

Taxation

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

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

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

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

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

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when China Coop Mengda becomes a party to the contractual provisions of the instrument.

APPENDIX IIB	ACCOUNTANT'S REPORT OF CHINA COOP MENGDA FOR THE YEAR ENDED 31 DECEMBER 2012 AND 2013
---------------------	--

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

China Coop Mengda's financial assets are generally classified as loans and receivables. The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

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

Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets, with the exception of finance lease receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the

APPENDIX IIB	ACCOUNTANT'S REPORT OF CHINA COOP MENGDA FOR THE YEAR ENDED 31 DECEMBER 2012 AND 2013
---------------------	--

allowance account are recognised in profit or loss. When a finance lease receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities

Other payables are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition

China Coop Mengda derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

China Coop Mengda derecognises financial liabilities when, and only when, China Coop Mengda's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on tangible assets

At the end of each reporting period, China Coop Mengda reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss if any. Where it is not possible to estimate the recoverable amount of an individual asset, China Coop Mengda estimates the recoverable amount

of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior period. A reversal of an impairment loss is recognised immediately in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimation (see below), that the directors have made in the process of applying China Coop Mengda's accounting policies and that have the most significant effect on the amounts recognised in the Financial Information.

Classification of lease contracts as finance leases

The directors of China Coop Mengda examined the terms of the existing two lease contracts as at 31 December 2013 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 of RMB1 and RMB100; and (ii) the lessee is required to compensate China Coop Mengda for an amount equivalent to the outstanding finance lease receivable if the lessee cancels the lease, the directors are satisfied that the terms of the leases transferred substantially all the risks and rewards of ownership to the lessees and the lease contracts as at 31 December 2013 are classified as finance leases. See note 15 for details.

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

Estimated impairment of finance lease receivables

When there is objective evidence of impairment loss, China Coop Mengda 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

APPENDIX IIB ACCOUNTANT'S REPORT OF CHINA COOP MENGDA FOR THE YEAR ENDED 31 DECEMBER 2012 AND 2013

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 Relevant Periods, no impairment loss has been recognised for finance lease receivables. As at 31 December 2012 and 2013, the carrying amount of finance lease receivables is nil and approximately RMB86,483,000 respectively.

5. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	31.12.2012	31.12.2013
	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets		
Loan and receivables		
(including cash and cash equivalents)	74,987	9,346
Finance lease receivables	–	86,483
Financial liabilities		
Amortised cost	–	29
	–	29

b. Financial risk management objectives and policies

China Coop Mengda's major financial instruments for application of HKFRS 7 *Financial Instruments: Disclosures* purposes include finance lease receivables, amounts due from equity owners, cash and cash equivalents and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

China Coop Mengda has only minimal foreign currencies transactions, which expose the Company to foreign currency risk. In management's opinion, the Company has no inherent currencies risk as at 31 December 2012 and 2013 and no sensitivity analysis is presented.

(ii) Interest rate risk

China Coop Mengda is exposed to cash flow interest rate risk due to the fluctuation of market interest rate on variable-rate bank deposits in note 17. However, the cash flow interest rate risk is insignificant as they are all short term. China Coop Mengda is also exposed to fair value interest rate risk in relation to fixed-rate finance lease receivables.

In management's opinion, China Coop Mengda's exposure to cash flow interest rate risk for bank deposits is insignificant and hence no sensitivity analysis is presented.

Credit risk

As at 31 December 2012 and 2013, China Coop Mengda's maximum exposure to credit risk which will cause a financial loss to China Coop Mengda due to failure to discharge an

APPENDIX IIB	ACCOUNTANT'S REPORT OF CHINA COOP MENGDA FOR THE YEAR ENDED 31 DECEMBER 2012 AND 2013
---------------------	--

obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the statements of financial position.

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

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

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

China Coop Mengda's concentration of credit risk by geographical locations is in the PRC, which accounted for 100% of the amount due from equity owners and finance lease receivables as at 31 December 2012 and 2013 respectively.

China Coop Mengda also has concentration of credit risk from totally two finance lease borrowers in its finance leasing business. 76% of the total finance lease receivables was due from China Coop Mengda's largest finance lease borrower as at 31 December 2013. China Coop Mengda's two finance lease borrowers are within hospitality and financial service industries. One of the two finance lease borrowers is a related company to China Coop Mengda, which is indirectly controlled by All China FSMC. The finance lease receivable from the related company is nil and approximately RMB66,054,000 as at 31 December 2012 and 2013 respectively. The finance lease income received from the related company is nil and approximately RMB5,029,000 for the years ended 31 December 2012 and 2013 respectively. During the year ended 31 December 2013, both finance lease customers do not have record of late payment.

Liquidity risk

In the management of the liquidity risk, China Coop Mengda monitors and maintains a level of bank balances and cash deemed adequate by the management to finance China Coop Mengda's operations and mitigate the effects of fluctuations in cash flows.

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

APPENDIX IIB	ACCOUNTANT'S REPORT OF CHINA COOP MENGDA FOR THE YEAR ENDED 31 DECEMBER 2012 AND 2013
---------------------	--

The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

Liquidity table

	Weighted average interest rate %	On demand or less than 1 month RMB'000	Total undiscounted cash flows and as at 31.12.2013 RMB'000	Carrying amount at 31.12.2013 RMB'000
31.12.2013				
Other payables	-	29	29	29

c. Fair value measurements of financial instruments

Fair value of China Coop Mengda's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of China Coop Mengda consider that the carrying amounts of financial assets and financial liabilities recognised in the Financial Information at amortised costs approximate their fair values.

6. CAPITAL RISK MANAGEMENT

China Coop Mengda manages its capital to ensure that China Coop Mengda will be able to continue as a going concern while maximising the return to owners, to support China Coop Mengda's stability and growth, and to strengthen China Coop Mengda's financial management capability. China Coop Mengda's overall strategy remains unchanged since its establishment.

The capital structure of China Coop Mengda consists of cash and cash equivalents and equity attributable to owners of China Coop Mengda, comprising paid-in capital and accumulated profit. In order to maintain or adjust the capital structure, China Coop Mengda may adjust the amount of dividends paid to owners, return capital to owners, receive capital contribution from owners or issue new debts.

7. REVENUE AND SEGMENT INFORMATION

Revenue represents finance lease income arising from finance leasing business in the PRC during the period/year.

Information reported to the executive directors of China Coop Mengda, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance focuses on services provided. The CODM regularly reviews the revenue and profit/loss of China Coop Mengda as a whole reported using accounting policies set out in note 3 to the Financial Information.

(a) Operating and reportable segment

China Coop Mengda operates in a single segment, which is the finance leasing business in the PRC.

(b) Geographical information

All office equipment and operations of China Coop Mengda for the Relevant Periods were located in the PRC.

APPENDIX IIB	ACCOUNTANT'S REPORT OF CHINA COOP MENGDA FOR THE YEAR ENDED 31 DECEMBER 2012 AND 2013
---------------------	--

(c) **Information about a major customer**

Revenue from a related company, individually contributing over 10% of the total revenue of China Coop Mengda under reportable segment of finance leasing are as follows:

	17.8.2012 to 31.12.2012	1.1.2013 to 31.12.2013
	<i>RMB'000</i>	<i>RMB'000</i>
A related company	–	5,029
	<u> </u>	<u> </u>

8. OTHER INCOME

	17.8.2012 to 31.12.2012	1.1.2013 to 31.12.2013
	<i>RMB'000</i>	<i>RMB'000</i>
Bank interest income	5	12
Compensation income from cancellation of a lease contract	–	81
	<u> </u>	<u> </u>
	5	93
	<u> </u>	<u> </u>

9. INCOME TAX EXPENSE

	17.8.2012 to 31.12.2012	1.1.2013 to 31.12.2013
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax – PRC Enterprise Income Tax (“EIT”) – Charge for the period/year	–	816
	<u> </u>	<u> </u>

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

The income tax expense for the period/year can be reconciled to the (loss) profit before tax in the statements of profit or loss and other comprehensive income as follows:

	17.8.2012 to 31.12.2012	1.1.2013 to 31.12.2013
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss) profit before tax	(13)	3,215
	<u> </u>	<u> </u>
Income tax calculated at PRC EIT rate of 25%	(3)	804
Tax effect of expenses not deductible for tax purpose	3	10
Others	–	2
	<u> </u>	<u> </u>
Income tax expense for the period/year	–	816
	<u> </u>	<u> </u>

APPENDIX IIB	ACCOUNTANT'S REPORT OF CHINA COOP MENGDA FOR THE YEAR ENDED 31 DECEMBER 2012 AND 2013
---------------------	--

10. (LOSS) PROFIT FOR THE PERIOD/YEAR

	17.8.2012 to 31.12.2012	1.1.2013 to 31.12.2013
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss) profit for the period/year has been arrived at after charging:		
Directors' remuneration	-	356
Other staff costs:		
Salaries and other benefits	-	739
Contributions to retirement benefits scheme	-	25
	-	764
Total staff costs	-	1,120
Auditor's remuneration	-	2
Depreciation of office equipment	-	5
Minimum lease payment in respect of office premises	-	26
	-	33

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors

The emoluments paid or payable to each of the five directors for the Relevant Periods were as follows:

	Directors' fees	Salaries	Contributions to retirement benefits scheme	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31.12.2013				
<i>Executive directors</i>				
<i>(appointed on 17 August 2012):</i>				
Liu Yong	-	144	-	144
Zhang Jing	-	106	-	106
Li Long Qun	-	-	-	-
Han Ding	-	106	-	106
Ruiya Qin	-	-	-	-
	-	250	-	250
	-	356	-	356

During the period from 17 August 2012 (date of establishment) to 31 December 2012, none of the directors had received emoluments paid or payable from China Coop Mengda.

Contributions to retirement benefits scheme was borne by Coopinvest, immediate parent of China Coop Mengda.

No Chief Executive was appointed by China Coop Mengda up to the report date of the Financial Information on 6 June 2014.

APPENDIX IIB ACCOUNTANT'S REPORT OF CHINA COOP MENGDA FOR THE YEAR ENDED 31 DECEMBER 2012 AND 2013
--

No emoluments were paid by China Coop Mengda to the directors as an inducement to join, or upon joining China Coop Mengda, or as compensation for loss of office during the Relevant Periods.

There were no arrangements under which a director waived or agreed to waive any remuneration during the Relevant Periods.

Employees

The five highest paid individuals of China Coop Mengda included three directors for the year ended 31 December 2013, details of their emoluments are set out above. The emoluments of the remaining two individuals, for the year ended 31 December 2013 whose emoluments are individually below HK\$1,000,000 (equivalent to approximately RMB786,000) are as follows:

	17.8.2012 to 31.12.2012	1.1.2013 to 31.12.2013
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries and other benefits	–	301
Contributions to retirement benefits scheme	–	25
	–	326
	–	326

12. RETIREMENT BENEFITS SCHEME

The employees of China Coop Mengda are members of a central pension scheme operated by the local government, which are required to contribute a certain percentage of the employees' monthly salaries to the central pension scheme to fund the employees' retirement benefits.

China Coop Mengda does not have any liabilities to the retirement benefits of the employees other than the monthly contributions to the central pension scheme. China Coop Mengda's contributions to the central pension scheme for the year ended 31 December 2013 amounted to RMB25,000.

13. (LOSS) EARNINGS PER SHARE

No (loss) earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful.

APPENDIX IIB	ACCOUNTANT'S REPORT OF CHINA COOP MENGDA FOR THE YEAR ENDED 31 DECEMBER 2012 AND 2013
---------------------	--

14. OFFICE EQUIPMENT

	<i>RMB'000</i>
COST	
At date of establishment and 31 December 2012	–
Additions	<u>41</u>
At 31 December 2013	<u>41</u>
ACCUMULATED DEPRECIATION	
At date of establishment and 31 December 2012	–
Provided for the year	<u>5</u>
At 31 December 2013	<u>5</u>
CARRYING VALUES	
At 31 December 2013	<u><u>36</u></u>
At 31 December 2012	<u><u>–</u></u>

15. FINANCE LEASE RECEIVABLES

	Minimum lease receipts		Present value of minimum lease receipts	
	31.12.2012	31.12.2013	31.12.2012	31.12.2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Finance lease receivables comprise:				
Within one year	–	15,972	–	8,673
In more than one year but not more than two years	–	15,972	–	9,095
In more than two years but not more than five years	<u>–</u>	<u>80,783</u>	<u>–</u>	<u>68,715</u>
	–	112,727	–	86,483
Less: Unearned finance lease income	<u>–</u>	<u>(26,244)</u>	<u>N/A</u>	<u>N/A</u>
Present value of minimum lease receipts	<u><u>–</u></u>	<u><u>86,483</u></u>	<u><u>–</u></u>	<u><u>86,483</u></u>

APPENDIX IIB	ACCOUNTANT'S REPORT OF CHINA COOP MENGDA FOR THE YEAR ENDED 31 DECEMBER 2012 AND 2013
---------------------	--

	31.12.2012	31.12.2013
	<i>RMB'000</i>	<i>RMB'000</i>
Analysed as:		
Current finance lease receivables (receivable within twelve months)	–	8,673
Non-current finance lease receivables (receivable after twelve months)	–	77,810
	–	86,483
	–	86,483
Finance lease receivables from a related company (<i>note 20</i>)	–	66,054
Finance lease receivables from a third party	–	20,429
	–	86,483
	–	86,483

Effective interest rates (which are also equal to the contracted interest rates) per annum of the above finance lease receivables on two lease agreements as at 31 December 2013 are as follows:

Effective interest rates

Fixed-rate finance lease receivables	8.6% and 12.6%
--------------------------------------	----------------

Finance lease receivables as at 31 December 2012 and 2013 which are neither past due nor impaired, and the directors assessed that the balances are with good credit quality according to their past repayment records.

Finance lease receivables are secured over the machineries, motor vehicles, fixtures and electrical equipment leased. China Coop Mengda is not permitted to sell or repledge the collateral in the absence of default by the lessee. The lessees are entitled to exercise an option to purchase the entire leased assets at the end of the lease term at a nominal price of RMB1 and RMB100 respectively.

Specifically, finance lease receivable of RMB66,054,000 at 31 December 2013 involved a sale and lease back arrangement with a related party, whereby the related party sold certain motor vehicles, fixtures and electrical equipment and immediately leased back these assets from China Coop Mengda under a non-cancellable lease term of 5 years. The directors of China Coop Mengda evaluated that the leaseback is a finance lease, and China Coop Mengda in substance provided finance to the related party with these assets as security. The outstanding receivable is also secured over certain land and hotels located in Lushan in Jiangxi Province, owned by another related party. The relationship with these related parties is set out in note 20.

The lease term of the other lease agreement is 3 years. 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.

All China Coop Mengda's finance lease receivables are denominated in RMB, the functional currency of China Coop Mengda.

APPENDIX IIB	ACCOUNTANT'S REPORT OF CHINA COOP MENGDA FOR THE YEAR ENDED 31 DECEMBER 2012 AND 2013
---------------------	--

16. DEPOSITS AND OTHER RECEIVABLES

	31.12.2012	31.12.2013
	<i>RMB'000</i>	<i>RMB'000</i>
Other tax recoverables	–	1,899
Deposits	–	51
	–	1,950
	–	1,950

17. CASH AND CASH EQUIVALENTS

China Coop Mengda's bank deposits carry interest at prevailing bank saving deposits rate of 0.35% per annum as at 31 December 2012 and 2013.

18. PAID-IN CAPITAL

	<i>RMB'000</i>
Registered capital:	
At the date of establishment, and 31 December 2012 and 2013	100,000
	100,000
Paid-in capital:	
At the date of establishment	–
Addition during the period	75,000
At 31 December 2012	75,000
	75,000
Addition during the year	19,434
	19,434
At 31 December 2013	94,434
	94,434

19. OPERATING LEASE

China Coop Mengda as lessee

Minimum lease payments paid under operating lease in respect of office premises for the years ended 31 December 2012 and 2013 was nil and approximately RMB26,000 respectively.

At 31 December 2012 and 2013, China Coop Mengda had outstanding minimum commitments under non-cancellable operating leases, which fall due as follows:

	31.12.2012	31.12.2013
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	–	13
	–	13

China Coop Mengda leases office premises under operating leases, which are negotiated for a term of one year. None of the leases includes contingent rentals.

APPENDIX IIB	ACCOUNTANT'S REPORT OF CHINA COOP MENGDA FOR THE YEAR ENDED 31 DECEMBER 2012 AND 2013
---------------------	--

20. RELATED PARTY TRANSACTIONS

China Coop Mengda operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("government-related entities"). In addition, as at 31 December 2012 and 2013, the immediate parent of China Coop Mengda is Coopinvest which is controlled by All China FSMC led by the State Council of the PRC. China Coop Mengda is also a government-related entity.

The transactions and balances with All China FSMC and its subsidiaries (collectively referred to as "All China FSMC Group"), other equity owners as well as other PRC government-related entities are disclosed below.

(a) Balances with All China FSMC Group

	31.12.2012	31.12.2013
	<i>RMB'000</i>	<i>RMB'000</i>
Amount due from Coopinvest	71,950	–
Amount due from a related company (included in finance lease receivables (<i>note 15</i>))	–	66,054
	71,950	66,054
	31.12.2012	31.12.2013
	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amount repayable:		
On demand or within one year	71,950	1,866
In more than one year but not more than two years	–	1,674
In more than two year but not more than five years	–	62,514
	71,950	66,054

Amount due from Coopinvest is unsecured, non-interest bearing and repayable on demand. The balance of RMB71,950,000 as at 31 December 2012 was fully settled during the year ended 31 December 2013.

Amount due from a related company indirectly controlled by All China FSMC included in finance lease receivables is secured over machineries, motor vehicles and fixtures leased plus certain land and hotels, located in Lushan in Jiangxi Province, owned by another related party which is also controlled by All China FSMC, and carries interest at the rate of 8.6% per annum and is repayable according to the lease schedule.

(b) Transaction with All China FSMC Group

	17.8.2012 to	1.1.2013 to
	31.12.2012	31.12.2013
	<i>RMB'000</i>	<i>RMB'000</i>
Finance lease income	–	5,029

APPENDIX IIB ACCOUNTANT'S REPORT OF CHINA COOP MENGDA FOR THE YEAR ENDED 31 DECEMBER 2012 AND 2013

In addition to the above, Coopinvest performed certain administrative services for China Coop Mengda, for which a management fee of RMB870,000 was charged during the year ended 31 December 2013.

(c) Balances with other PRC government-related entities

Apart from the balances with All China FSMC Group as disclosed above, China Coop Mengda has entered into various transactions in its ordinary course of business including bank deposits, with certain banks which are government-related entities. As at 31 December 2012 and 2013, 100% and 99.99% of bank balances are held with these government-related banks.

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

(d) Balances with equity owners (other than All China FSMC)

	31.12.2012	31.12.2013
	<i>RMB'000</i>	<i>RMB'000</i>
Amount due from Shandong Jindu	<u>3,000</u>	<u>–</u>

Amount due from Shandong Jindu is unsecured, non-interest bearing and repayable on demand. The balance of RMB3,000,000 as at 31 December 2012 was fully settled during the year ended 31 December 2013.

The remuneration of key management personnel included directors' remuneration which is classified as short term employee benefit, and disclosed in note 11.

Other than disclosed elsewhere in the Financial Information, China Coop Mengda had no other significant related party transactions during the Relevant Periods.

21. EVENTS AFTER REPORTING PERIOD

- (i) On 10 January 2014, China Coop Mengda declared final dividends of RMB4,561,000, RMB413,000 and RMB235,000 to Coopinvest, Shandong Jindu and 789 Investments respectively pursuant to the resolution from the Board of Directors of China Coop Mengda.
- (ii) Pursuant to share transfer agreement dated 20 February 2014, Hebei Mingde acquired 16.85% equity interest of China Coop Mengda from Coopinvest for the amount of RMB16,850,000. This transaction has no financial impact to China Coop Mengda.
- (iii) Ever Harvest Inc Limited ("Ever Harvest"), a wholly owned subsidiary of the Company, entered into a joint venture agreement dated 21 March 2014 with the equity owners of China Coop Mengda regarding its investment in China Coop Mengda. Pursuant to the agreement, Ever Harvest has conditionally agreed to make a capital contribution of RMB70 million to China Coop Mengda in cash for approximately 41.18% of the equity interests of China Coop Mengda with a call option granted by Hebei Mingde to acquire its entire equity interest in China Coop Mengda, details are set out in the "Letter from the Board" to the Circular. Upon completion of this transaction, China Coop Mengda will become an indirectly non-wholly owned subsidiary of the Company and the financial information of China Coop Mengda will be consolidated into the consolidated financial statements of the Company.

B. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by China Coop Mengda in respect of any period subsequent to 31 December 2013.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

(1) INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the unaudited pro forma statement of assets and liabilities of National Agricultural Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) (“Unaudited Pro Forma Financial Information”) as if the proposed capital contribution within the range of RMB200,000,000 to RMB391,124,000 to an indirectly non-wholly owned subsidiary, China Coop Financial Leasing Co., Ltd. (“China Coop Mengda”), had been completed on 30 June 2014 (the “Capital Contribution”). Upon completion of the Capital Contribution, on the assumption that all non-controlling interests equity owners of China Coop Mengda will not make any further capital contribution to China Coop Mengda, the equity interests held by Ever Harvest Inc Limited (“Ever Harvest”), a wholly-owned subsidiary of the Company, in China Coop Mengda will be increased from approximately 41.18% to approximately 82.18% (based on the maximum capital contribution of RMB391,124,000). Details of the Capital Contribution are set out in the section headed “Letter from the Board” contained in this Circular.

The Unaudited Pro Forma Financial Information has been prepared in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), for the purpose of illustrating the effect of the Capital Contribution pursuant to the terms of the capital contribution agreement dated 14 August 2014 entered into between Ever Harvest and China Coop Mengda.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited statement of assets and liabilities of the Group as at 30 June 2014, which has been extracted from the Company’s published interim report for the period ended 30 June 2014, and after making pro forma adjustments relating to the Capital Contribution that are (i) directly attributable to the Capital Contribution, and (ii) factually supportable, as if the Capital Contribution had been completed on 30 June 2014, if any.

The Unaudited Pro Forma Financial Information is prepared by the directors of the Company (the “Directors”) to provide information of the Group upon completion of the Capital Contribution. It is prepared for illustrative purpose only and based on a number of assumptions, estimates and uncertainties. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Group following the completion of the Capital Contribution or any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group set out in the interim report of the Company for the period ended 30 June 2014 and other financial information included elsewhere in this Circular.

(2) UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP

	The Group as at 30 June 2014 RMB'000 (unaudited) <i>(Note a)</i>	Pro forma adjustment relating to the Capital Contribution RMB'000 <i>(Note b)</i>	The Group after Capital Contribution RMB'000 (unaudited)
Non-current assets			
Property, plant and equipment	25,882		25,882
Investment properties	14,389		14,389
Goodwill	182		182
Prepaid lease payments	36,275		36,275
Finance lease receivables	88,907		88,907
Deposit for acquisition of investment property	34,530		34,530
Deferred tax assets	257		257
	<u>200,422</u>		<u>200,422</u>
Current assets			
Inventories	38		38
Finance lease receivables	20,600		20,600
Trade and other receivables	43,533		43,533
Deposits and prepayments	7,477		7,477
Other financial asset	624		624
Prepaid lease payments	1,369		1,369
Tax recoverable	297		297
Restricted bank deposits	10,159		10,159
Cash and cash equivalents	184,209		184,209
	<u>268,306</u>		<u>268,306</u>
Current liabilities			
Trade and other payables	22,738		22,738
Bank borrowings	43,493		43,493
Deferred revenue	43,146		43,146
Tax payable	678		678
	<u>110,055</u>		<u>110,055</u>
Net current assets	<u>158,251</u>		<u>158,251</u>
Total assets less current liabilities	<u>358,673</u>		<u>358,673</u>
Non-current liabilities			
Bank borrowings	13,750		13,750
Deferred revenue	9,019		9,019
	<u>22,769</u>		<u>22,769</u>
Net assets	<u>335,904</u>		<u>335,904</u>

(3) NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

- a. Figures are extracted from the unaudited consolidated financial statements of the Group as set out in the interim report of the Company for the period ended 30 June 2014 which is mentioned in Appendix I to this Circular.
- b. Upon completion of the initial investment in the China Coop Mengda on 18 April 2014, the Group was able to obtain control over China Coop Mengda pursuant to the terms and conditions of the joint venture agreement dated 21 March 2014 because (i) the Group is able to form the quorum for the board of directors' meeting as a related party of the Group, which is an existing equity owner that is entitled to appoint a member of the board of directors of the China Coop Mengda, has irrevocably committed to attend the board of directors' meetings of the China Coop Mengda; and (ii) the Group was able to appoint four out of seven members to the board of directors of the China Coop Mengda to approve decisions on activities that significantly affect the returns of the China Coop Mengda by simple majority votes. As such, China Coop Mengda is accounted for as a subsidiary of the Company and all its assets and liabilities were consolidated in the Group as at 30 June 2014.

For the purpose of the Unaudited Pro Forma Financial Information, it is assumed that no capital contribution will be made to China Coop Mengda by the non-controlling interests equity owners of China Coop Mengda, and the estimated direct cost relating to the Capital Contribution to be insignificant. The capital contribution from the Group to China Coop Mengda within the range of RMB200,000,000 to RMB391,124,000 will be considered as intra-group transactions and will have no impact over the assets and liabilities of the Group. As such, no pro forma adjustment is required in preparation of the unaudited pro forma statement of assets and liabilities of the Group.

The following is the text of a report received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this circular in respect of the unaudited pro forma financial information of the Group.

Deloitte.

(4) INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF NATIONAL AGRICULTURAL HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of National Agricultural Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma statement of assets and liabilities of the Group as at 30 June 2014 and related notes (the "Pro Forma Financial Information") as set out in Appendix III of the circular issued by the Company dated 24 October 2014 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Appendix III of the Circular.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed capital contribution within the range of RMB200,000,000 to RMB391,124,000 to an indirectly non-wholly owned subsidiary, China Coop Financial Leasing Co., Ltd. ("China Coop Mengda"), on the statement of assets and liabilities of the Group as at 30 June 2014 (the "Capital Contribution") as if the Capital Contribution had taken place on 30 June 2014. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the period ended 30 June 2014 on which a review report has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *"Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus"* issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of Pro Forma Financial Information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2014 would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

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

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 October 2014

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTEREST

Interests of the Directors and chief executive in the Company and its associated corporations

As at the Latest Practicable Date, save as disclosed below, the interests and short positions, if any, of each Director and chief executive of the Company in any Shares, underlying shares and debentures of the Company and any associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

(a) *Interests in issued ordinary shares of the Company*

Name of Director	Number of Shares	Capacity in which interest is held	Long/short position	Interest as to % of the issued share capital of the Company
Wen Yuanyi	107,884 (Note)	Personal Interest	Long position	0.00007

Note: These Shares were held by Precursor Management Inc. ("PMI"), which was wholly owned by Cai Weiheng, the husband of Wen Yuanyi ("Ms. Wen"), a Director. By virtue of the SFO, Ms. Wen was deemed to be interested in the Shares held by PMI for the purpose of Part XV of the SFO.

(b) Interests in issued ordinary shares of associated corporations

As at the Latest Practicable Date, the Director below had interests or short positions in the Shares, underlying shares or debentures of the Company's associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) entered in the register pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules:

Name of Director	Name of shares	Number of associated corporation	Nature of interest	Long/short position	Approximate % of the issued share capital of the associated corporation
Chen Li-Jun	13,950,000	Hebei AMP	Corporate interest (Note)	Long position	15.50

Note: Hebei AMP owned 51% of Million Rich which in turn owned 100% issued share capital in Parko. Parko owned approximately 53.58% of the issued share capital in the Company. As such, Hebei AMP was a holding company of and therefore an associated corporation of the Company pursuant to section 308 of the SFO. Chen Li-Jun held 15.5% interests in Hebei AMP.

Disclosure of interests of substantial shareholders

As at the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of the SFO and, so far as is known to the Directors or chief executive of the Company, the following shareholders (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of Shareholder	Nature of interest	Number of Shares	Approximate % of the issued share capital of the Company
Parko	Beneficial owner	741,801,292 (Note)	51.02
Million Rich	Interest of a controlled corporation	741,801,292 (Note)	51.02
Hebei AMP	Interest of a controlled corporation	741,801,292 (Note)	51.02
Hebei New Cooperation	Interest of a controlled corporation	741,801,292 (Note)	51.02
Chou Shih Chung	Beneficial owner	91,792,000	6.31

Note: Hebei AMP and Hebei New Cooperation owned 51% and 49% of Million Rich respectively. Million Rich in turn owned 100% issued share capital in Parko which owned approximately 53.58% of the issued share capital in the Company. Million Rich, Hebei AMP and Hebei New Cooperation are deemed to be interested in the Shares held by Parko for the purpose of Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company was aware of any other person, other than a Director or the chief executive of the Company, who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all

circumstances at general meetings of any other member of the Group, or which was recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

3. DIRECTORS' INTERESTS

- (a) As at the Latest Practicable Date, none of the Directors had any interest, either directly or indirectly, in any assets which have, since 31 December 2013 (being the date to which the latest published audited consolidated financial statements of the Group were made up), been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.
- (b) None of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group.
- (c) As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which will not expire or is not determinable by the employer within a year without payment of compensation (other than statutory compensation).
- (d) As at the Latest Practicable Date, so far as the Directors are aware of, none of the Directors and their respective associates had any interests in business which competes, or are likely to compete, either directly or indirectly, with the businesses of the Group.

4. LITIGATION

As at the Latest Practicable Date, so far as was known to the Directors, none of the members of the Group was engaged in any litigation, arbitration or administration proceedings of material importance and there was no litigation, arbitration or administration proceedings or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

5. MATERIAL CONTRACTS

The Group had, after the date of two years immediately preceding the date of this circular, entered into the following contracts which were or might be material, other than contracts in the ordinary course of business of the Group:

- (a) the subscription agreement dated 15 July 2013 (as supplemented by two supplemental agreements dated 16 August 2013 and 10 October 2013 respectively) entered into between the Company and Parko in respect of the subscription and issue of the convertible bonds in the maximum aggregate principal amount of HK\$247,925,000 by the Company;

- (b) the joint venture agreement dated 21 March 2014 entered into between Ever Harvest and Xinyuan Taifeng Agricultural Asset Management (Beijing) Company Limited* (新源泰豐農業資產管理(北京)有限公司);
- (c) the joint venture agreement dated 21 March 2014 entered into among Ever Harvest, Coopinvest Company Limited* (中合聯投資有限公司), 789 Investments Limited, Shandong Jindu Dazhan Group Company Limited* (山東金都大展集團有限公司) and Hebei Mingde Machinery Limited Liability Company* (河北明德機械有限責任公司);
- (d) joint operation agreement dated 4 June 2014 entered into between the Company and Guangzhou Exchange Group Co., Ltd. (廣州交易所集團有限公司);
- (e) the Capital Contribution Agreement;
- (f) the placing agreement dated 14 August 2014 entered into between the Company, CCB International Capital Limited, ICBC International Securities Limited and Guosen Securities (HK) Capital Company Limited; and
- (g) the subscription agreement dated 14 August 2014 entered into between the Company and Parko.

6. GENERAL

- (a) The secretary of the Company is Mr. Ip Pui Sum who is a member of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is at P.O. Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands.
- (c) The Company's head office and principal place of business in Hong Kong is at Suites 1604-5, Prudential Tower, Harbour City, 21 Canton Road, Tsimshatsui, Kowloon, Hong Kong.
- (d) The branch share registrar of the Company is Computershare Hong Kong Investor Services Limited at 17M, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (e) The English language text of this circular shall prevail over the Chinese language in case of inconsistency.

7. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there is no material adverse change in the financial or trading position of the Company since 31 December 2013, the date to which the latest published audited consolidated financial statements of the Company have been made up.

8. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of each of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Suites 1604–5, Prudential Tower, Harbour City, 21 Canton Road, Tsim sha tsui, Kowloon, Hong Kong for a period of 14 days from the date of this circular:

- (a) the Articles;
- (b) the annual reports of the Company for the years ended 31 December 2012 and 31 December 2013;
- (c) the interim report of the Company for the six months ended 30 June 2014;
- (d) the accountant's report issued by Deloitte Touche Tohmatsu on the financial information on China Coop Mengda as set out in Appendix IIA and IIB to this circular;
- (e) the written consent referred to in the paragraph headed "Experts" in this Appendix;
- (f) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix;
- (g) the circular of the Company dated 13 September 2013, 13 May 2014, 20 January 2014, 6 June 2014 and 3 September 2014 respectively; and
- (h) this circular.

9. EXPERTS

The qualification of the expert who has given its opinion or advice which is contained in this circular is set out below:

Name	Qualification
Deloitte Touche Tohmatsu ("Deloitte")	Certified Public Accountants

As at the Latest Practicable Date, Deloitte (i) had no shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group; (ii) had no direct or indirect interest in any assets which had been, since 31 December 2013 (the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group; and (iii) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the reference to its name included herein in the form and context in which it appears.

* *for identification purpose only*