THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your stockbroker or other registered dealer in securities, 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 hand this circular accompanying with the form of proxy at once to the purchaser or the transferee or to the bank, stockbroker or other registered dealer in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

NATIONAL AGRICULTURAL HOLDINGS LIMITED
國農控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1236)

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF 30% EQUITY INTEREST IN SINO-AGRI AGRICULTURAL MACHINERY HOLDINGS COMPANY LIMITED* AND PROVISION OF SHAREHOLDER'S LOAN AND NOTICE OF EGM

Financial Advisers

AMASSE CAPITAL 寶 積 資 本

建银国际 CCB International

Capitalized terms used in this cover page shall have the same meanings as those defined in this circular, unless the context requires otherwise.

A notice convening the EGM to be held at Suites 1604–5, Prudential Tower, Harbour City, 21 Canton Road, Tsimshatsui, Kowloon, Hong Kong on Monday, 13 July, 2015 at 10 a.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

* *For identification purposes only*

24 June 2015

CONTENTS

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

"Acquisition"	the acquisition of the Sale Interest from the Vendor in accordance with the terms and conditions of the SPA
"Announcement"	the announcement of the Company 29 April 2015 in respect of the Transactions
"Board"	the board of Directors
"business day"	a day from Monday to Friday, other than statutory holiday in the PRC
"China Co-Op Group"	中國供銷集團有限公司 (China Co-Op Group Company Limited*), a company established in the PRC and a wholly owned subsidiary of the Cooperatives
"China Coop Mengda"	中合盟達融資租賃有限公司 (China Coop Mengda Financial Leasing Co., Ltd*), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
"Company"	National Agricultural Holdings Limited, 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
"Completion"	completion of the Acquisition pursuant to the terms and conditions of the SPA
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the total consideration for the Acquisition, being RMB105 million (equivalent to approximately HK$131.25 million)
"Cooperatives"	中華全國供銷合作總社 (All China Federation of Supply and Marketing Cooperatives*)
"Coopinvest Company"	中合聯投資有限公司 (Coopinvest Company Limited*), a company established in the PRC and a substantial shareholder of China Coop Mengda
"Director(s)"	director(s) of the Company

"EGM"	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other things, the SPA and the transactions contemplated thereunder
"Enlarged Group"	the Group immediately after the Completion
"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
"Fuping Taihong"	富平泰宏農機市場開發有限公司 (Fuping Taihong Agricultural Machinery Marketing Development Company Limited*), a company established in the PRC with limited Liability
"Group"	the Company and its subsidiaries as at the date of this circular
"Hebei AMP"	河北省農業生產資料有限公司 (Hebei Agricultural Means of Production Company Limited*), a company established in the PRC with limited liability
"Hebei New Cooperation Group"	河北省新合作控股集團有限公司 (Hebei New Cooperation Group Holdings Limited*), a company established in the PRC with limited liability
"Hebei New Cooperation Management"	河北省新合作投資管理有限公司 (Hebei New Cooperation Investment Management Company Limited*), a company established in the PRC with limited liability and a wholly-owned subsidiary of Hebei New Cooperation Group
"Hebei Sino-agri Boyuan"	河北中農博遠農業裝備有限公司 (Hebei Sino-agri Boyuan Agricultural Machinery Company Limited*), a company established in the PRC with limited liability and is owned as to 55% by the Target Company
"Hebei SMC"	河北省供銷合作總社 (Hebei Supply and Marketing Cooperative*), the ultimate controlling shareholder of Parko and an institutional organisation of the People's Government of Hebei Province of the PRC
"Henan Sino-agri Fuan"	河南中農福安農業裝備有限公司 (Henan Sino-agri Fuan Machinery Company Limited*), a company established in the PRC with limited liability and is owned as to 42% by the Target Company

"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	third party(ies) independent of and not connected with the Company and its connected persons
"Latest Practicable Date"	19 June 2015, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Million Rich"	Million Rich Hong Kong Holdings Company Limited, a limited company incorporated in Hong Kong
"Parko"	Parko (Hong Kong) Limited, a limited company incorporated in Hong Kong
"Placing and Subscription of Warrants"	collectively, (i) the placing of an aggregate of 141,463,000 placing warrants by Convoy Investment Services Limited as placing agent; and (ii) the subscription of an aggregate of 212,194,500 subscription warrants by Parko, as subscriber, under the respective placing agreement and subscription agreement dated 28 January 2015 (as supplemented and amended by the respective supplemental agreement dated 2 April 2015)
"PRC"	the People's Republic of China which, for the purpose of this circular only, does not include Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Interest"	30% equity interest in the Target Company owned by the Vendor
"Settlement Date"	within 5 Business Days following the date when all the conditions precedent under the SPA have been fulfilled (or such other dates as the Company and the Vendor may agree in writing)
"Share(s)"	ordinary share(s) in the share capital of the Company

"Shareholder(s)"	holder(s) of the Share(s)
"Shareholder's Loan"	the shareholder's loan in the amount up to RMB145 million (equivalent to approximately HK$181.25 million) to be granted by the Company to the Target Company in accordance with the terms and conditions of the SPA
"Sino-agri Shaanxi"	中農集團陝西實業發展有限公司 (Sino-agri Shaanxi Development Company Limited*), a company established in the PRC with limited liability and is owned as to 70% by the Target Company
"SPA"	the sale and purchase agreement dated 29 April 2015 and entered into among the Company, the Vendor and the Target Company in relation to the Transactions
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	中農集團農機控股有限公司 (Sino-agri Agricultural Machinery Holdings Company Limited*), a company established in the PRC with limited liability and is wholly owned by the Vendor
"Target Group"	collectively, the Target Company, Hebei Sino-agri Boyuan, Sino-agri Shaanxi, Henan Sino-agri Fuan and Fuping Taihong
"Transactions"	the Acquisition and the provision of the Shareholder's Loan in accordance with the terms and conditions of the SPA
"Vendor" or "China AMP"	中國農業生產資料集團公司 (China National Agricultural Means Of Production Group Corporation*), a collectively-owned enterprise established in the PRC and a wholly owned subsidiary of China Co-Op Group
"%"	per cent.

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

* *for identification purposes only and should not be regarded as an official name*

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. Law Yee Kwan Quinn
Mr. Fan William Chung Yue

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

Head office and principal place of business in Hong Kong:
Suites 1604-5, Prudential Tower
Harbour City, 21 Canton Road
Tsimshatsui, Kowloon, Hong Kong

24 June 2015

To the Shareholders

Dear Sir/Madam,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF 30% EQUITY INTEREST IN SINO-AGRI AGRICULTURAL MACHINERY HOLDINGS COMPANY LIMITED* AND PROVISION OF SHAREHOLDER'S LOAN

INTRODUCTION

Reference is made to the Announcement in respect of the Transactions.

On 29 April 2015 (after trading hours of the Stock Exchange), the Company (as the purchaser), the Vendor and the Target Company entered into the SPA, pursuant to which the Company conditionally agreed to purchase from the Vendor, and the Vendor conditionally agreed to sell to the Company, the Sale Interest, representing 30% of the existing equity interest of the Target Company, at the Consideration of RMB105 million (equivalent to approximately HK$131.25 million) which shall be settled in cash.

Pursuant to the SPA, the Company has further agreed to grant the Shareholder's Loan up to RMB145 million (equivalent to approximately HK$181.25 million), in three tranches, subject to the terms and condition therein.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Transactions exceeds 100%, the Transactions constitute a very substantial acquisition of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting, announcement and Shareholders' approval requirements.

As at the Latest Practicable Date, China Co-Op Group, the holding company of the Vendor which holds the entire interest in the Vendor, holds approximately 83.83% interest in Coopinvest Company which is a substantial shareholder and holds approximately 26.91% interest in China Coop Mengda, an indirect non-wholly owned subsidiary of the Company. China Co-Op Group, Coopinvest Company and the Vendor are connected persons of the Company under the Listing Rules. Accordingly, the Transactions also constitute a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and independent Shareholders' approval requirements under the Listing Rules.

The Transactions are however only connected transactions between the Company and a connected person at the subsidiary level on normal commercial terms, therefore such connected transactions are exempted from the circular, independent financial advice and shareholders' approval requirements under rule 14A.101 of the Listing Rules given that (i) the Directors have approved the Transactions; and (ii) the independent non-executive Directors have confirmed that the terms of the Transactions are fair and reasonable, the Transactions are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

In accordance with the Listing Rules, any Shareholder who has a material interest in the SPA shall abstain from voting on the resolution(s) to approve the SPA and the transactions contemplated thereunder at the EGM. Considering Parko, the controlling shareholder of the Company which holds approximately 54.6% of the issued share capital of the Company as at the Latest Practicable Date is indirectly controlled by the Vendor (which holds 26% equity interest in Hebei AMP, which in turn holds 51% of the issued share capital of Million Rich, the holding company of Parko), Parko and its associates will abstain from voting on the relevant resolution(s) at the EGM accordingly.

Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Transactions and therefore, no Shareholder is required to abstain from voting at the EGM in respect of the SPA and the transactions contemplated thereunder.

The purpose of this circular is to provide you with, among other things, (i) further details of the SPA and the transactions contemplated thereunder; (ii) the financial information of the Group; (iii) the financial information of the Target Group; (iv) the unaudited pro forma financial information of the Enlarged Group; and (v) a notice convening the EGM.

The SPA

Date:	29 April 2015 (after trading hours of the Stock Exchange)

Parties

Purchaser:	the Company
Vendor:	中國農業生產資料集團公司 (China National Agricultural Means Of Production Group Corporation*)
Target Company:	中農集團農機控股有限公司 (Sino-agri Agricultural Machinery Holdings Company Limited*)

As at the Latest Practicable Date, China Co-Op Group, the holding company of the Vendor which holds the entire interest in the Vendor, holds approximately 83.83% interest in Coopinvest Company which is a substantial shareholder and holds approximately 26.91% interest in China Coop Mengda, an indirect non-wholly owned subsidiary of the Company. Accordingly, China Co-Op Group, Coopinvest Company and the Vendor are connected persons of the Company under the Listing Rules.

For details of the relationship between the Vendor and the Group, please refer to the sub-section headed "Relationship between the Group and the Vendor" under the section headed "Information of the Group" in this circular.

Assets to be acquired

Pursuant to the SPA, the Company conditionally agreed to purchase the Sale Interest, representing 30% of the existing equity interest of the Target Company.

Consideration

The Consideration of RMB105 million (equivalent to approximately HK$131.25 million) shall be settled in cash on the Settlement Date by the Company.

The Consideration will be satisfied by the internal resource of the Group and/or by proceeds from fund raising activities as may be conducted by the Company, including but not limited to the Placing and Subscription of Warrants.

The Consideration was determined after arm's length negotiations between the Company and the Vendor, with reference to:

(i) the audited consolidated net assets of the Target Company of approximately RMB287 million (equivalent to approximately HK$359 million) as at 31 December 2014;

(ii) the leading position and role of the Cooperatives, the ultimate beneficial owner of the Target Company, which is led by the State Council of the PRC, on the development of agriculture industry in the PRC, details of which are disclosed in the sub-section headed "The Target Company – Background Information" under the section headed "Information of the Target Group" in this circular; and

(iii) the favorable support from the PRC government on agricultural modernization and the synergy effect to be achieved through the linkage of similar businesses of the Group and the Target Group, details of which are disclosed in the section headed "Reasons and Benefits for the Transactions" in this circular.

Accordingly, the Directors consider that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Settlement of the Consideration is conditional upon the satisfaction of the following conditions precedent:

(i) the Target Company and the Vendor having disclosed in writing to the Company the Target Group's assets, liabilities, rights, external guarantees and all the information relating to the SPA;

(ii) with assistance from the Target Company and the Vendor, the accounting firm and/or the PRC lawyers engaged by the Company having completed the financial and/or legal due diligence of the Target Group with the results to the satisfaction of the Company;

(iii) the Target Company and/or the Vendor having completed all the prerequisite review and approval and filing procedures with the competent government authorities which are required to be performed for the Transactions, including but not limited to official approval procedures of the Cooperatives, and the relevant review and approval/filing formalities for the acquisition and merger of domestic enterprises by foreign investors (where necessary);

(iv) the Target Group having obtained or renewed all the relevant waivers, licenses, consents or permits concerning their operation and business;

(v) each of the parties to the SPA having performed the requisite review and approval procedures for internal decision-making at meetings of its board of directors and/or shareholders in relation to the Transactions;

(vi) each of the undertakings and warranties made by the Target Company and the Vendor under the SPA, at the time of making and up to the Settlement Date, being true, accurate, complete and free from any material omission; and

(vii) the Target Group's status, whether operational, financial or otherwise, has not been subject to any material adverse change from the record date till the Settlement Date, as determined by the Company based on its independent judgment.

If any of the above conditions for whatever reasons have not been fulfilled within 90 days after the execution of the SPA, the Company shall have the rights to terminate the SPA in writing under the terms and conditions of the SPA.

The SPA does not provide that any of the above conditions precedent are waivable.

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

Provision of the Shareholder's Loan

The principal terms for provision of the Shareholder's Loan are summarized as follows:

(i) Principal amount

Up to RMB145 million (equivalent to approximately HK$181.25 million), in three tranches, to be paid by the Company.

(ii) Proposed use of the Shareholder's Loan

For working capital of the Target Group.

(iii) Provision of the Shareholder's Loan

The Shareholder's Loan will be granted in the following manner:

(a) the grant of the first tranche of the Shareholder's Loan in the amount of RMB45 million (equivalent to approximately HK$56.25 million) will be made after the date of Completion;

(b) the grant of the second tranche of the Shareholder's Loan in the amount of RMB50 million (equivalent to approximately HK$62.50 million) (the "**Second Tranche Loan**") is conditional upon the audited consolidated net profit attributable to the owner of the Target Company (the "**Audited Net Profit**"), as prepared in accordance with the HKFRS, for the financial year ending 31 December 2015 ("**FY2015**"), being not less than RMB19.44 million (equivalent to approximately HK$24.30 million) ("**2015 Expected Net Profit**"); and

(c) the grant of the third tranche of the Shareholder's Loan in the amount of RMB50 million (equivalent to approximately HK$62.5 million) (the "**Third Tranche Loan**") is conditional upon the Audited Net Profit for the financial year ending 31 December 2016 ("**FY2016**") being not less than RMB38.88 million (equivalent to approximately HK$48.60 million) ("**2016 Expected Net Profit**").

In the event that the 2015 Expected Net Profit is not met, but the aggregate of the Audited Net Profit for FY2015 and FY2016 is not less than RMB58.32 million (equivalent to approximately HK$72.90 million), the Second Tranche Loan and the Third Tranche Loan, amounting to an aggregate of RMB100 million (equivalent to HK$125 million), will be granted to the Target Company.

Pursuant to the SPA, the Vendor shall procure the Target Company to submit to the Company the audited consolidated financial statements of the Target Company for FY2015 and FY2016 to be prepared in accordance with the HKFRS within 3 months after the end of such financial year.

In respect of the Second Tranche loan and the Third Tranche loan, if the relevant Expected Net Profit is met, the Company shall pay the relevant tranches of the Shareholder's Loan within 15 Business Days after the issue of the relevant audited consolidated financial statements.

The Company will make appropriate announcement(s), as and when appropriate, if it is required to grant the Second Tranche Loan and/or the Third Tranche Loan.

(iv) Maturity date

3 years from the date of grant of the relevant tranches of the Shareholder's Loan.

(v) Interest

The Shareholder's Loan is interest free, subject to the achievement of the Expected Net Profit as set out below.

In the event that (a) the Audited Net Profit for FY2015 is less than 2015 Expected Net Profit; or (b) the Audited Net Profit for FY2016 is less than 2016 Expected Net Profit; or (c) the aggregate of the Audited Net Profit for FY2015 and FY2016 is less than the aggregate of 2015 Expected Net Profit and 2016 Expected Net Profit, an interest rate equal to the interest rate for 1–3 years term loan as announced by the People's Bank of China (the "**Interest Rate**") will be charged on the relevant tranches of the Shareholder's Loan commencing from their respective date of grant.

The provision of the interest-free Shareholders's Loan is part of the Transactions taken into account the liquidity needs of the Target Group, the Company agreed to provide the Shareholder's Loan to the Target Company as its general working capital.

It is the intention of the Group to support and sustain the development and expansion of the Target Group given, among others, the potential growth in the PRC agricultural industry and the favourable support from the PRC government, details of which are disclosed in the section headed "Reasons and Benefits for the Transactions" of this circular.

Should the Target Group achieve the Expected Net Profit, it will bring a positive impact to the financial performance of the Group as the consolidated net profit of the Group is expected to increase. On the other hand, should the Target Group fall short of any of the 2015 Expected Net Profit or 2016 Expected Net Profit, the Interest Rate will be charged on the relevant tranches of the Shareholder's loan.

In addition, the Company has been given the Right (as defined below) to capitalise any outstanding Shareholder's Loan as equity of the Target Company. It is likely that the Company will consider exercising the Right under the circumstances, including but not limited to the event that the Target Group achieves the Expected Net Profit, hence benefiting the Company and the Shareholders as a whole.

Taking into account of the above, the Directors believe that the benefits from the provision of the interest-free Shareholder's Loan, subject to the achievement of the Expected Net Profit, would possibly outweigh that of the provision of an interest-bearing shareholder's loan.

Accordingly, the Directors are of the view that provision of the interest-free Shareholder's Loan is fair and reasonable and on normal commercial terms.

(vi) Repayment

The principal amount of each tranche of the Shareholder's Loan, together with the accrued interest (if any), shall be repaid on the respective maturity date.

In addition, the Company shall have the right to capitalise any outstanding Shareholder's Loan into the equity interest of the Target Company (the "**Right**"), detailed terms of which are subject to further negotiation between the Vendor and the Company.

The Company will comply with the relevant Listing Rules' requirements if it exercises the Right.

Other financial support

Pursuant to the SPA, the Company agreed that after the Completion, the Company will undertake the financial support provided by the Vendor to the Target Company, including guarantee, entrusted loan and direct loan, in proportion to their respective equity interests in the Target Company (the "**Undertaking**"). Detailed terms of which are subject to further negotiation between the Company and the Vendor. The Undertaking is legally binding on the Company under the laws of the PRC.

As at the Latest Practicable Date, no concrete terms concerning the Undertaking have been reached.

The Company will comply with the relevant Listing Rules requirements if it is required to provide the Undertaking.

Board of directors of the Target Company

The board of directors of the Target Company (the "**Target Company Board**") shall comprise of 5 directors, of which the Company shall have the right to nominate 2 directors and the Vendor shall have the right to nominate 3 directors. The chairman of the Target Company Board shall be nominated by the Vendor and elected by the Target Company Board.

The identities and detailed biographies of the two directors to be nominated by the Company are as below:

Mr. Chen Li-Jun, has been an executive Director and the Chairman of the Company since 2013. He joined Hebei AMP, a subsidiary of Hebei SMC, in 1989. He is the general manager of Hebei AMP and a director of Parko. Under Mr. Chen's leadership, Hebei AMP has developed into one of the top enterprises in industry which Hebei AMP operates. He has accumulated over 20 years of experience in the management of enterprises engaged in agricultural means of production, and has involved in reforms of the distribution of agricultural means of production in China's transition from a planned economy to a market economy. He has also participated in the liaison with the relevant government authorities in the planning of the supply of chemical fertilizers in Hebei province, and made positive contribution in ensuring supply of agricultural materials and stabilizing the market operation. Mr. Chen is a director of Ever Harvest and its subsidiary, Hebei Baihao Trading Company Limited (河北百豪商貿有限公司) ("**Hebei Baihao**").

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

The detailed biographies of the other directors of the Target Company and members of its senior management are as below:

Mr. Zhang Heping, has been the chairman and the general manager of the Target Company since 2012. He obtained a post-graduate degree in Master of Business Administration from Tsinghua University (清華大學) and joined China AMP in 2010, and served as a manager of its legal department. As the chairman and the general manager of the Target Company, he is responsible for the Target Company production, operation management and strategy development. He also (i) organizes, enacts and processes the annual operation and investment plans; (ii) formulates and monitors the Target Company's management rules and compliance; and (iii) enacts annual budget plans, profit distribution plans, merger and acquisition plans. Mr. Zhang has over 14 years of experience in management and has helped the Target Group achieving significant sales growth from 2011 to 2013. He also has obtained experience in manufacturing enterprises and machinery design prior to joining China AMP.

Ms. Pu Ying, has been a director of the Target Company since 2013. She obtained an undergraduate degree in accounting from Capital University of Economics and Business (首都經濟貿易大學) and joined China AMP in 1991, and served as a chief finance officer. As a director of the Target Company, she is responsible for corporate strategy, annual results review, succession planning, risk management, merger and acquisitions, disposals and capital transactions and other significant operating and financial matters. Ms. Pu has over 24 years of experience in accounting and has helped the Target Company on major investment decisions.

Ms. Zhao Fangzhi, has been a director, the deputy manager and the board secretary of the Target Company since 2012. She obtained a post-graduate degree in finance from Central University of Finance and Economics (中央財經大學) and joined Hebei Sino-agri Boyuan in 2011, and served as a chief finance officer. As a director, the deputy manager and the board secretary of the Target Company, she is responsible for (i) ensuring the implementation of financial systems, policies and procedures; (ii) approving the budget and all major items of capital expenditure; (iii) monitoring the implementation of strategic plans and overall performance of the Target Company; and (iv) managing financing, strategic investment and cooperation management departments in the Target Company. Ms. Zhao has experience in accounting, auditing and investment. She led the merger and acquisition transactions of Hebei Sino-agri Boyuan, Sino-agri Shaanxi and Henan Sino-agri Fuan. She also made positive contribution in due diligence, risk management, feasibility analysis, project financing and subsidiaries' operation.

Mr. Ping Zhenkun, has been a supervisor of the Target Company since 2012. He obtained a college degree in economic administration from China Youth University For Political Sciences (中國青年政治學院) and joined China AMP in 1995, and served as a general manager of the accounting and auditing department. Mr. Ping has been supervising the decision-making process and the implementation of the major decisions during his term as a supervisor of the Target Company and ensuring all decisions and actions of the senior management complied with the law, administrative regulations, company policies as well as the resolutions made by the board of directors of the Target Group.

Mr. Chen Feng, has been a deputy manager of the Target Company since 2014. He obtained an undergraduate degree in warehouse and transport management from Beijing Technology and Business University (北京工商大學). He joined China AMP in 1994 and served as a director of the logistics department. Mr. Chen is now in charge of the trading department of the Target Company, and is involved in the major decision making process. He has helped the Target Company expanding and developing the export business as well as importing foreign advanced agricultural machinery products.

Lock-up period

The Vendor shall not transfer or dispose of all or part its equity interest in the Target Company in any form which may cause the Vendor to lose its controlling position in the Target Company for a period of two (2) years commencing from the date of Completion.

Right of first refusal

Under the premise that the Vendor complies with the lock-up restrictions set out in the SPA, in the event that either the Vendor or the Company proposes to dispose of all or part its equity interest in the Target Company to a third party (whether through merger, transfer or other similar transactions), the other party shall have the right of first refusal (the "**Right of First Refusal**") over such equity interest on the same terms and conditions to the third party. If the party does not exercise its Right of First Refusal, it will be deemed to have agreed with such transfer.

The Company will comply with the relevant Listing Rules requirement if it exercises the Right of First Refusal.

Completion

The registration with the relevant Administration for Industry and Commerce in the PRC in respect of the Acquisition and the obtaining of the new business license for the Target Company (the "**Completion Procedure**") shall be completed within 15 Business Days after the Settlement Date (which is extendable for a period of 15 Business Days). The Completion shall take place on the date on which the Completion Procedure is completed.

INFORMATION OF THE GROUP

The Group is principally engaged in businesses which include rural financial services, trading in agricultural products, urbanization planning, operating and managing and sale of IT products in the financial sector.

Relationship between the Group and the Vendor

As at the Latest Practicable Date,

(i) Hebei AMP is owned as to approximately 25%, 8.5%, 12%, 13%, 15.5% and 26% by Hebei New Cooperation Group, Hebei New Cooperation Management, 李平現 (Li Pingxian*) ("**Mr. Li Pingxian**"), 敬蘭敏 (Jing Lanmin*) ("**Ms. Jing**"), 陳立軍 (Chen Li-Jun*) ("**Mr. Chen**"), an executive Director and the chairman of the Company, and the Vendor, respectively. Hebei AMP holds 51% of the issued share capital of Million Rich which holds 100% of the issued share capital of Parko, the controlling Shareholder of the Company;

(ii) 中合供銷五期(上海)股權投資基金合夥企業(有限合伙) (China Co-Op V (Shanghai) Equity Investment Funds Limited Partnership) ("**Co-Op Fund (V)**"), which holds approximately 4.90% of the issued share capital of the Company, is indirectly controlled by the Cooperatives. 中合供銷(上海)股權投資基金管理有限公司 (China Co-Op (Shanghai) Equity Investment Fund Management Company Limited*) ("**Co-Op Fund Management**"), the general partner of Co-Op Fund (V) which holds 1% interest in Co-Op Fund (V), is owned as to approximately 50% by Coopinvest Company, which in turn is owned by China Co-Op Group and the Vendor as to approximately 83.83% and 3.83% respectively. China Co-Op Group is also a limited partner of Co-Op Fund (V) which owns approximately 32% equity interest. China Co-Op Group is 100% owned by the Cooperatives. For details of the Cooperatives, please refer to the sub-section headed "The Target Company – Background Information" under the section headed "Information of the Target Group" in this circular;

(iii) The Vendor entered into a memorandum of understanding (the "**MOU**") for cooperation with the Company on 23 September 2014 in relation to the Vendor's promotion of utilizing the "Agripay" system (農匯通) ("**Agripay**") jointly operated by the Company and 廣州銀聯網絡支付有限公司 Guangzhou UnionPay Network Payment Co., Ltd. ("**Guangzhou UnionPay**");

(iv) China Coop Mendga, an indirect non-wholly owned subsidiary of the Company, is owned as to approximately 41.18% and 26.91% by Ever Harvest and Coopinvest Company respectively;

(v) Pursuant to the joint venture agreement dated 21 March 2014, 新源泰豐農業資產管理(北京)有限公司 (Xinyuan Taifeng Agricultural Asset Management (Beijing) Company Limited*) ("**Xinyuan**") and Ever Harvest, established 北京市國農泰豐農業諮詢有限公司 (Beijing Guonong Taifeng Agricultural Consultancy Co., Ltd.*) ("**Guonong Taifeng**"), a subsidiary of the Company. Coopinvest Company is a shareholder of Xinyuan which holds approximately 10.0% of the issued capital of Xinyuan;

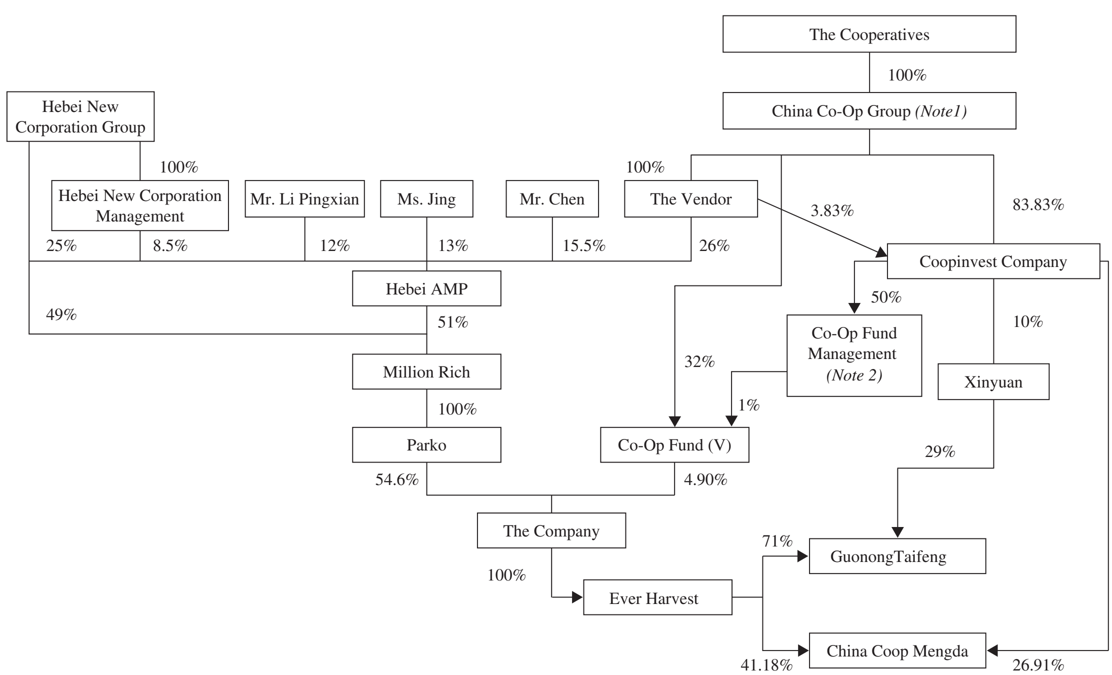
(vi) Mr. Liu Yong, an executive Director of the Company, has been the chairman of Coopinvest Company since September 2010 and the chairman of China Coop Mengda since its establishment in August 2012;

(vii) The Company entered into a framework agreement on 7 May 2015 with Dalian Renewable Energy Exchange Company Limited * (大連再生資源交易所有限公司) ("**Dalian Exchange**"), a wholly-owned subsidiary of China Co-Op Group, regarding the possible cooperation in fund management with Dalian Exchange; and

(viii) Hebei New Cooperation Group intends to transfer about 34% to 40% shareholdings in Million Rich to Coopinvest Company (the "**Proposed Transfer**"). As at the Latest Practicable Date, no legally binding agreement has been reached as to the Proposed Transfer.

Save and except for the above, as at the Latest Practicable Date, (i) each of the Vendor, China Co-Op Group and its ultimate beneficial owners does not have other business relationships and/or connections or relationship with the Company and its connected persons; and (ii) apart from the SPA and the MOU, there is no other agreement or arrangement between (a) the Company and the Vendor (including its ultimate beneficial owner); and (b) the connected persons of the Company and the Vendor (including its ultimate beneficial owner).

Set out below is a graph demonstrating the relationship between the Group and the Vendor as disclosed above:



Note 1: China Co-Op Group is a limited partner of Co-Op Fund (V).

Note 2: Co-Op Fund Management is a general partner of Co-Op Fund (V).

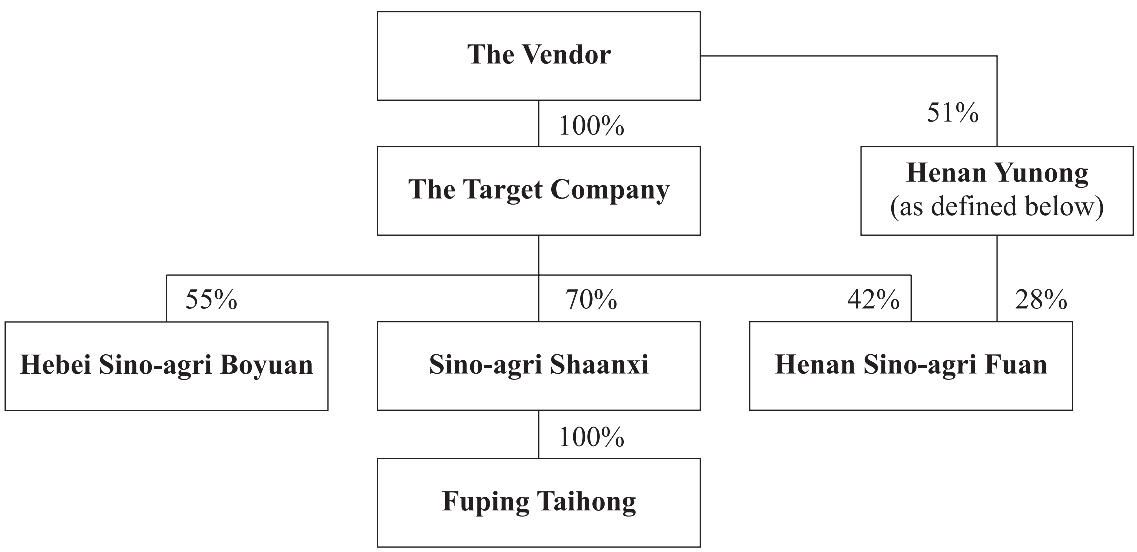
INFORMATION OF THE VENDOR

The Vendor is a collectively-owned enterprise which is established under the laws of the PRC and holds the entire equity interest in the Target Company. It is principally engaged in the business of production, circulation and provision of services in relation to agricultural means of production, such as chemical fertilizer, pesticides, agricultural film, seeds and agricultural machinery.

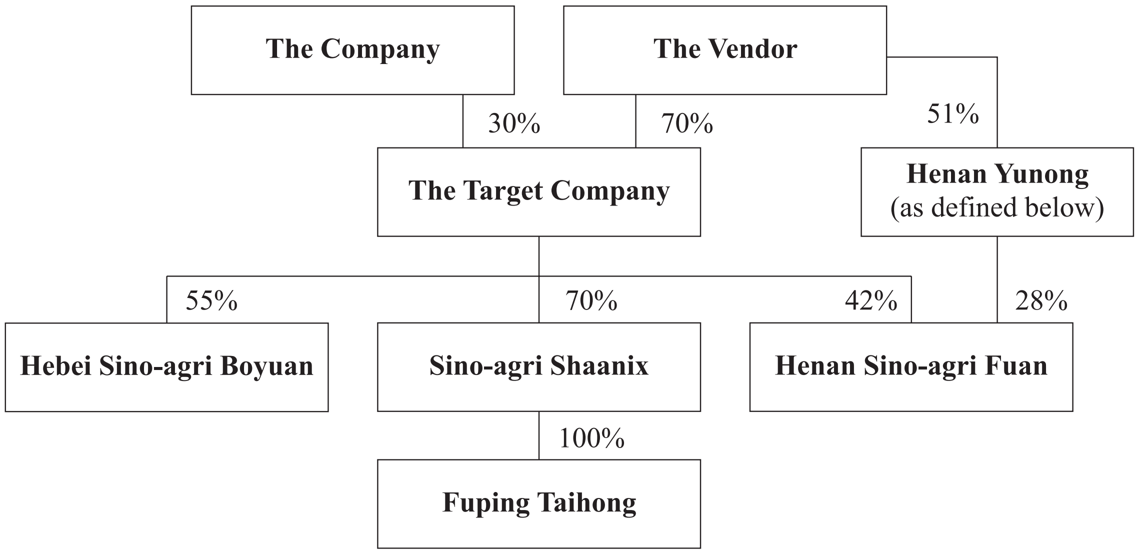
INFORMATION OF THE TARGET GROUP

Set out below is the shareholding structure of the Target Group (i) as at the Latest Practicable Date; and (ii) immediately after the Completion:

(i) Shareholding structure of the Target Group as at the Latest Practicable Date



(ii) Shareholding structure of the Target Group immediately after the Completion



The Target Company

Background information

The Target Company is a company established under the laws of the PRC with limited liability. As at the Latest Practicable Date, it has a registered capital of RMB200 million and is wholly owned by the Vendor.

The ultimate beneficial owner of the Target Company is the Cooperatives, which is a union of all national supply and marketing cooperatives in the PRC and led by the State Council of the PRC. It is principally responsible for researching, formulating and guiding the development strategy and plan for all national supply and marketing cooperatives in the PRC.

Business description

The Target Company is principally engaged in the business of (i) sourcing and reselling of agricultural machinery components; and (ii) import and export of goods.

Business licenses

The necessary licenses, waivers, consents and permits held by the Target Company for its principal operation and business are summarized as follows:

(i) 對外貿易經營者備案登記表 (Record Filing and Registration of Foreign Trade Business Operators*) (the "**Record Filing and Registration**") issued on 6 June 2013 with no expiry date.

(ii) 中華人民共和國海關進出口貨物收發貨人報關註冊登記證書 (Certificate of the Customs of PRC on the Registration of the Consignors or Consignees of Exported or Imported Goods*) ("**Customs Registration Certificate**") issued on 27 April 2012 which has expired on 27 April 2015.

As advised by the PRC legal adviser to the Company (the "**PRC Adviser**"), in accordance with the Administrative Provisions of the Customs of PRC on the Registration of Customs Declaration Entities (Order of the General Administration of Customs No. 221) and the Registration Guide published by the General Administration of Customs, a consignor or consignee of imported or exported goods shall apply for the renewal of the Customs Registration Certificate with the local customs 30 days before the certificate expires failing which the consignor or consignee will not be qualified to engage in the business of customs declaration. The Target Company shall submit the relevant documents, including but not limited to a Registration Form of Details of the Customs Declaration Entity, the business license, the organization code certificate and the registration and filing form for foreign trade dealers, to the local customs to apply for renewal of the Customs Registration Certificate. The local customs will issue 中華人民共和國海關報關單位註冊登記證書 (Certificate of Customs of the People's Republic of China on the Registration of Customs Declaration Entities*) if the application documents are in order.

As at the Latest Practicable Date, the Target Company is in the process of applying for the Customs Registration Certificate. As further advised by the PRC Legal Adviser, according to the above mentioned provisions, the local customs will only review the completeness of application documents, thus there should be no substantial legal obstacle for the Target Company to renew the Customs Registration Certificate.

It is expected that the renewed Customs Registration Certificate will be obtained in July 2015.

(iii) 自理報檢單位備案登記證明書 (Registration Certificate of Self-Declaration Entities for Inspection*) (the "**Self-Declaration Registration**") issued on 24 June 2013 with no expiry date.

Hebei Sino-agri Boyuan

Background information

Hebei Sino-agri Boyuan is a company established under the laws of the PRC with limited liability. As at the Latest Practicable Date, it has a registered capital of RMB50 million and is owned as to 55% and 45% by the Target Company and 石家庄市藁城區盛凱農機有限公司 (Shijiazhuang Gaocheng Shengkai Agricultural Machinery Company Limited*) ("**Gaocheng Shengkai**") respectively.

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

Business description

Hebei Sino-agri Boyuan is principally engaged in the business of (i) manufacturing and sale of agricultural machinery; (ii) provision of maintenance services; and (iii) import and export of goods.

The business activities of Hebei Sino-agri Boyuan are summarized as follows:

(i) it sells its self-manufactured agricultural machineries, including self-propelled corn harvesters, self-propelled ensilage harvesters, pull-type straw baling machine and subsoilers;

(ii) it imports and sells rice precision seeders;

(iii) it imports and exports orchard machineries and lawn mowers; and

(iv) it reprocesses environmentally friendly and energy saving furnaces.

Its suppliers mainly include suppliers of agricultural machinery components, including tyres, steel rims, transfer cases, rack welds, engine bedplate welds and arm pulverizers.

Its sale is principally made to third party customers through approximately 340 distributors covering approximately 18 provinces, autonomous regions and cities in the PRC. In addition, the relevant products are also exported to oversea countries for sale, including but not limited to South East Asia, South American, Africa and Australia.

Hebei Sino-agri Boyuan has a provincial grain crop harvesting machinery laboratory, a provincial-level enterprise technical center, and municipal-level key laboratory for corn harvester and silage harvester. As at the Latest Practicable Date, it has obtained 25 patents in relation to its main products as listed below:

No.	Patents	Patent number	Patent owner	Application date	Approval date	Validation Period
1.	多功能青貯收穫機 Multifunctional ensilage harvester	200720101657.2	Zhu Dongfeng, Hebei Sino-agri Boyuan	15 June 2007	14 May 2008	10 years from the application date
2.	多功能玉米聯合收穫機 Multifunctional corn combined harvester	200720101658.7	Hebei Sino-agri Boyuan	15 June 2007	14 May 2008	10 years from the application date
3.	一種與玉米聯合收穫機配套的二次摘穗清雜裝置 A kind of twice pick spike and impurity clearing device ancillary to corn combined harvesters	200720102383.9	Hebei Sino-agri Boyuan	29 August 2007	13 August 2008	10 years from the application date
4.	玉米收穫機行走機構中用的無級變速裝置 Stepless variable speed device for corn harvester running gears	200920217332.X	Hebei Sino-agri Boyuan	28 September 2009	16 June 2010	10 years from the application date
5.	用於玉米收穫機行走機構中的雙液壓無級變速裝置 Double hydraulic stepless variable speed device for corn harvester running gears	201020617174.X	Hebei Sino-agri Boyuan	22 November 2010	20 July 2011	10 years from the application date
6.	用於玉米聯合收割機上的秸稈鋪條裝置 Straw swathing device for corn combined harvesters	201020691526.6	Hebei Sino-agri Boyuan	31 December 2010	26 October 2011	10 years from the application date

No.	Patents	Patent number	Patent owner	Application date	Approval date	Validation Period
7.	護罩(中間) Shield (middle)	201130304513.9	Hebei Sino-agri Boyuan	1 September 2011	14 March 2012	10 years from the application date
8.	護罩(台邊) Shield (side)	201130304509.2	Hebei Sino-agri Boyuan	1 September 2011	4 March 2012	10 years from the application date
9.	一種自卸式集草箱 A kind of self-unloading hay box	201120348149.0	Hebei Sino-agri Boyuan	16 September 2011	6 June 2012	10 years from the application date
10.	深松播種聯合作業機 Subsoiling and seeding combined machine	201120326012.5	Hebei Sino-agri Boyuan	1 September 2011	6 June 2012	10 years from the application date
11.	可折疊自鎖式懸梯 Collapsible self-locking ladder	201120348136.3	Hebei Sino-agri Boyuan	16 September 2011	22 August 2012	10 years from the application date
12.	一種草捆機滾筒 A kind of straw baling machine roller	201320190704.0	Hebei Sino-agri Boyuan	16 April 2013	28 August 2013	10 years from the application date
13.	一種草捆機喂入器 A kind of straw baling machine feeder	201320190591.4	Hebei Sino-agri Boyuan	16 April 2013	28 August 2013	10 years from the application date
14.	自走式收穫機吊裝下推式振動篩 Self-propelled harvester with a hoisting pushdown riddler	201320190609.0	Hebei Sino-agri Boyuan	16 April 2013	28 August 2013	10 years from the application date
15.	一種可旋轉式三次升運器 A kind of rotatable triple elevator	201320185642.4	Hebei Sino-agri Boyuan	15 April 2013	28 August 2013	10 years from the application date
16.	拉莖輥結構 Stalk pulled structure	201320160219.9	Hebei Sino-agri Boyuan	2 April 2013	28 August 2013	10 years from the application date

No.	Patents	Patent number	Patent owner	Application date	Approval date	Validation Period
17.	旋轉常結合卸糧系統 Rotating combined grain unloading system	201320211559.X	Hebei Sino-agri Boyuan	24 April 2013	11 September 2013	10 years from the application date
18.	玉米聯合收穫機側翻糧倉 Corn combined harvester cartwheel granary	201320187122.7	Hebei Sino-agri Boyuan	15 April 2013	11 September 2013	10 years from the application date
19.	糧食提升裝置 Grain lifting device	201320227036.4	Hebei Sino-agri Boyuan	28 April 2013	18 September 2013	10 years from the application date
20.	用於聯合收割機的機身液壓驅動系統 Fuselage hydraulic driving system for combined harvesters	201320226801.0	Hebei Sino-agri Boyuan	28 April 2013	18 September 2013	10 years from the application date
21.	無行距清選型玉米收穫機割台 No row spacing cleaning corn harvester	201420389714.1	Hebei Sino-agri Boyuan	15 July 2014	26 November 2014	10 years from the application date
22.	平置組合式摘穗輥割台 Horizontal combined snapping roll	201420039730.8	Hebei Sino-agri Boyuan	22 January 2014	2 July 2014	10 years from the application date
23.	玉米採摘複合輥 Corn harvest composite roll	201320525439.7	Hebei Sino-agri Boyuan	27 August 2013	5 February 2014	10 years from the application date
24.	一種雙頭螺柱安裝工具 A kind of stud installation tool	201320159378.7	Hebei Sino-agri Boyuan	2 April 2013	18 December 2013	10 years from the application date
25.	一種鍘草機破碎裝置 A kind of chaffcutter breaker	201320589748.0	Hebei Sino-agri Boyuan	24 September 2013	26 March 2014	10 years from the application date

Hebei Sino-agri Boyuan holds the above patents which enable it to (i) enhance the competitive advantages by reducing cost and its reliance on technology to be provided by external parties and (ii) maintain its technological edge by implementing such patents and design applications.

Hebei Sino-agri Boyuan has a current production capacity of approximately 5,000 units of harvester per annum. In order to produce high-quality agricultural equipment and increase the production capacity, since 2011, it has commenced to build and establish a modern research and development and manufacturing base (the "**New Base**") for its agricultural machinery at the Economic and Technological Development Zone of Shijiazhuang in the PRC. The New Base is divided into three phases, of which (i) phase one focuses on building production plants and production lines ("**Phase One**"); (ii) phase two focuses on building research and development center, office, assembly line and machining center ("**Phase Two**"); and (iii) phase three focuses on building storage, test center and other facilities ("**Phase Three**").

Phase One has commenced operation in May 2015 and the production capacity will increase to approximately 30,000 units of harvester per annum.

As at the Latest Practicable Date, construction of Phase Two and Phase Three have not yet commenced. The plan for Phase Two mainly includes the construction of office building, research and development center, and purchase of new equipment and facilities. The Target Group will commence construction of Phase Two when over 70% of the capacity of Phase One is utilized and the profit from the Target Group is stabilized. Phase Three will mainly include the development of the remaining land, plants and new production lines, purchase of new equipments and relevant facilities. The Target Group will commence construction of Phase Three when the capacity of Phase One is saturated and when there is a demand for new products.

Business licenses

The necessary licenses, waivers, consents and permits held by Hebei Sino-agri Boyuan for its principal operation and business are summarized as follows:

(i) 農業機械維修技術合格證 (Quality Certificate of Agricultural Machinery Maintenance Technology*) (the "**Agricultural Machinery Maintenance Certificate**") issued on 6 April 2013 and valid for the period from 16 April 2013 to 15 April 2016.

(ii) Record Filing and Registration issued on 17 December 2012 with no expiry date.

(iii) Customs Registration Certificate issued on 7 July 2010 which is valid until 7 July 2016.

(iv) Self-Declaration Registration issued on 20 May 2014 with no expiry date.

Sino-agri Shaanxi

Background information

Sino-agri Shaanxi is a company established under the laws of the PRC with limited liability. As at the Latest Practicable Date, Sino-agri Shaanxi has a registered capital of RMB110 million and is owned as to 70% and 30% by the Target Company and 富平渭北農機有限責任公司 (Fuping Weibei Agricultural Machinery Company Limited*) ("**Fuping Weibei**"), respectively.

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

Business description

Sino-agri Shaanxi is principally engaged in the business of (i) sales of agricultural machinery; (ii) sales of motor vehicle, engineering machinery, irrigation and drainage, accessories, lubricants and rubber; and (iii) provision of repair and maintenance services.

The business activities of Sino-agri Shaanxi are summarized as follows:

(i) it sells third party agricultural machineries, including tractors, corn harvesters, wheat harvesters, dryers, subsoilers, rotary cultivators, pivot plows, tillage machine agricultural plant protection vehicles, agricultural transportation vehicles, truck;

(ii) it sells motor vehicles and other accessories and materials, including lubricating oil, rubber;

(iii) it provides repair and maintenance services for engine, motor vehicle and electric system.

Its suppliers mainly include suppliers of agricultural machineries and motor vehicles.

Its sale is principally made to third party customers through approximately 20 sub-distributors covering Shaanxi Province.

Business licenses

Sino-agri Shaanxi holds Agricultural Machinery Maintenance Certificate which was issued on 26 June 2014 and is valid for the period from 26 June 2014 to 25 June 2017 for its principal operation and business.

Henan Sino-agri Fuan

Background information

Henan Sino-agri Fuan is a company established under the laws of the PRC with limited liability. As at the Latest Practicable Date, it has a registered capital of RMB30 million and is owned as to 42%, 28%, 25% and 5% by the Target Company, 河南省豫農農業生產資料集團有限公司 (Henan Yunong Agricultural Means of Production Group Company Limited*) ("**Henan Yunong**"), Mr. Li Baoan* ("**Mr. Li**") and Mr. Wang Xiaodong* ("**Mr. Wang**"), respectively. As at the Latest Practicable Date, Henan Yunong is owned as to approximately 51% by the Vendor.

To the best knowledge, information and belief of the Directors, and having made all reasonable enquiries, Mr. Li and Mr. Wang are Independent Third Parties.

Pursuant to the loan agreement dated 17 April 2014 between Henan Sino-agri Fuan, the Target Company and Henan Yunong, the Target Company has granted a loan in the amount of RMB4.40 million (equivalent to approximately HK$5.50 million) to Henan Yunong for the purpose of fulfilling its capital injection obligation into Henan Sino-agri Fuan. On the same day, the said parties have entered into a share pledge agreement, pursuant to which Henan Yunong has pledged 28% of its equity interest in Henan Sino-agri Fuan to the Target Company as a guarantee for the said loan.

Further, pursuant to a share purchase and restructuring agreement dated 17 April 2014 entered into between Henan Sino-agri Fuan, the Target Company, Henan Yunong, Mr. Li, Mr. Wang and the two other former shareholders of Henan Sino-agri Fuan, amongst other things, Mr. Li was obliged (i) to settle certain assets and liabilities in Henan Sino-agri Fuan; and (ii) to indemnity his undertakings given under the aforesaid agreement. On the same day, for the purpose of guaranteeing Mr. Li's obligation under the aforesaid agreement, Mr. Li and the Target Company have entered into a share pledge agreement, pursuant to which Mr. Li has pledged 25% of his equity interest in Henan Sino-agri Fuan to the Target Company.

Business description

Henan Sino-agri Fuan is principally engaged in the business of (i) manufacturing and sales of agricultural machinery and storage equipment and (ii) provision of maintenance services.

The business activities of Henan Sino-agri Fuan are summarized as follows:

(i) it sells its self-manufactured agricultural machinery and storage equipment, including rain turning over machine and grain drying machine;

(ii) it sells electrical equipment, rubber and steel;

(iii) it reprocesses and sells agricultural by-products; and

(iv) it provides maintenance services for self-manufactured agricultural machineries.

Its suppliers mainly include suppliers of equipment components, including steel, moisture detectors, adjustable-speed motors, decelerators, electronic components and electric wires.

Its sale is principally made to third party customers through approximately 140 distributors covering Henan, Shandong, Hebei and Shaanxi Provinces in the PRC.

Business licenses

Henan Sino-agri Fuan does not require any license, waiver, consent or permit for its principal business and operations.

Fuping Taihong

Background information

Fuping Taihong is a company established under the laws of the PRC with limited liability. As at the Latest Practicable Date, it has a registered capital of RMB10 million and is wholly owned by Sino-agri Shaanxi.

Business description

Fuping Taihong is mainly engaged in the business of property development.

As at the Latest Practicable Date, Fuping Taihong owns a property project, namely the western trading market for agriculture means of production, agricultural machinery and accessories (the "**Western Trading Market**"), which is situated at Fuping of the Shaanxi Province of the PRC with total site area of approximately 465 mu. The Western Trading Market is mainly comprised of two main areas, namely agricultural accessories retail area and agricultural machinery and motor vehicle retail area.

The agricultural accessories retail area comprised of 7 blocks of 3-storey commercial buildings which offer a total of 489 shop units, which represent an aggregate gross floor area of approximately 51,484 square meters, while the agricultural machinery and motor vehicle retail area comprised of 2 blocks of 1-storey buildings (which parts of the buildings are 2 storeys) that offer a total of 16 shop units, which represent an aggregate gross floor area of approximately 13,990 square meters.

The business activities of Fuping Taihong are summarized as follows:

(i) it rents certain shop units;

(ii) it sells certain shop units; and

(iii) it provides property consultancy services.

Its suppliers mainly include contractors for construction works and service providers for construction related research and studies

Its customers mainly include third party tenants and purchasers.

Business licenses

Fuping Taihong holds Level IV of 房地產開發企業資質證書 (Qualification Certificate for Real Estate Development Enterprise in the People's Republic of China*) (the "**Real Estate Development Certificate**") which was issued on 22 April 2014 and is valid until 30 April 2016 for its principal business and operations.

As at the Latest Practicable Date, Fuiping Taihong is in the process of applying for the upgrading of the Real Estate Development Certificate from Level IV to Level III which will entitle Fuiping Taihong to increase the construction area of its construction projects from 30,000 square meters to 150,000 square meters.

Financial information on the Target Company

According to the audited financial statements of the Target Company, its consolidated net assets as at 31 December 2014 were approximately RMB287 million (equivalent to approximately HK$359 million).

Set out below is the consolidated financial information of the Target Company, as prepared in accordance with the HKFRS, for the years ended 31 December 2012, 2013 and 2014:

	For the year ended 31 December 2014 *Approximate '000* (audited)	**For the year ended 31 December 2013** *Approximate '000* (audited)	**For the year ended 31 December 2012** *Approximate '000* (audited)
Net profit/(loss) before taxation	(RMB1,595) (equivalent to (HK$1,994))	RMB33,990 (equivalent to HK$42,488)	RMB45,214 (equivalent to HK$56,518)
Net profit/(loss) after taxation	(RMB5,979) (equivalent to (HK$7,474))	RMB28,940 (equivalent to HK$36,175)	RMB39,051 (equivalent to HK$48,814)

The Target Group recorded a net loss for the year ended 31 December 2014 ("**2014 Net Loss**") when compared with the corresponding period in 2013. As advised by the management of the Target Group, the said loss was mainly attributable to the followings:

(i) the decrease in the sales of the agricultural machinery mainly due to (1) the increased competition in the corn harvester market; (2) the decrease in demand on the old models of the agricultural machinery that is partially affected by a change in the emission standard for diesel vehicles imposed by the PRC governmental authority, which are applicable to the production of the agricultural machinery; and (3) the expiry of the lease of part of the plants for manufacturing which caused a disruption in production process, details of which are disclosed below; and

(ii) the increase in expenses as a result of the development of the New Base and the Western Trading Market.

The increased competition in the corn harvester market was mainly due to: (i) the increase in the number of competitors entering into this market; and (ii) the gradual growth of the corn market in the PRC as evidenced by the statistics published by National Bureau of Statistics of China that the output of corn increased from approximately 130 million tons in 2004 to approximately 220 million tons in 2013, representing an compounded annual growth rate of approximately 5.4%; and (iii) the relatively low penetration rate of corn harvester of approximately 56% in the PRC agricultural market in 2014.

According to an announcement published by the Ministry of Industry and Information Technology of the PRC in April 2014, 國家第三階段機動車污染物排放標準 (National Phase Three Emission Standard*) (the "**Old Standard**") for diesel vehicles would be abolished on 31 December 2014, and replaced by 國家第四階段機動車污染物排放標準 (National Phase Four Emission Standard*) which is more stringent on vehicles emission than the Old Standard.

In order to produce high-quality machineries and increase production capacity, Hebei Sino-agri Boyuan has commenced to build and establish the New Base, which is divided into three phases. Phase One has commenced operation in May 2015. It is expected that the annual production capacity will increase from 5,000 units to 30,000 units of harvester per annum. Details of the New Base are disclosed in the sub-section headed "Hebei Sino-agri Boyuan Business description" under the section headed "Information of the Target Group" in this circular. The original manufacturing plants, where the lease of which has expired, have been suspensed. The original manufacturing plants have been replaced and supplemented by Phase One after the commencement of its operation.

As stated above, 2014 Net Loss was mainly attributable to, among others, the decrease in demand on old models and the disruption in production process. Accordingly, the Target Group has established the New Base for the purposes of increasing the production capacity, upgrading production standard and producing high-quality agricultural machinery. Therefore, it is expected that the financial performance of the Target Group for the year ended 31 December 2015 will revert gradually.

Upon Completion, the Company will be beneficially interested in 30% equity interests in the Target Company and the Target Group will be accounted for as an investment of associate in the consolidated financial statements of the Company.

Accordingly to the SPA, the Company shall have the right to nominate two directors to the Target Company Board and one finance officer to the Target Company so as to take an active role on monitoring and operating the Target Company and to ensure the access to its relevant books and records.

REASONS AND BENEFITS FOR THE TRANSACTIONS

Based on the statistics published by the National Bureau of Statistics of China, the gross output value of agriculture increased from approximately RMB1,814 billion in 2004 to approximately RMB5,150 billion in 2013, representing a compounded annual growth rate of approximately 11%. Further, according to the statistics from the Agricultural Machinery Industry Information Center of China, the agricultural mechanization rate of the PRC increased from 33% in 2004 to 61% in 2014. Accordingly, the Board is of the view that the PRC agriculture industry is in an accelerating growth phase.

According to《關於加大改革創新力度加快農業現代化建設的若干意見》(Opinions on enhanced reform and innovation to accelerate agricultural modernization*) (the "**Document No. 1**") issued by the Central Committee of the Communist Party of China and the State Council of the PRC in February 2015, the PRC government will further speed up the agricultural modernization by encouraging technological innovation for agriculture industry, improving agricultural subsidy policies and implementing financing for agricultural machinery.

Further, under the Document No.1, the PRC government reinforced its focus on the development and reform of the PRC agriculture industry through a series of policies, including but not limited to:

1. maintain the sustainability and stability of subsidy policy for agriculture industry;

2. improve the pricing mechanism of the agricultural products;

3. enhance the infrastructure of the rural area;

4. facilitate the reform of the rural financial system; and

5. advance the rural legal system.

The Directors are of the view that aforesaid favorable policies are beneficial to the PRC agriculture industry, particularly on development of rural finance, trading of agricultural products and establishment of trading platform for agricultural products where the Group is principally engaged in.

Taking into consideration of the potential growth in PRC agricultural industry and the favourable support from the PRC government, the Board is optimistic about the future demand on agricultural machinery and the industry in which the Target Group operates.

The Board further holds the view that the following synergy effects will be achieved through the linking of similar businesses of the Group and the Target Group, including not limited to:

(i) the sharing of the technology knowhow for development of new products and services;

(ii) the sharing of the existing customer base and distribution channels; and

(iii) further improvement in the presence and perceived image of the Group in the PRC agriculture industry as the Target Group is one of the active market players in the said industry.

The Company will continue to develop Agripay and the Trading Platform which expected to be synergistic with the business of the Target Group. The Company and Guangzhou UnionPay have jointly operated the Agripay, an innovative cash settlement and fund management system for rural finance. Furthermore, the Company and Guangzhou Commodity Exchange Limited have jointly developed an online agricultural products trading platform (the "**Trading Platform**"), which was launched in January 2015. It is expected that the business of the Group and the Target Group could be further consolidated by leveraging on the Trading Platform and Agripay.

Notwithstanding the increased competition in the corn harvester market, the Company considers that the Acquisition can also bring benefits to the Group in the following aspects:

(i) the Company would be able to capitalize on the trend of agricultural modernization and engage in expansion in the agricultural machinery business, which is a significant part of the agricultural sector;

(ii) by capitalizing the acquisition of the Target Company, the Company would be able to deepen its cooperation with the Vendor, including but not limited to development of e-commerce in agriculture sector, rural financing and sharing resources of distribution; and

(iii) the brand of Boyuan (the "**Boyuan Brand**"), owned by the Target Group, is one of the well-known brands in the PRC corn harvester market and the Target Group has the competitive advantages as follows: (a) high brand recognition and acceptance by customers; (b) leading the corn harvester market by continuously upgrading the current products and developing new products; (c) more developed manufacturing technology and larger production capacity in the production line at the New Base; and (d) wider sales network leveraged by the national sales and distribution network of the Vendor.

Boyuan Brand was voted as one of the top ten most favorable brands of corn harvester in PRC market by around 3,000 PRC agricultural cooperative societies in 精耕杯 (Jing Geng Bei*), a well-recognized agricultural machinery selection in the PRC, which is held by the Nongji 360, an integrated service platform for modern agricultural machinery, in both 2013 and 2014. Furthermore, Boyuan Brand was also voted as one of the top ten brands with highest growth value in PRC agricultural machinery industry in 2013 and one of the top ten brands in PRC agricultural machinery product innovation in 2012 in the said selection.

It is currently indicated that the provision of the Shareholder's Loan will be used by the Target Group as general working capital for the development of new products, improvement of brand image, expansion of distribution channels and establishment of new production factory.

Overall, the Board believes that the Transactions could help the Company to realize its objectives of serving the agricultural sector and expand the scope of the Group's existing business which may enhance its profitability and achieve a better return for the Shareholders. As such, the Board is of the view that the Transactions are on normal commercial terms and ordinary and usual course of business of the Company, and the terms and conditions of the SPA are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

BUSINESS UPDATES OF THE GROUP

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

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

Reference is made to the announcement of the Company dated 15 January 2015. The Company entered into a strategic cooperation framework agreement dated 15 January 2015 with 中國人民財產保險股份有限公司北京市分公司 (Beijing branch of PICC Property and Casualty Company Limited*) ("**PICC P&C Beijing**") regarding the strategic cooperation of the Company and PICC P&C Beijing to develop various insurance products and value-adding services for the agricultural-related industry.

Reference is made to the announcements of the Company dated 28 January 2015, 2 April 2015 and 2 June 2015, and the circular of the Company dated 27 April 2015. The Company entered into (i) a placing agreement dated 28 January 2015 (as supplemented and amended by a supplemental agreement dated 2 April 2015) with Convoy Investment

Services Limited (the "**Convoy**"), as the placing agent, pursuant to which Convoy conditionally agreed to procure, on a best effort basis, not less than six placees to subscribe for up to a maximum of 141,463,000 placing warrants at the placing issue Price of HK$0.189 per placing warrant; and (ii) a subscription agreement dated 28 January 2015 (as supplemented and amended by a supplemental agreement dated 2 April 2015) with Parko, as the subscriber, pursuant to which Parko conditionally agreed to subscribe for up to 212,194,500 subscription warrants at the subscription issue price of HK$0.189 per subscription warrant. The Placing and Subscription of Warrants were completed on 2 June 2015.

Reference is made to the announcement of the Company dated 26 May 2015. On 22 May 2015, Shanghai Qianlong Advanced Technology Company Limited* (上海乾隆高科技有限公司) ("**Qianlong Advanced**"), a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party pursuant to which Qianlong Advanced agreed to sell the property located at 25/F, World Plaza, No. 855 Pudong South Road, Shanghai, the PRC, together with 10 carpark spaces to the independent third party purchaser.

Reference is made to the announcement of the Company dated 7 May 2015. The Company entered into a framework agreement with Dalian Exchange regarding the possible cooperation in fund management with Dalian Exchange.

Reference is made to the announcement of the Company dated 13 May 2015. Hebei New Cooperation Group intends to transfer about 34% to 40% shareholdings in Million Rich to Coopinvest Company. As at the Latest Practicable Date, no legally binding agreement has been reached as to the Proposed Transfer.

Reference is made to the announcement of the Company dated 22 May 2015. The Company entered into a framework agreement with Guangdong Agricultural Means of Production Company Corporation* (廣東省農業生產資料總公司) in relation to the possible capital injection by the Company in Guangdong New Co-Op. It is proposed that the Company (or its related companies) may make capital contribution to Guangdong New Co-Op and acquire 45% of the enlarged equity interests in Guangdong New Co-Op after the proposed capital injection.

Reference is made to the announcement of the Company dated 26 May 2015. The Company entered into a letter of intent with Dujiangyan City Modern Agricultural Development Investment Co. Limited* (都江堰市現代農業發展投資有限責任公司) in relation to the possible acquisition of the business and assets of Chengdu West Agricultural Products Wholesale Market* (成都西部農產品批發市場).

Reference is made to the announcement of the Company dated 12 June 2015. The Company entered into a placing agreement dated 12 June 2015 with CCB International Capital Limited ("**CCBI**") and Convoy, as the placing agents, pursuant to which CCBI and Convoy have severally and conditionally agreed to procure not less than six placees, on a best effort basis, to subscribe for a total of up to a maximum of 58,000,000 placing shares at the placing price of HK$4.25 per placing share.

As at the Latest Practicable Date, no concrete terms and plans concerning the Possible Platform Investment and the Possible Plant Investment have been reached.

Save and except for the above, as at the Latest Practicable Date, the Company does not have any other inside information about (i) acquisition of any new business; (ii) any disposal, scaling-down and/or termination of its existing businesses and/or major operating assets; (iii) injection of any new business to the Group; and (iv) any changes in the Company's shareholding structure, which give rise to disclosure obligations under Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong).

FINANCIAL EFFECT OF THE ACQUISITION

Upon Completion, the Company will be beneficially interested in 30% equity interests in the Target Company and the Target Company will be accounted for as an associate in the consolidated financial statements of the Company. The unaudited pro forma financial information of the Enlarged Group is prepared as if the Transactions had been completed on 31 December 2014 for the pro forma consolidated statement of financial position or 1 January 2014 for the pro forma consolidated statement of profit or loss and other comprehensive income and pro forma consolidated statement of cash flows of the Enlarged Group, as appropriate.

The accompanying unaudited pro forma financial information of the Enlarged Group has been prepared to illustrate the effect of the Transactions. The unaudited pro forma financial information of the Enlarged Group is set out in Appendix V to this circular.

Net assets

As set out in the unaudited pro forma consolidated statement of financial position of the Enlarged Group in Appendix V to this circular, as at 31 December 2014, the total assets of the Enlarged Group will decrease from approximately RMB781.30 million (equivalent to approximately HK$976.63 million) to RMB772.37 million (equivalent to approximately HK$965.46 million), the total liabilities of the Enlarged Group will remain unchanged of approximately RMB178.19 million (equivalent to approximately HK$222.74 million) and the net assets of the Enlarged Group will decrease from approximately RMB603.11 million (equivalent to approximately HK$753.89 million) to approximately RMB594.18 million (equivalent to approximately HK$742.73 million) as a result of the Transactions.

Earnings

According to the annual report for the financial year ended 31 December 2014 of the Company, the Group recorded an audited consolidated loss for the year of approximately RMB26.75 million (equivalent to approximately HK$33.44 million). Based on the unaudited pro forma financial information of the Enlarged Group, the unaudited pro forma consolidated loss for the year of the Enlarged Group would be approximately RMB35.27 million (equivalent to approximately HK$44.09 million).

THE LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Transactions exceeds 100%, the Transactions constitute a very substantial acquisition of the Company under Chapter 14 of the Listing Rules, and are therefore subject to the reporting, announcement and Shareholders' approval requirements.

As at the Latest Practicable Date, China Co-Op Group, the holding company of the Vendor which holds the entire interest in the Vendor, holds approximately 83.83% interest in Coopinvest Company which is a substantial shareholder and holds approximately 26.91% interest in China Coop Mengda, an indirect non-wholly owned subsidiary of the Company. China Co-Op Group, Coopinvest Company and the Vendor are connected persons of the Company under the Listing Rules. Accordingly, the Transactions also constitute a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and independent Shareholders' approval requirements under the Listing Rules.

The Transactions are however only connected transactions between the Company and a connected person at the subsidiary level on normal commercial terms, therefore such connected transactions are exempted from the circular, independent financial advice and shareholders' approval requirements under rule 14A.101 of the Listing Rules given that (i) the Directors have approved the Transactions; and (ii) the independent non-executive Directors have confirmed that the terms of the Transactions are fair and reasonable, the Transactions are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

In accordance with the Listing Rules, any Shareholder who has a material interest in the SPA shall abstain from voting on the resolution(s) to approve the SPA and the transactions contemplated thereunder at the EGM. Considering Parko, the controlling shareholder of the Company which holds approximately 54.6% of the issued share capital of the Company as at the Latest Practicable Date is indirectly controlled by the Vendor (which holds 26% equity interest in Hebei AMP, which in turn holds 51% of the issued share capital of Million Rich, the holding company of Parko), Parko and its associates will abstain from voting on the relevant resolution(s) at the EGM accordingly.

Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Transactions and therefore, no Shareholder is required to abstain from voting at the EGM in respect of the SPA and the transactions contemplated thereunder.

EGM

The EGM will be convened and held to consider and, if thought fit, pass the ordinary resolution(s) to approve the SPA and the transactions contemplated thereunder.

A notice convening the EGM to be held at Suites 1604–5, Prudential Tower, Harbour City, 21 Canton Road, Tsimshatsui, Kowloon, Hong Kong on Monday, 13 July, 2015 at 10 a.m is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

The ordinary resolution(s) to approve the SPA and the transactions contemplated thereunder at the EGM will be taken by poll and an announcement will be made by the Company after the EGM on the results of the EGM.

RECOMMENDATION

The Board considers that the terms of the SPA contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution(s) to approve the SPA and the transactions contemplated thereunder at the EGM.

Completion is subject to the fulfilment of certain conditions precedent set out in the SPA and therefore may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

ADDITIONAL INFORMATION

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

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

* *For identification purposes only*

1. FINANCIAL SUMMARY OF THE GROUP

The financial information of the Group for each of the three years ended 31 December 2012, 2013 and 2014 have been published:

(i) in the annual report of the Company for the year ended 31 December 2014 published on 29 April 2015, from pages 43 to 127;

(ii) in the annual report of the Company for the year ended 31 December 2013 published on 25 April 2014, from pages 40 to 108; and

(iii) in the annual report of the Company for the year ended 31 December 2012 published on 2 April 2013, from pages 48 to 144.

All of which have been published on the websites of the Company (http://www.natagri.com.hk) and the Stock Exchange (http://www.hkexnews.hk).

2. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

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

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

As for rural financial services, leveraging the central government's policies which encourage the deployment of financial resources to support "agriculture, rural areas and farmers" and to enhance reforms and innovation in rural financing, the Group will continue to provide innovative products for rural financial services and improve its strategic layout, in addition to fortify its existing financial leasing business and agriculture related payment business.

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

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

3. INDEBTEDNESS STATEMENT

At the close of business on 30 April 2015, 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 borrowings of RMB79,879,935 which are unguaranteed and secured by finance lease receivables.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 30 April 2015 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.

4. WORKING CAPITAL

The Directors are of the opinion that after taking into account the expected completion of the Transactions and the Group's financial resources including the available credit facilities, internally generated cash flows and cash on hand, 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.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2014, being the date to which the latest published audited consolidated financial statements of the Group were made up.

Set out below is the management discussion and analysis of the Group for each of the three financial years ended 31 December 2012, 2013 and 2014 as extracted from its annual reports.

FOR THE YEAR ENDED 31 DECEMBER 2012

Business Review

In 2012, China's A-share market remained in the doldrums, with both the Shanghai and Shenzhen stock index hitting a record low for the last three years and the number of account holders of the A-share market was at a six-year low. At the end of 2012, the A-share market trading accounts totalled 55,144,900, representing a loss of 1,796,900 accounts from the beginning of the year. A-share trading accounts with long positions comprised of 39.98% of the overall A-share accounts, while the proportion of accounts with no positions reached 60%, resulting in a significant reduction of securities software users.

With the market downturn, securities companies have cut operating costs, reducing number of business offices as well as monitoring closely the scale of new business developments. Consequently, the sale of the Group's floor trading software was adversely affected and the revenue declined year-on-year.

Our competitors have increased capital investment, introducing and developing new products; such fierce competition in the securities software industry resulted in a loss of the Group's market share. The Group has also expanded research and development of new products to further broaden the new business channels and enhance our own competitiveness. However, as some new products are still under development while others under market promotion therefore it will take some time to generate income from these new products.

For the year ended 31 December 2012, the Group reported a turnover of RMB105,747,000, representing a decline of 9.41% as compared with the same period of last year. The Group's sales revenue mainly included RMB36,750,000 from sale of basic securities analysis products (Online Edition and LINUX platform version), representing a decrease of 13.47% as compared with RMB42,470,000 for the same period of last year; RMB17,813,000 from products sold to individual A-share investors, representing a decrease of 13.40% as compared with RMB20,570,000 for the same period of last year; RMB14,662,000 from sale of products relating to Hong Kong stock market, representing a decline of 19.80% as compared with RMB18,282,000 for the same period of last year; RMB20,759,000 from sale of LEVEL 2 products relating to the securities market, representing a decrease of 2.61% as compared with RMB21,315,000 for the same period of last year; and RMB6,084,000 from sale of the futures products, representing a decrease of 17.75% as compared with RMB7,397,000 for the same period of last year.

The Group recorded a net profit for the year of RMB4,765,000 for the year ended 31 December 2012, representing a decrease of 77.28% as compared with RMB20,970,000 for the same period of last year. The decrease in profit is due to the decline in turnover and increase in costs as a result of the domestic inflation.

Major Investment

During the year ended 31 December 2012, the Company's wholly-owned subsidiary, Qianlong Advanced, leased its investment properties located at Shanghai, the PRC at the current market value, earning a rental income of RMB1,629,000 for the year. As at 31 December 2012, the Company's wholly-owned subsidiary, Qianlong Advanced, held an unlisted fund of RMB5,000,000 with the term of 89 days which was matured on 17 February 2013.

Administrative Expenses

For the year ended 31 December 2012, administrative expenses increased from RMB41,171,000 in 2011 to RMB43,924,000 in 2012, representing an increase of 6.69%. The costs increased significantly due to the inflation, increase in the costs of research and development as well as staff remuneration.

Working Capital and Financial Resources

The Group continued to maintain a stable financial and capital flows in 2012. The Group's funds mainly come from the cash generated from its business activities. As at 31 December 2012, the Group's cash and cash equivalents was RMB130,061,000 (2011: RMB130,891,000), representing a decrease of RMB830,000 as a result of the declaration of interim dividend with a sum of HK$12,630,000 (equivalent to RMB10,229,000).

Development of Human Recourses

The total number of staff of the Group as at 31 December 2012 was 404 as compared with 412 at 31 December 2011, representing a decrease of 8 people. The Group offers a remuneration package by reference to prevailing market conditions and performance, qualifications and experience of individual employees. Other benefits for employees include a retirement benefit, a provident fund and a medical plan. In 2012, the total costs for staff (including salary, bonus and other welfare) is approximately RMB52,476,000 (2011: RMB44,922,000), representing an increase of 16.82%.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2012 and 31 December 2011.

Gearing Ratio

Since its establishment, the Group has neither made any loan arrangements with nor obtained any credit facilities from any financial institutions. Therefore, the gearing ratio of the Group, which is net borrowings over Shareholders' funds, has remained zero. At the same time, the Group's assets have never been subject to any securities or mortgages.

Exposure on Exchange Rate Fluctuation

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

Purchase, Sale or Redemption of Listed Securities of the Company

During the year ended 31 December 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

FOR THE YEAR ENDED 31 DECEMBER 2013

Business Review

On 16 August 2013, the Company announced that Parko, which is beneficially and indirectly controlled by Hebei SMC, would acquire approximately 34.54% of the then total issued share capital of the Company. After the completion of the transaction, followed by a mandatory conditional general cash offer, Parko owned approximately 54.73% of the then total issued share capital of the Company and became the single largest controlling shareholder.

Upon these movements, the Group's business focus will gradually expand into new areas which are related to the development of China's "agricultural sector, rural areas and farmers". Following the Chinese government's policy of "helping farmers, improving their living standards and strengthening the agricultural sector" and striving to drive the development of "agricultural sector, rural areas and farmers", the Group entered into a memorandum of understanding with Xinyuan on 23 December 2013 to set forth the understanding with regard to the possible establishment of a joint venture to engage in the agricultural finance business in China. The proposed cooperation could bring together the Group's expertise in financial information technology with Xinyuan's financing capabilities, including but not limited to asset management, guarantee, financial leases, big data management and equity and debt investments.

Financial Review

For the year ended 31 December 2013, the Group reported a turnover of RMB95,659,000, representing a decrease of nearly 10% from the previous year. Gross profit decreased by 11% to RMB67,217,000. Loss attributable to the equity holders was RMB25,961,000, compared to a profit of RMB4,765,000 in the previous year. Basic and diluted loss per share was RMB2.57 cents, compared to RMB0.47 cents basic and diluted earnings per share (restated) in the previous year.

The loss recorded for the year ended 31 December 2013 was mainly attributable to the following reasons:

(1) costs incurred in complying with the Company's obligations under the Hong Kong Code on Takeovers and Mergers in relation to the acquisition of a controlling interest in the Company by Parko and the mandatory conditional general offer made by Parko in connection therewith;

(2) the issue of convertible loan notes by the Company to Parko; and

(3) the professional fees incurred in relation to a one-off strategic review of the Group's financial information services and software terminal operations.

Performance of the Group's financial information services and software terminal operation

China stock market experienced a correction throughout 2013. SSE Composite Index fell below the low since 2012 and closed with a decline of 6.75% at the year-end. Concurrently, the IPO suspension of the China A-Share market, "credit crunch" which emerged twice during the year and other factors led to a slowdown in the securities market. Because of the close correlation between the financial services sector and the condition of the securities market, along with the reduced enthusiasm and confidence of stock investors suffering from the market downturn, demand for financial information services suffered. Consequently, the number of the Group's financial services clients declined in the year while software sales also decreased.

Brokerage firms, the Group's main clients, continued to reduce their operating costs this year by shutting down a number of business departments and cutting back on the purchase of securities software. As on-line financial services come into vogue, online stock account opening becomes increasingly popular and brokers carry on restructuring accordingly. China Securities Regulatory Commission ("**CSRC**") has approved the opening of a large number of Type-C business offices while traditional brokerages have been moving towards integrated services such as wealth management. This presents an opportunity for the future development of the financial information service industry. However, the current market is still at its early stages of development and, the overall financial market environment has to improve in order to generate positive results.

The Group, facing intra-sector competition, contributed more resources to new product research and development. Since these new products are still in promotional trial stage, the cost remains relatively high. The new products still need to take some time to become profitable.

Affected by the above market factors, the Group's turnover and profit for the year showed a decline in comparison with last year's.

Administrative Expenses

For the year ended 31 December 2013, the Group's administrative expenses increased by 72% to RMB28,884,000 mainly due to the professional fees incurred in relation to a one-off strategic review of the Group's financial information services and software terminal operations and the Company's obligations under the Hong Kong Code on Takeovers and Mergers in relation to the acquisition of a controlling interest in the Company by Parko and the mandatory conditional general offer made by Parko in connection therewith during the year ended 31 December 2013.

Working Capital and Financial Resources

As at 31 December 2013, the Group's cash and cash equivalents was RMB180,020,000 (2012:RMB130,061,000), representing an increase of 38% mainly as a result of the issuance of the convertible loan notes to Parko and a decrease in operating cash flow.

Major Investments

During the year ended 31 December 2013, the Company's indirectly wholly-owned subsidiary, Qianlong Advanced, leased its investment properties located in Shanghai, the PRC at the current market value, earning a rental income of RMB2,515,000 (2012: RMB1,629,000).

As at 31 December 2013, the Group held structured deposits of RMB37,300,000 with an expected interest rate that range from 4.16% to 6.00% and payable on maturity within one year from the date of purchase. All structured deposits were redeemed in March 2014.

As at 31 December 2012, the Group held RMB5,000,000 held-for-trading investments.

Gearing Ratio

As at 31 December 2013, the Group's total gearing ratio (total borrowings divided by total equity) was 42% (2012: 0%). Excluding the convertible loan notes issued to Parko, which was fully converted into ordinary shares of the Company on 28 January 2014, the total gearing ratio would have been zero at the end of 2013. The Group's assets were not subject to any charges or mortgages.

Exposure on Exchange Rate Fluctuation

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

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2013 and 2012.

Important Events after 31 December 2013

(i) Conversion of convertible loan notes by Parko

Following the completion of the subscription agreement dated 15 July 2013 entered into between the Company and Parko on 19 November 2013, the Company issued convertible loan notes in the principal amount of approximately HK$151,008,000 (the "**Notes**") to Parko.

On 28 January 2014, the Company received conversion notice from Parko in respect of the full conversion of the Notes. As a result of this conversion, the Company allotted and issued a total of 79,477,642 shares to Parko at the conversion price of HK$1.90 per share on 28 January 2014.

As a result of this conversion, the total number of issued shares of the Company increased from 252,600,000 to 332,077,642.

(ii) Change of company name

To better reflect the relationship between the Company and the new controlling shareholder, Hebei SMC, the Board proposed the change of Company name from "Qianlong Technology International Holdings Limited" (乾隆科技國際控股有限公司*) to "National Agricultural Holdings Limited 國農控股有限公司" on 6 December 2013.

Following the approval by the Company's shareholders for the change of Company name at the extraordinary general meeting on 10 February 2014, the change of Company name took effect on 10 February 2014.

(iii) Share Subdivision

On 20 January 2014, the Board also proposed to subdivide each share of the Company of HK$0.10 into four subdivided shares of HK$0.025 each. Following the approval by the Stock Exchange for the listing of, and permission to deal in the subdivided shares on 6 February 2014 and the approval by the Company's shareholders for the share subdivision at the extraordinary general meeting on 10 February 2014, the share subdivision took effect on 11 February 2014.

(iv) Joint Venture Agreements

On 21 March 2014, the Group entered into a joint venture agreement with Xinyuan to provide a range of agricultural financial services. The Group agreed to invest RMB35.5 million of cash in the joint venture, the registered capital of which is RMB50 million, representing a 71% interest. The Group also granted an option to Xinyuan whereby Xinyuan has the right to increase the total registered capital of the joint venture to RMB80 million within one year, of which the Group and Xinyuan will contribute RMB48 million and RMB32 million representing a 60%/40% shareholding, respectively.

Also on 21 March 2014, the Group entered into a second joint venture agreement with the shareholders of China Coop Mengda whereby the Group agreed to invest RMB70 million of cash in China Coop Mengda, representing a 41.18% interest, with an option within the next two years to acquire an additional interest of approximately 9.91%. China Coop Mengda will have a registered capital of RMB170 million following the investment from the Group. The business scope of the joint venture will span across financial and general leasing, acquisition of leasing properties, treatment and maintenance of leasing properties, and the provision of consultancy and guarantee in leasing transactions.

FOR THE YEAR ENDED 31 DECEMBER 2014

Business Review

Macro-economy and the Group's Strategic Direction

With China entering a "new normal" phase, its economy remained stable with smooth growth, a more optimized structure, enhanced quality and improved living standards in 2014. The country registered year-on-year GDP growth of 7.4%, largely achieving the goals formulated at the outset of the year. During the financial year ended 31 December 2014, China continued to support the development of "agriculture, rural areas and farmers". The central government issued Document No.1, in which it reinforced its focus on the "agriculture, rural areas and farmers" sector for the 12th consecutive year, emphasizing the provision of key support through macroeconomic regulation and control as well as the launch of a series of favorable policies. During the financial year ended 31 December 2014, the Company made steady progress in its three major businesses: "Rural Financial Services", "Trading in Agricultural Means of Production" and "Urbanization Planning, Operating and Managing", some of which have entered into operation and are making positive revenue contributions to the Group.

Rural Financial Services

During the financial year ended 31 December 2014, the Group achieved significant progress in its agricultural financial services business segment. The Group's investment in China Coop Mengda in April 2014, which involves in general leasing and provision of consultancy and guarantee services for leasing transactions, shows that it has officially entered the rural financial leasing business, and that is being proactive in capturing new business opportunities arising from the modernization of China's agricultural sector.

Apart from the financial leasing business, the Group expanded its business to the agricultural-related market payments sector in 2014. The Company cooperated with Guangzhou UnionPay, a subsidiary of China UnionPay Network Payment Co., Ltd, to create the Agripay for payment and cash sweep services in the agricultural professional market. The system underwent online testing on 30 June 2014. On the first day of its trial operation, the turnover from transactions settled through the system exceeded RMB10 million. Agripay is now operating in a stable manner. According to the memorandum of understanding for cooperation signed by the Company and the Vendor in September 2014, when Agripay is in stable operation, the Vendor will enhance its promotion efforts within the system and expand the scope of applications for Agripay.

Trading in Agricultural Means of Production

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

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

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

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

Urbanization Planning, Operating and Managing

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

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

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

Financial Review

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

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

(1) the professional fee incurred from various corporate projects of the Group during the year ended 31 December 2014 (including but not limited to, further capital contribution to China Coop Mengda, the placing and subscription of new shares under the specific mandates, the entering into of the memorandum of understanding for potential acquisition of an equity interest in the Target Company and the entering into of the memorandum of understanding with Guangdong New Co-Op in relation to a potential investment in tea leaves trading platform); and

(2) expenses in respect of the rental and administration for the Group's office in Hong Kong during the year ended 31 December 2014.

Performance of the Group's Finance Lease Operations

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

Leverage on the favorable policies of the state on finance lease industry, China Coop Mengda planned to focus on the provision of general leasing of properties and financial leasing to PRC state-owned enterprises and the enterprises of SMC which are under the supervision and guidance of the Cooperatives. Its target market of financial leasing and general leasing will be the entire PRC. China Coop Mengda will focus on developing its business at the initial stage in Shanghai and Jiangxi Province, the PRC. Areas which China Coop Mengda currently involved include leasing of machinery, production lines, information technology and equipment, power systems, elevators and air conditioning systems. In 2014, business projects of China Coop Mengda on general leasing and financial leasing businesses increased and revenue included in the Group's consolidated financial statements was RMB19,582,000 for the year ended 31 December 2014 (2013: Nil).

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

Performance of the Group's Financial Information Services and Software Terminal Operations

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

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

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

Administrative Expenses

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

Working Capital and Financial Resources

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

On 22 October 2014 and 6 February 2015, the Company completed placing of new shares and subscription of new shares under specific mandates and raised net proceeds of approximately HK$369.7 million and HK$936.9 million, respectively. As disclosed in the announcements of the Company, dated 22 October 2014 and 6 February 2015 respectively, the Company intends to apply such net proceeds for further capital injection into China Coop Mengda, acquisition of land and/or warehouse(s) and the building and/or renovation of warehouses for the storage of agricultural products, (if any) acquisition of land and/or buildings and the establishment of trading centre(s) for trading of agricultural products and rural land property rights and the remainder (if any) will be served for the development of online transaction management system for the trading platforms of agricultural products and rural land property rights. It is expected that such net proceeds will be applied in accordance with the above intended uses.

Major Investments

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

Pursuant to a joint venture agreement dated 21 March 2014, Ever Harvest would contribute RMB35.5 million to a joint venture focusing on the provision of agricultural financial services and would hold 71% equity interests in this joint venture. This joint venture was incorporated in November 2014 and its company name is Guonong Taifeng.

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

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

Gearing Ratio

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

Employment and Remuneration Policies

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

Adoption of a share option scheme (the "**Share Option Scheme**") was approved at the annual general meeting of the Company held on 12 June 2014. As at 31 December 2014, the Company had not granted any share options pursuant to the share option scheme. The Company also adopted a share award scheme (the "**Share Award Scheme**"), which was announced on 23 January 2015 in order to recognise the contributions by employees and other eligible persons.

Exposure on Exchange Rate Fluctuation

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

Contingent Liabilities

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

Important Events after 31 December 2014

(a) Strategic Cooperation with PICC P&C Beijing

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

(b) Adoption of Share Award Scheme

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

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

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

(d) Placing and Subscription of New Shares

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

* *For identification purposes only*

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

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35/F One Pacific Place
88 Queensway
Hong Kong

24 June 2015
The Directors
Sino-Agri Agricultural Machinery Holdings Company Limited
中農集團農機控股有限公司

Dear Sirs,

We set out below our report on the financial information regarding Sino-Agri Agricultural Machinery Holdings Company Limited* 中農集團農機控股有限公司 (the "**Company**") and its subsidiaries (hereinafter refer to as the "**Group**" or "**Target Group**") for each of the three years ended 31 December 2014 (the "**Relevant Periods**") (the "**Financial Information**") for inclusion in a circular issued by National Agricultural Holdings Limited ("**National Agricultural**") dated 24 June 2015 in connection with the proposed acquisition of 30% equity interest in the Company (the "**Circular**").

The Company is a private limited liability company established in the People's Republic of China (the "**PRC**") on 19 March 2012. It is engaged in trading of agricultural machineries. The registered office of the Company is Room 1413, 14/F, No. 1 Xuanwumenwai Street, Western District, Beijing, the PRC.

The particulars of the Company's subsidiaries are as follows:

			Equity interest attributable to the Company								
			Directly				Indirectly				
			As at 31 December			At date of this report	As at 31 December			At date of this report	
Name of company	**Place and date of establishment**	**Registered and paid-in capital at the date of this report**	**2012**	**2013**	**2014**		**2012**	**2013**	**2014**		**Principal activities**
			%	%	%	%	%	%	%	%	
Hebei Sino-agri Boyuan Agricultural Machinery Company Limited* 河北中農博遠農業裝備有限公司 ("**Hebei Sino-agri Boyuan**")	PRC 23 May 1994	RMB50,000,000	55	55	55	55	–	–	–	–	Manufacturing and trading of agricultural machineries
Sino-agri Shaanxi Development Company Limited* 中農集團陝西實業發展有限公司 ("**Sino-agri Shaanxi**")	PRC 9 June 2011	RMB110,000,000	70	70	70	70	–	–	–	–	Trading of agricultural machineries, agricultural vehicles, transportation vehicles and engineering machineries

Name of company	Place and date of establishment	Registered and paid-in capital at the date of this report	Equity interest attributable to the Company								Principal activities
			Directly				Indirectly				
			As at 31 December			At date of this report	As at 31 December			At date of this report	
			2012	2013	2014		2012	2013	2014		
			%	%	%	%	%	%	%	%	
Fuping Taihong Agricultural Machinery Market Development Company Limited* 富平縣泰宏農機市場開發 有限公司 ("**Fuping Taihong**")	PRC 7 June 2012	RMB10,000,000	–	–	–	–	70	70	70	70	Property development and property investment
Henan Sino-agri Fuan Machinery Company Limited* 河南中農福安農業裝備有限公司 ("**Henan Sino-agri Fuan**") (Note)	PRC 9 August 2005	RMB10,160,000	–	–	42	42	–	–	–	–	Manufacturing and trading of agricultural machineries

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

Note: Henan Sino-agri Fuan was acquired on 17 April 2014.

All companies now comprising the Group have adopted 31 December as their financial year end date.

The statutory financial statements of the Company and its subsidiaries established in the PRC for the Relevant Periods were prepared in accordance with relevant accounting policies and financial regulations applicable to entities established in the PRC and were audited by the following certified public accountants registered in the PRC:

Details of these audited financial statements are as follows:

Name	Financial year/period ended	Name of auditors
中農集團農機控股有限公司	31 December 2012, 2013 and 2014	中勤萬信會計師事務所有限公司
河北中農博遠農業裝備有限公司	31 December 2012, 2013 and 2014	中勤萬信會計師事務所有限公司
中農集團陝西實業發展有限公司	31 December 2012, 2013 and 2014	中勤萬信會計師事務所有限公司
富平縣泰宏農機市場開發有限公司	31 December 2012, 2013 and 2014	中勤萬信會計師事務所有限公司
河南中農福安農業裝備有限公司	31 December 2014	中勤萬信會計師事務所有限公司

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Company and its subsidiaries 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**") (the "**Underlying Financial Statements**").

We have undertaken an independent audit on the Underlying Financial Statements in accordance with the 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 Underlying Financial Information, and carried out such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 ''Prospectuses and the Reporting Accountant'' as recommended by the HKICPA. No adjustments are considered necessary to the Underlying Financial Statements in the preparation of this report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of National Agricultural 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, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group and the Company as at 31 December 2012, 2013 and 2014, and of the consolidated results and consolidated cash flows of the Group for the Relevant Periods.

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
		2012	**2013**	**2014**
	NOTES	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	*6*	820,989	846,295	544,842
Cost of sales		(688,348)	(725,808)	(450,079)
Gross profit		132,641	120,487	94,763
Other income	*7*	6,058	6,557	5,052
Other expenses		(17,062)	(15,457)	(18,606)
Selling and distribution expenses		(38,691)	(35,152)	(40,941)
Administrative expenses		(34,087)	(38,506)	(37,664)
Finance costs	*8*	(3,625)	(3,889)	(4,102)
Other losses	*9*	(20)	(50)	(97)
Profit (loss) before tax		45,214	33,990	(1,595)
Income tax expense	*10*	(6,163)	(5,050)	(4,384)
Profit (loss) and total comprehensive income (expense) for the year	*11*	39,051	28,940	(5,979)
Profit (loss) for the year and total comprehensive income (expense) attributable to:				
– Owners of the Company		19,447	13,852	(5,942)
– Non-controlling interests		19,604	15,088	(37)
		39,051	28,940	(5,979)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

THE GROUP

		At 31 December		
		2012	2013	2014
	NOTES	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*15*	49,655	84,535	235,617
Investment properties	*16*	2,906	21,825	53,134
Deposit for acquisition of prepaid lease payments and property, plant and equipment		–	10,215	7,375
Prepaid lease payments	*17*	85,079	113,462	110,789
Goodwill	*18*	8,861	8,861	8,861
Deferred tax assets	*27*	3,884	5,307	6,632
		150,385	244,205	422,408
CURRENT ASSETS				
Inventories	*20*	176,894	285,368	366,662
Prepaid lease payments	*17*	2,059	2,644	2,762
Trade, bills and other receivables	*21*	158,210	302,976	327,380
Amounts due from related parties and companies	*36*	22,960	20,188	24,520
Pledged bank deposits	*22*	31,141	29,917	8,350
Bank balances and cash	*22*	83,789	85,685	60,097
		475,053	726,778	789,771
CURRENT LIABILITIES				
Trade, bills and other payables	*23*	157,819	304,410	375,694
Amounts due to related parties and companies	*36*	1,293	21,093	33,323
Advances from customers	*24*	27,637	15,585	12,810
Bank and other borrowings	*25(a)*	42,782	79,557	123,595
Loans from immediate holding company	*25(b)*	–	80,000	200,000
Loan from non-controlling interests	*25(c)*	–	–	7,000
Income tax payables		2,633	1,100	3,708
		232,164	501,745	756,130
NET CURRENT ASSETS		242,889	225,033	33,641
TOTAL ASSETS LESS CURRENT LIABILITIES		393,274	469,238	456,049

		At 31 December		
		2012	2013	2014
	NOTES	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT LIABILITIES				
Bank and other borrowings	*25(a)*	–	27,000	110,445
Loans from immediate holding company	*25(b)*	80,000	90,000	–
Loan from non-controlling interests	*25(c)*	–	7,000	–
Deferred income	*26*	2,400	41,760	56,460
Deferred tax liabilities	*27*	2,072	1,986	1,900
		84,472	167,746	168,805
NET ASSETS		308,802	301,492	287,244
CAPITAL AND RESERVES				
Paid-in capital	*28*	200,000	200,000	200,000
Reserves		18,905	16,757	10,815
Equity attributable to owners of the Company		218,905	216,757	210,815
Non-controlling interests		89,897	84,735	76,429
		308,802	301,492	287,244

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		At 31 December		
		2012	**2013**	**2014**
	NOTES	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*15*	12	156	211
Investments in subsidiaries	*19*	136,522	136,522	140,755
		136,534	136,678	140,966
CURRENT ASSETS				
Inventories	*20*	–	689	–
Trade, bills and other receivables	*21*	70	30,567	35,623
Amounts due from related companies	*36*	11,500	102,490	183,821
Bank balances and cash	*22*	52,362	36,290	43,112
		63,932	170,036	262,556
CURRENT LIABILITIES				
Trade, bills and other payables	*23*	561	50,268	132,017
Amounts due to related companies	*36*	1,293	1,293	1,403
Bank borrowings	*25(a)*	–	50,000	50,000
		1,854	101,561	183,420
NET CURRENT ASSETS		62,078	68,475	79,136
NET ASSETS		198,612	205,153	220,102
CAPITAL AND RESERVE				
Paid-in capital	*28*	200,000	200,000	200,000
Reserve	*30*	(1,388)	5,153	20,102
		198,612	205,153	220,102

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company								
	Paid-in capital RMB'000 (Note a)	Capital reserve RMB'000 (Note b)	Statutory surplus reserve RMB'000 (Note c)	Special reserve RMB'000 (Note d)	Merger reserve RMB'000	Accumulated profits RMB'000	Sub total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2012	104,500	10,375	3,693	16,738	–	9,556	144,862	80,793	225,655
Capital injection to the Company	200,000	–	–	–	–	–	200,000	–	200,000
Deemed distribution *(Note e)*	(104,500)	(10,375)	–	–	(21,647)	–	(136,522)	–	(136,522)
Profit and total comprehensive income for the year	–	–	–	–	–	19,447	19,447	19,604	39,051
Transfer to reserve	–	–	4,933	–	–	(4,933)	–	–	–
Dividend paid to immediate holding company	–	–	–	–	–	(8,882)	(8,882)	–	(8,882)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(10,500)	(10,500)
At 31 December 2012 and 1 January 2013	200,000	–	8,626	16,738	(21,647)	15,188	218,905	89,897	308,802
Profit and total comprehensive income for the year	–	–	–	–	–	13,852	13,852	15,088	28,940
Transfer to reserve	–	–	5,046	–	–	(5,046)	–	–	–
Dividend paid to immediate holding company	–	–	–	–	–	(16,000)	(16,000)	–	(16,000)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(20,250)	(20,250)
At 31 December 2013 and 1 January 2014	200,000	–	13,672	16,738	(21,647)	7,994	216,757	84,735	301,492
Loss and total comprehensive expense for the year	–	–	–	–	–	(5,942)	(5,942)	(37)	(5,979)
Acquisition of a subsidiary	–	–	–	–	–	–	–	5,831	5,831
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(14,100)	(14,100)
Transfer to reserve	–	–	2,031	–	–	(2,031)	–	–	–
At 31 December 2014	200,000	–	15,703	16,738	(21,647)	21	210,815	76,429	287,244

Note a: As at 1 January 2012, amount represented the paid-in capital by Sino-agri Group amounting to RMB77,000,000 and RMB27,500,000 to Sino-agri Shaanxi and Hebei Sino-agri Boyuan, respectively.

Note b: Amount as at 1 January 2012 represented excess paid-in capital paid by Sino-agri Group in Hebei Sino-agri Boyuan.

Note c: According to the relevant rules and regulations in the PRC, each of the PRC entity shall provide 10% of the annual net income after tax, based on its PRC statutory amounts, as a statutory reserve, until the balance reaches 50% of its registered capital. Further appropriations can be made at the directors' discretion.

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

Note d: Amount represents the difference between the carrying amount of the share of net assets acquired and the cash consideration of RMB58,228,400 resulted from the acquisition of 55% equity interest in Hebei Sino-agri Boyuan from Sino-agri Group.

Note e: Upon the completion of the acquisition of Sino-agri Shaanxi and Hebei Sino-agri Boyuan by the Company, on 1 July 2012 and 26 November 2012, respectively, the Company paid approximately RMB77,109,000 and RMB59,413,000, respectively, cash to its immediate holding company in 2012 as consideration resulting in a reduction of net assets of the Group, which was accounted for as a deemed distribution recognised in equity directly. At the same time, the paid-in capital and capital reserve in respect of Sino-agri Shaanxi and Hebei Sino-agri Boyuan are transferred to Merger reserve under merger accounting.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Profit (loss) before tax	45,214	33,990	(1,595)
Adjustments for:			
Interest income	(2,330)	(3,399)	(4,015)
Interest expense	3,625	3,889	4,102
Allowance for doubtful debts	8	897	395
Allowance (reversal of allowance) for inventories	316	48	(115)
Depreciation of property, plant and equipment	3,482	5,655	4,532
Loss on disposal of property, plant and equipment	20	48	4
Release of deferred income	(300)	(300)	(300)
Release of prepaid lease payments	1,465	1,815	2,555
Operating cash flows before movements in working capital	51,500	42,643	5,563
Decrease (increase) in trade, bills and other receivables	66,455	(145,663)	(24,096)
Increase in trade, bills and other payables	19,559	129,796	54,100
Decrease (increase) in amounts due from related parties and companies	4,035	3,625	(3,479)
Increase (decrease) in advance from customers	10,845	(12,052)	(6,598)
Increase in inventories	(87,814)	(108,522)	(76,804)
Increase in amount due to a related company	1,293	–	12,230
Cash generated from (used in) operations	65,873	(90,173)	(39,084)
Income tax paid	(8,108)	(8,092)	(3,266)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	57,765	(98,265)	(42,350)

	Year ended 31 December		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(5,301)	(23,877)	(135,084)
Payment for acquisition of investment properties	(2,906)	(18,919)	(31,309)
Proceeds on disposal of property, plant and equipment	7	89	171
Net cash inflow from acquisition of a subsidiary	–	–	5,774
Placed in pledged bank deposits	(31,141)	(61,621)	–
Withdrawal of pledged bank deposits	–	62,845	21,567
Deposit paid for acquisition of property, plant and equipment and prepaid lease payments	–	(10,215)	–
Addition of land use rights	(50,355)	(30,783)	–
Interest received	1,477	2,546	3,162
Receipt of assets-related government grants	–	39,660	15,000
NET CASH USED IN INVESTING ACTIVITIES	(88,219)	(40,275)	(120,719)
FINANCING ACTIVITIES			
New bank and other borrowings raised	38,000	98,000	216,483
Repayment of bank and other borrowings	(20,800)	(34,225)	(90,800)
Dividends paid	(19,382)	(16,450)	(14,100)
Loan from immediate holding company	150,000	90,000	30,000
Loan from non-controlling interests	–	7,000	–
Repayment to immediate holding company	(120,000)	–	–
Interest paid	(3,625)	(3,889)	(4,102)
Capital injection by immediate holding company	200,000	–	–
Deemed distribution upon group reorganisation	(136,522)	–	–
NET CASH FROM FINANCING ACTIVITIES	87,671	140,436	137,481
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	57,217	1,896	(25,588)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	26,572	83,789	85,685
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	83,789	85,685	60,097

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

The Company was established as a private limited liability company established in the PRC. Its immediate holding company is China National Agricultural Means of Production Group Corporation* 中國農業產資料有限公司 ("**Sino-agri Group**") and its ultimate controlling party is All China Federation of Supply and Marketing Cooperatives* 中華全國供銷合作總社 ("**All China FSMC**"). The address of the registered office and principal place of business of the Company is Room 1413, 14F, No.1 Xuanwumenwai Street, Western District, Beijing, the PRC.

The principal activities of the Group are manufacturing and trading of agricultural machineries, property development and property investment in the PRC.

The Financial Information is presented in Renminbi ("**RMB**''), which is the same as the functional currency of the Company. The Financial Information for the Relevant Periods is prepared solely for the purpose of including the financial information of the Group in the Circular of National Agricultural in connection with the proposed acquisition of 30% equity interests of the Company.

* *The English name is for identification propose only.*

2. REORGANISATION AND BASIS OF PREPARATION OF THE FINANCIAL INFORMATION

The Company was established in the PRC on 19 March 2012, which is wholly owned by Sino-agri Group.

Hebei Sino-agri Boyuan was established in the PRC by an independent third party on 23 May 1994. Sino-agri Group acquired 55% of equity interest in Hebei Sino-agri Boyuan in March 2011 by capital injection of RMB58,228,400 and Hebei Sino-agri Boyuan became a non-wholly owned subsidiary of Sino-agri Group.

Sino-agri Shaanxi was established in the PRC by Sino-agri Group and an independent third party on 9 June 2011. The equity interest held by Sino-agri Group was 70%.

Fuping Taihong was established in the PRC by Sino-agri Shaanxi on 7 June 2012. Fuping Taihong is wholly owned by Sino-agri Shaanxi.

As part of the group reorganisation, on 1 July 2012, the equity interest of 70% in Sino-agri Shaanxi held by Sino-agri Group was transferred to the Company at a cash consideration of approximately RMB77,109,000, which was the amount attributable to Sino-agri Group based on the PRC audited net asset value as of 31 December 2011. On 26 November 2012, the equity interest of 55% in Hebei Sino-agri Boyuan held by Sino-agri Group was transferred to the Company at a cash consideration of approximately RMB59,413,000, which was based on the initial investment cost by Sino-agri Group plus the PRC audited surplus reserve shared by Sino-agri Group as of 31 December 2011 (the "**Group Reorganisation**").

The Group comprising the Company and its subsidiaries resulting from the Group Reorganisation is regarded as a continuing entity. The Financial Information of the Group have been prepared on the basis as if the Company had always been the holding company of the Group using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA. The consolidated statements of financial position of the Group as at 31 December 2012, 2013 and 2014 have been prepared as if the current group structure had been in existence as at the respective dates, taking into account the respective dates of establishment. All material intra-group transactions and balances have been eliminated on consolidation.

On 17 April 2014, the Company acquired 42% equity interest of Henan Sino-agri Fuan from third parties. The remaining 28% and 30% equity interests were held by a fellow subsidiary of the Company controlled by Sino-agri Group and two independent third parties respectively. Pursuant to an authorisation letter from Sino-agri Group, 28% voting rights in the equity owners' meeting and the right to appointment of board of directors in Henan Sino-agri Fuan held by the fellow subsidiary of the Company was irrevocably given to the Company by Sino-agri Group. As such, the Group is able to approve the decisions on all the relevant activities that significantly affect the return of the Henan Sino-agri Fuan. As such, Henan Sino-agri Fuan is accounted for as a subsidiary of the Group (please refer to note 39 for details).

3. APPLICATION OF HKFRSS

The HKICPA has issued a number of amendments to standards and interpretations which are effective for the Group's financial period beginning on 1 January 2014. For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Group has consistently applied all Hong Kong Accounting Standards ("**HKASs**"), Hong Kong Financial Reporting Standards ("**HKFRSs**"), amendments and revisions to standards and the related interpretations ("**HKFRIC**"), which are effective for the accounting period beginning on 1 January 2014 throughout the Relevant Periods.

The Group has not early applied the following new standards and amendments to standards that have been issued but are not yet effective:

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

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.
3 Effective for annual periods beginning on or after 1 January 2017.
4 Effective for annual periods beginning on or after 1 July 2014.
5 Effective for annual periods beginning on or after 1 January 2016.
6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described as follows:

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

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

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

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

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

HKFRS 15 Revenue from Contracts with Customers

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

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

- Step 1: Identify the contracts(s) with a customer.

- Step 2: Identify the performance obligations in the contract.

- Step 3: Determine the transaction price.

- Step 4: Allocate the transaction price to the performance obligations in the contract.

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

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

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

The directors of the Company do not anticipate that the application of other new and revised HKFRSs will have a material impact on the Financial Information.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with the following accounting policies which are in conformity with HKFRSs issued by HKICPA. In addition, the Financial Information includes 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 (Cap. 32).

The Financial Information has been prepared on the historical cost basis, except for structured deposits, which are measured at fair value, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

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.

Basis of consolidation

The Financial Information incorporates the financial information of the entities comprising the Group. Control is achieved where the Company:

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

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

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

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

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

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

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

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

Non-controlling interests in subsidiaries are presented separately from the Company's equity therein.

Business combination

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

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

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

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

Merger Accounting for business combination involving entities under common control

The Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Goodwill

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

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

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

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

Investments in subsidiaries

Investments in subsidiaries included in the Company's statement of financial position are stated at cost less any identified impairment loss.

The results of the subsidiaries are accounted for on the basis of dividends received and receivable during the Relevant Periods.

Revenue recognition

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

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

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

Specifically, revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers. Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income 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.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes, (other than construction in progress, as described below), are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets (other than construction in progress, as described below) 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 each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such items are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

Investment properties

Investment property is property held to earn rentals and/or for capital appreciation (including properties under construction for such purpose).

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

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

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

Properties held-for-sale/Properties under development for sale

Properties under development for sale under current assets are properties under development held for future sale in the ordinary course of business and are stated at the lower of cost and net realisable value. Cost includes the costs of land, development expenditure incurred and, where appropriate, borrowing costs capitalised. Net realizable value is determined based on prevailing market conditions. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated cost to completion.

Upon completion, the properties are transferred to properties held-for-sale. Properties held-for-sale are stated at the lower of cost and net realisable value. Cost includes the costs of land, development expenditure incurred and, where appropriate, borrowing costs capitalised. Net realisable value is determined based on prevailing market conditions.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

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

Prepaid lease payments

Payments for obtaining land use rights are accounted for as prepaid lease payments and are charged to profit or loss on a straight-line basis over the lease terms as stated in the relevant land use rights certificates granted for usage by the Group in the PRC. Prepaid lease payments which are to be charged to profit or loss in the next twelve months are classified as current assets.

Foreign currencies

In preparing the financial statements of each individual entity comprising the Group, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing at 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 on the settlement of monetary items and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

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

Retirement benefit costs

Payments to the state-managed retirement benefit scheme are recognised as 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.

Current tax

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

Deferred tax

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 those 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.

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

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

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

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sales.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the entities comprising to Group becomes a party to the contractual provisions of the instrument.

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

Financial assets

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the 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 financial asset 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 with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade, bills and other receivables, amounts due from related parties and companies, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- breach of contract, such as default or delinquency in interest and principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, or an observable change in 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 assets' carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss 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

Financial liabilities and equity instruments issued by entities comprising to the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Financial liabilities

Financial liabilities, including trade, bills and other payables, amounts due to related parties and companies, loans from immediate holding company, loan from non-controlling interests and bank and other borrowings, are subsequently measured at amortised cost using the 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 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 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.

Equity instruments

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

Derecognition

The Group 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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

The Group derecognises financial liabilities when, and only when, the Group'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 of tangible and intangible assets (see the accounting policy in respect of goodwill above)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible 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. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the management of the Group is required to make judgments, 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 judgements in applying accounting policies

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

Control over Henan Sino-agri Fuan

Henan Sino-agri Fuan was considered as a subsidiary of the Group although the Group has only 42% equity interest in Henan Sino-agri Fuan.

The directors of the Company assessed whether or not the Group has control over Henan Sino-agri Fuan based on whether the Group has the practical ability to direct the relevant activities of Henan Sino-agri Fuan unilaterally. In making their judgement, the directors of the Company considered the Group's absolute size of holding in Henan Sino-agri Fuan, the number of directors of Henan Sino-agri Fuan, the relative size of and dispersion of the equity interests owned by the other equity owners and the authorisation from Sino-agri Group which indirectly hold 28% equity interests of Henan Sino-agri Fuan through a fellow subsidiary of the Company. Pursuant to the authorisation letter, 28% voting rights in the equity owners' meeting and the right to appointment of board of directors in Henan Sino-agri Fuan held by the fellow subsidiary of the Company was irrevocably given to the Company by Sino-agri Group. After assessment, the directors concluded that the Group has sufficiently dominant voting interest in the equity owners' meeting to direct the relevant activities of Henan Sino-agri Fuan and therefore the Group has control Henan Sino-agri Fuan.

Key source of estimation uncertainty

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

Useful lives and impairment of property, plant and equipment

The Group's management determines the estimated useful lives and the depreciation method in determining the related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. In addition, management assesses impairment whenever events or changes in circumstance indicate that the carrying amount of an asset may not be recoverable.

Management will increase the depreciation charge where useful lives become shorter than expected, or will impair or write- off obsolete or non-strategic assets that have been abandoned.

At as 31 December 2012, 2013 and 2014, the carrying amounts of property, plant and equipment of the Group were RMB49,655,000, RMB84,535,000 and RMB235,617,000, respectively. Details of the useful lives of the property, plant and equipment are disclosed in note 15.

Impairment of inventories other than properties under development and properties held-for-sale

The Group records inventories at the lower of cost and net realisable value. Net realisable value is the estimated selling price for inventories, less all the estimated costs of completion and costs necessary to make the sales. Operational procedures have been in place to monitor this risk as a significant proportion of the Group's working capital is devoted to inventories. The management reviews the inventory aging listing on a periodic basis for those aged inventories. This involves a comparison of carrying value of the aged inventory items with the respective net realisable value. The purpose is to ascertain whether impairment is required to be made in the consolidated financial statements for any obsolete and slow moving items. Although the Group carries out periodic review on the net realisable value of inventory, the actual realisable value of inventory is not known until the sale is concluded.

As at 31 December 2012, 2013 and 2014, the carrying amounts of inventories of the Group were RMB104,169,000, RMB119,372,000 and RMB173,012,000, respectively.

Impairment of properties under development for sale and properties held-for-sale

The Group's properties under development for sale and properties held-for-sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject properties, the Group estimates the selling prices, the costs of completion in case for properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net realisable value, this may result in write-down of properties under development and completed properties held-for-sale. Such write-down requires the use of judgment and estimates. Where the expectation is different from the original estimate, the carrying amount and write-down of properties in the periods in which such estimate is changed will be adjusted accordingly.

In addition, given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the end of the reporting period. Any increase or decrease in the write-down of properties would affect profit or loss for the period in which such write-down take place. As at 31 December 2012, 2013 and 2014, the carrying amounts of properties under development were RMB72,725,000, RMB165,996,000 and RMB57,339,000, respectively. As at 31 December 2012, 2013 and 2014, properties held-for-sale were nil, nil and RMB136,311,000, respectively.

Estimated impairment of trade receivables and amounts due from related parties and companies

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and 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). Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2012, 2013 and 2014, the carrying amounts of trade receivables of the Group were RMB87,908,000, RMB168,168,000 and RMB192,057,000, respectively (net of allowance for doubtful debts of RMB907,000, RMB1,804,000 and RMB2,199,000, respectively).

As at 31 December 2012, 2013 and 2014, the carrying amounts of amounts due from related parties and companies were RMB22,960,000, RMB20,188,000 and RMB24,520,000, respectively.

6. REVENUE AND SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on the business operating units which are in turn segregated based on the revenue streams. The chief operating decision-maker has identified two operating segments as follows:

Manufacturing and trading of agricultural machineries segment: the production of agricultural machineries through assembling process and selling to external customers and trading of agricultural vehicles, transportation vehicle, engineering machineries and agricultural products.

Property development and property investment: development of properties for sales and leasing in the PRC.

The accounting policies of the reportable segment are the same as the Group's accounting policies described in note 4. Segment result represents the profit earned or loss incurred by each segment without allocated other expense, other losses and finance costs. There was asymmetrical allocation to operating segments because the Group allocates loans and receivables, bank and other borrowings, loans from immediate holding companies and loan from non-controlling interests to each segment without allocating the related interest income and finance cost.

Segment assets and liabilities

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

Segment assets

	At 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Manufacturing and trading of agricultural machineries	539,905	762,415	950,129
Property development and property investment	85,533	208,568	262,050
Total segment assets	625,438	970,983	1,212,179

Segment liabilities

	At 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Manufacturing and trading of agricultural machineries	234,442	467,391	682,965
Property development and property investment	82,194	202,100	241,970
Total segment liabilities	316,636	669,491	924,935

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments, and
- all liabilities are allocated to reportable segments.

Segment revenue and results

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

Year ended 31 December 2012

	Manufacturing and trading of agricultural machineries *RMB'000*	**Property development and property investment** *RMB'000*	**Total** *RMB'000*
Segment revenue	820,989	–	820,989
Segment result	57,043	(10,992)	46,051
Other income			2,808
Other losses			(20)
Finance costs			(3,625)
Profit before tax			45,214

Year ended 31 December 2013

	Manufacturing and trading of agricultural machineries *RMB'000*	**Property development and property investment** *RMB'000*	**Total** *RMB'000*
Segment revenue	846,295	–	846,295
Segment result	38,856	(4,814)	34,042
Other income			3,887
Other losses			(50)
Finance costs			(3,889)
Profit before tax			33,990

Year ended 31 December 2014

	Manufacturing and trading of agricultural machineries	Property development and property investment	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue	520,807	24,035	544,842
Segment result	(6,760)	5,432	(1,328)
Other income			3,932
Other losses			(97)
Finance costs			(4,102)
Loss before tax			(1,595)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales.

Other segment information

Amounts included in the measurement of segment results:

Year ended 31 December 2012

	Manufacturing and trading of agricultural machineries	Property development and property investment	Total
	RMB'000	*RMB'000*	*RMB'000*
Depreciation of property, plant and equipment	3,449	33	3,482
Release of prepaid lease payments	1,465	–	1,465
Allowance for inventories	316	–	316
Allowance for doubtful debts	8	–	8

Year ended 31 December 2013

	Manufacturing and trading of agricultural machineries	Property development and property investment	Total
	RMB'000	*RMB'000*	*RMB'000*
Depreciation of property, plant and equipment	5,508	147	5,655
Release of prepaid lease payments	1,815	–	1,815
Allowance for inventories	48	–	48
Allowance for doubtful debts	897	–	897

Year ended 31 December 2014

	Manufacturing and trading of agricultural machineries	Property development and property investment	Total
	RMB'000	*RMB'000*	*RMB'000*
Depreciation of property, plant and equipment	4,371	161	4,532
Release of prepaid lease payments	2,555	–	2,555
Reversal of allowance for inventories	(115)	–	(115)
Allowance for inventories	395	–	395

Revenue from major products

The Group's revenue from its major products are as follows:

	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Corn and wheat harvesters	569,566	636,393	302,680
Agricultural vehicles	172,302	139,206	110,056
Transportation vehicles	30,064	19,503	12,420
Other agricultural machineries	49,057	51,193	69,075
Agricultural products	–	–	26,576
Sales of commercial properties	–	–	24,035
	820,989	846,295	544,842

Geographical information

All of the Group's operations and non-current assets are located in the PRC. Information about the Group's revenue from external customers by location of the relevant customers is presented below:

	Year ended 31 December		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
PRC	820,400	846,016	544,519
Others *(Note)*	589	279	323
	820,989	846,295	544,842

Note: Others represent export sales to locations other than the PRC.

Information about major customers

No single customer contributed over 10% of the total revenue of the Group during the Relevant Periods.

7. OTHER INCOME

	Year ended 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Interest income on:			
– Bank deposits	1,431	2,588	2,477
– Other loans and receivables	898	853	1,121
Government grants	3,250	2,670	1,120
Others	479	446	334
	6,058	6,557	5,052

8. FINANCE COSTS

	Year ended 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Interest on:			
Bank borrowings wholly repayable within five years	3,778	2,324	10,269
Other borrowings	2,018	2,898	1,655
Loans from immediate holding company	2,189	11,576	13,057
Loan from non-controlling interests	–	261	483
	7,985	17,059	25,464
Less:			
Amounts capitalised to property, plant and equipment	–	(1,927)	(6,833)
Amounts capitalised to properties under development	(3,488)	(9,107)	(9,008)
Amounts capitalised to investment properties under construction	(872)	(2,136)	(5,521)
Total finance costs	3,625	3,889	4,102

Borrowing was capitalised arising on the general borrowing pool are calculated by applying capitalisation rates to expenditures on qualifying assets.

	2012	**2013**	**2014**
Capitalisation rate	7.26%	6.64% – 6.71%	6.54% – 6.90%

9. OTHER LOSSES

	Year ended 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Loss on disposal of property, plant and equipment	20	48	4
Others	–	2	93
Total	20	50	97

10. INCOME TAX EXPENSE

	Year ended 31 December		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Current tax:			
– PRC Enterprise Income Tax ("**EIT**")	9,355	6,559	1,971
– PRC land appreciation tax ("**LAT**")	–	–	3,824
Deferred tax credit (Note 27)	(3,192)	(1,509)	(1,411)
	6,163	5,050	4,384

The subsidiary of Group, Hebei Sino-agri Boyuan was accredited as a "High and New Technology Enterprise" by the Science and Technology Bureau of Hebei Province and relevant authorities in the PRC with effect from May 2011 for a term of three years, and was registered with the local tax authority to be eligible to the reduced 15% enterprise income tax rate from 2011 to 2013. The directors of the Company are confident that Hebei Sino-agri Boyuan will obtain the renewal of the High-New Technology Enterprise Certificate and continued to enjoy the preferential tax rate from 2014 to 2016. Such renewal is expected to be completed in July 2015.

For other subsidiaries of the Company and the Company, under the law of the PRC on EIT (the "**New Tax Law**") and Implementation Regulations of the New Tax Law, the enterprise income tax rate of the PRC entities was 25% during the Relevant Periods.

Under the Provisional Regulations of LAT (《中華人民共和國土地增值稅暫行條例》) effective on 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例實施細則》) effective from 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, being the proceeds of sales of properties less deductible expenditures including borrowing costs and property development expenditures in relation to the gains arising from sales of properties in the PRC effective from 1 January 2004, with an exemption provided for property sales of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

The tax expense during the Relevant Periods can be reconciled to the profit (loss) before tax per consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Profit (loss) before tax	45,214	33,990	(1,595)
Tax at PRC Tax rate of 25%	11,304	8,498	(399)
Effect of concessionary tax rate	(5,993)	(3,884)	831
Tax effect of expenses not deductible for tax purpose	1,096	640	1,491
Tax effect on concessionary policy on research and development expenses *(Note)*	(514)	(1,046)	(1,545)
Tax effect of tax losses not recognised	270	665	738
Provision of LAT for the year	–	–	3,824
Tax effect of LAT deductible for EIT	–	–	(956)
Others	–	177	400
Income tax expense for the year	6,163	5,050	4,384

Note: It represents additional 50% tax deduction in respect of qualifying research and development expenses incurred during the Relevant Periods.

11. PROFIT (LOSS) FOR THE YEAR

Profit (loss) for the year is arrived at after charging (crediting) the following expenses:

	Year ended 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Directors' remuneration	483	483	603
Other staff costs:			
Salaries and allowances	32,418	45,005	45,446
Contributions to retirement benefit scheme	4,958	6,656	6,800
Total staff costs	37,859	52,144	52,849
Depreciation of property, plant and equipment	3,482	5,655	4,532
Lease payments under operating lease	4,100	2,612	4,644
Release of prepaid lease payments	1,465	1,815	2,555
Research and development expenses (including in other expenses)	16,966	15,238	18,407
Cost of inventories recognised as expense	688,348	725,808	450,079
including allowance (reversal of allowance) for inventories	316	48	(115)
Auditors' remuneration	4	2	73
Allowance for doubtful debts	8	897	395

12. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION

Directors' and chief executive's emoluments

Details of the emoluments paid to the directors and chief executive of the Company during the Relevant Periods are as follows:

	Year ended 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Directors' fee	–	–	–
Other emoluments			
– salaries and allowances	400	400	316
– discretionary bonus	–	–	205
– contributions to retirement benefits scheme	83	83	82
	483	483	603

Directors' and chief executive's emoluments

The emoluments of the directors and chief executive on a named basis are as follows:

Year ended 31 December 2012

	Directors' fee	Salaries and allowances	Discretionary bonus	Contributions to retirement benefits scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Ms. Pu Ying 浦穎	–	–	–	–	–
Ms. Zhao Fangzhi 趙芳旨	–	400	–	83	483
Mr. Zhang Heping 張和平 (appointed on 18 July 2012)	–	–	–	–	–
Mr. Kan Wenjie 闞文杰 (resigned on 18 July 2012)	–	–	–	–	–
Mr. Yang Bin 楊斌 (resigned on 18 July 2012)	–	–	–	–	–
	–	400	–	83	483

Year ended 31 December 2013

	Directors' fee	Salaries and allowances	Discretionary bonus	Contributions to retirement benefits scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Ms. Pu Ying 浦穎	–	–	–	–	–
Mr. Zhang Heping 張和平	–	–	–	–	–
Ms. Zhao Fangzhi 趙芳旨	–	400	–	83	483
	–	400	–	83	483

Year ended 31 December 2014

	Directors' fee	Salaries and allowances	Discretionary bonus	Contributions to retirement benefits scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Ms. Pu Ying 浦穎	–	–	–	–	–
Mr. Zhang Heping 張和平	–	–	205	–	205
Ms. Zhao Fangzhi趙芳旨	–	316	–	82	398
	–	316	205	82	603

Notes: Mr. Zhang Heping is the Chief Executive of the Company, and his emoluments disclosed above include those for services rendered by him as Chief Executive during the Relevant Periods.

Discretionary bonus is determined by reference to the performance of individuals and market trend, which is approved by the board of directors of the Company.

Employees' remuneration

Of the five highest paid individuals of the Group, one, one and two of them are directors of the Company whose emoluments are included above during the years ended 31 December 2012, 2013 and 2014, respectively. The remunerations of the remaining four, four and three individuals are as follows:

	Year ended 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Employees			
– salaries and allowances	1,232	1,283	1,601
– discretionary bonus	–	–	–
– contributions to retirement benefits scheme	–	–	–
	1,232	1,283	1,601

Their remuneration fell within the following band:

	Year ended 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
RMB0 to RMB1,000,000	4	4	2
RMB1,000,001 to RMB1,500,000	–	–	1
	4	4	3

During the Relevant Periods, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13. DIVIDENDS

The Company declared a final dividend of RMB8,882,000 and RMB16,000,000 during years ended 31 December 2012 and 2013, respectively.

No dividends declared by the Company to its equity owners for the years ended 31 December 2014.

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

14. EARNINGS PER SHARE

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

15. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Buildings	Plant and machinery	Furniture and fixtures	Motor vehicles	Computer equipment	Leasehold improvements	Office equipment	Software	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST										
At 1 January 2012	37,095	6,428	280	4,769	–	2,599	1,813	15	–	52,999
Additions	26	1,146	67	2,332	79	23	489	87	1,052	5,301
Disposal	–	–	–	(30)	–	–	–	–	–	(30)
At 31 December 2012 and 1 January 2013	37,121	7,574	347	7,071	79	2,622	2,302	102	1,052	58,270
Additions	190	3,457	31	1,998	238	909	462	175	33,212	40,672
Disposal	–	–	–	(247)	–	–	–	–	–	(247)
At 31 December 2013 and 1 January 2014	37,311	11,031	378	8,822	317	3,531	2,764	277	34,264	98,695
Additions	–	3,016	15	364	258	86	267	57	151,045	155,108
Acquisition of a subsidiary *(Note 39)*	–	358	–	314	9	–	–	–	–	681
Disposal	–	(40)	–	(419)	–	–	(10)	–	–	(469)
At 31 December 2014	37,311	14,365	393	9,081	584	3,617	3,021	334	185,309	254,015

	Buildings	Plant and machinery	Furniture and fixtures	Motor vehicles	Computer equipment	Leasehold improvements	Office equipment	Software	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ACCUMULATED DEPRECIATION										
At 1 January 2012	(1,438)	(2,011)	(39)	(492)	–	(529)	(626)	(1)	–	(5,136)
Provided for the year	(1,585)	(572)	(40)	(743)	(4)	(198)	(333)	(7)	–	(3,482)
Eliminated on disposal	–	–	–	3	–	–	–	–	–	3
At 31 December 2012 and 1 January 2013	(3,023)	(2,583)	(79)	(1,232)	(4)	(727)	(959)	(8)	–	(8,615)
Provided for the year	(1,559)	(778)	(68)	(916)	(96)	(1,728)	(494)	(16)	–	(5,655)
Eliminated on disposal	–	–	–	110	–	–	–	–	–	110
At 31 December 2013 and 1 January 2014	(4,582)	(3,361)	(147)	(2,038)	(100)	(2,455)	(1,453)	(24)	–	(14,160)
Provided for the year	(1,579)	(1,079)	(72)	(863)	(160)	(242)	(499)	(38)	–	(4,532)
Eliminated on disposal	–	39	–	246	–	–	9	–	–	294
At 31 December 2014	(6,161)	(4,401)	(219)	(2,655)	(260)	(2,697)	(1,943)	(62)	–	(18,398)
CARRYING VALUES										
At 31 December 2012	34,098	4,991	268	5,839	75	1,895	1,343	94	1,052	49,655
At 31 December 2013	32,729	7,670	231	6,784	217	1,076	1,311	253	34,264	84,535
At 31 December 2014	31,150	9,964	174	6,426	324	920	1,078	272	185,309	235,617

THE COMPANY

	Furniture and fixtures	Computer equipment	Total
	RMB'000	*RMB'000*	*RMB'000*
COST			
At 19 March 2012	–	–	–
Additions	–	13	13
At 31 December 2012 and 1 January 2013	–	13	13
Additions	3	158	161
At 31 December 2013 and 1 January 2014	3	171	174
Additions	–	101	101
At 31 December 2014	3	272	275
ACCUMULATED DEPRECIATION			
At 19 March 2012	–	–	–
Provided for the period	–	1	1
At 31 December 2012 and 1 January 2013	–	1	1
Provided for the year	1	16	17
At 31 December 2013 and 1 January 2014	1	17	18
Provided for the year	1	45	46
At 31 December 2014	2	62	64
CARRYING VALUES			
At 31 December 2012	–	12	12
At 31 December 2013	2	154	156
At 31 December 2014	1	210	211

The above items of property, plant and equipment (other than construction in progress) are depreciated on a straight-line basis over the following years after taking into account the residual values:

Buildings	20 to 30 years
Plant and machinery	10 to 20 years
Furniture and fixtures	3 to 5 years
Motor vehicles	5 to 10 years
Computer equipments	3 to 5 years
Leasehold improvements	5 years or shorter of the lease term
Office equipment	3 to 5 years
Software	3 to 5 years

The Group's buildings are located in the PRC on land held under medium-term leases.

At 31 December 2013 and 2014, the Group has pledged certain property, plant and equipment to secure bank borrowings of the Group under fixed charges as disclosed in note 25(a).

Details of the carrying amounts of property, plant and equipment pledged as collateral are as follows:

THE GROUP

	At 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Buildings	–	14,379	15,182

16. INVESTMENT PROPERTIES

As at 31 December 2012, 2013 and 2014, all of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the cost model and are classified and accounted for as investment properties. As at 31 December 2012 and 2013, the Group's investment properties are under development and the construction is completed during the year ended 31 December 2014.

The fair value of the Group's investment properties as at 31 December 2012 and 2013 could not be reliably measured as it was still under construction at 31 December 2012 and 2013. As at 31 December 2014, the Group is still in the process of obtaining the building certificates after the completion of the construction.

17. PREPAID LEASE PAYMENTS

THE GROUP

	RMB'000
CARRYING VALUES	
At 1 January 2012	38,248
Addition	50,355
Released to profit or loss	(1,465)
At 31 December 2012	87,138
Addition	30,783
Released to profit or loss	(1,815)
At 31 December 2013	116,106
Released to profit or loss	(2,555)
At 31 December 2014	113,551

	At 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Analysed for reporting purpose:			
Current assets	2,059	2,644	2,762
Non-current assets	85,079	113,462	110,789
	87,138	116,106	113,551

The Group's prepaid lease payments comprise leasehold land in the PRC under medium-term leases over the lease terms of 40 to 50 years.

The Group has pledged prepaid lease payments with carrying values of approximately RMB24,416,000 and RMB23,595,000 as at 31 December 2013 and 2014 respectively, to secure bank borrowings of the Group as disclosed in note 25(a).

18. GOODWILL

THE GROUP

	RMB'000
COST AND CARRYING VALUES	
At 1 January 2012, 31 December 2012, 31 December 2013 and 31 December 2014	8,861

Amount was arising from the acquisition of Hebei Sino-agri Boyuan from a third party by Sino-agri Group during the year ended 31 December 2011 and transferred to the Company during the Group Re-organisation.

As at 31 December 2012, 2013 and 2014, the directors of the Company assessed whether there is any impairment on the goodwill and determined there is no impairment for the goodwill.

19. INVESTMENTS IN SUBSIDIARIES

THE COMPANY

	At 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Unlisted investments, at cost	136,522	136,522	140,755

20. INVENTORIES

THE GROUP

	At 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials and packing materials	49,656	60,070	63,744
Work-in-progress	7,185	10,061	15,028
Finished goods	47,328	49,241	94,240
	104,169	119,372	173,012
Properties under development	72,725	165,996	57,339
Properties held-for-sale	–	–	136,311
	176,894	285,368	366,662

All of the properties under development are located in the PRC.

At 31 December 2012, 2013 and 2014, properties under development of RMB72,725,000, RMB165,996,000 and RMB57,339,000 are not expected to be realised within one year.

THE COMPANY

	At 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials and packing materials	–	689	–

21. TRADE, BILLS AND OTHER RECEIVABLES

THE GROUP

	At 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	88,815	169,972	194,256
Less: Allowance for doubtful debts	(907)	(1,804)	(2,199)
Trade receivables, net	87,908	168,168	192,057
Bills receivables	21,287	98,725	87,432
Total trade and bills receivables	109,195	266,893	279,489
Prepayments	19,114	15,471	14,484
Other receivables	29,901	20,612	33,407
	158,210	302,976	327,380

THE COMPANY

	At 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Bills receivables	–	30,507	35,512
Prepayments	–	–	34
Other receivables	70	60	77
	70	30,567	35,623

Trade and bills receivables

The trade and bills receivables balances at the end of each reporting period mainly represented the credit sales to certain customers. The Group generally demand immediate payment upon the issuance of invoice for trade receivables and a further credit period ranging from 90 to 180 days for bills receivable of these external customers based on bills issue date.

Before accepting any new customers, the Group assesses the potential customer's credit quality and defines its credit limit based on the reputation of the customers in the industry. Limits attributed to customers are reviewed regularly.

The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the revenue recognition date at the end of the reporting period.

THE GROUP

	At 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	61,844	132,037	77,076
Over 3 months but within 6 months	21,974	11,236	96,060
Over 6 months but within 1 year	4,090	22,519	12,443
Over 1 year	–	2,376	6,478
	87,908	168,168	192,057

Included in the Group's trade receivables balances are debtors with aggregate carrying amount of approximately RMB87,908,000, RMB168,168,000 and RMB192,057,000 as at 31 December 2012, 2013 and 2014, respectively, which are past due at the end of the reporting period. Considering the high credibility of these customers, good track record with the Group and subsequent settlements, the management of the Group believes that no impairment allowance is necessary in respect of the unsettled balances. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired:

THE GROUP

	At 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Past due			
Within 3 months	82,280	143,253	170,395
Over 3 months but within 6 months	5,628	22,529	13,657
Over 6 months but within 1 year	–	1,015	7,238
Over 1 year	–	1,371	767
	87,908	168,168	192,057

The following is an aged analysis of bills receivables presented based on the bills issue date at the end of the reporting period.

THE GROUP

	At 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 month	2,000	2,600	4,850
Over 1 month but within 3 months	2,700	20,849	32,778
Over 3 months but within 6 months	16,587	75,276	49,804
	21,287	98,725	87,432

THE COMPANY

	At 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 month	–	4,307	7,700
Over 1 month but within 3 months	–	–	10,000
Over 3 months but within 6 months	–	26,200	17,812
	–	30,507	35,512

In determining the recoverability of bills receivables, the Group considers any change in the credit quality of the bills issuers from the date credit was initially granted up to the end of the reporting period. In the opinion of management of the Group, the bills receivables that are not past due nor impaired at the end of each reporting period are of good credit quality.

Movements in the allowance for doubtful debts:

THE GROUP

	At 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	899	907	1,804
Impairment loss recognised	8	897	395
At end of year	907	1,804	2,199

Other receivables

Included in the Group's other receivables mainly represent (i) rental deposits made by the Group, (ii) advances to staff for business purposes and (iii) other miscellaneous receivables.

22. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits and bank balances carry interest at prevailing market annual interest rates as follows:

THE GROUP

	Bank balances	**Pledged bank deposits**
At 31 December 2012	0.01% – 0.35%	0.01% – 0.35%
At 31 December 2013	0.01% – 0.35%	0.01% – 0.35%
At 31 December 2014	0.01% – 0.35%	0.01% – 0.35%

THE COMPANY

	Bank balances
At 31 December 2012	0.01% – 0.35%
At 31 December 2013	0.01% – 0.35%
At 31 December 2014	0.01% – 0.35%

Pledged bank deposits represent deposits pledged to banks to secure the banking facilities and bills.

23. TRADE, BILLS AND OTHER PAYABLES

THE GROUP

	At 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	104,900	241,981	272,190
Bill payables	30,640	12,710	24,550
Total trade and bill payables	135,540	254,691	296,740
Payroll and welfare payables	9,904	13,735	20,871
Construction costs payable	–	16,795	33,979
Other payables	12,375	19,189	24,104
Total	157,819	304,410	375,694

THE COMPANY

	At 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	–	49,161	102,069
Bill payables	–	–	27,550
Total trade and bill payables	–	49,161	129,619
Payroll and welfare payables	550	1,104	1,600
Other payables	11	3	798
Total	561	50,268	132,017

Trade and bills payables

The credit period of trade payables and bills payables is normally within 90 days to 360 days from the invoice date and 90 days to 180 days from the bills issue date, respectively. The Group has financial risk management policies in place to ensure that all payables are settled within the credit limit frame.

The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

THE GROUP

	At 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	59,866	140,825	165,803
Over 3 months but within 6 months	42,166	93,140	96,215
Over 6 months but within 1 year	2,560	6,677	3,417
Over 1 year	308	1,339	6,755
	104,900	241,981	272,190

THE COMPANY

	At 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	–	27,411	65,820
Over 3 months but within 6 months	–	21,721	35,414
Over 6 months but within 1 year	–	29	66
Over 1 year	–	–	769
	–	49,161	102,069

The following is an aged analysis of bills payables, presented based on bills issue date at the end of each reporting period:

THE GROUP

	At 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	30,640	4,110	24,550
4 – 6 months	–	8,600	–
	30,640	12,710	24,550

THE COMPANY

	At 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	–	–	27,550

The bills payables are secured by the pledged bank deposits as disclosed in note 22.

24. ADVANCES FROM CUSTOMERS

THE GROUP

The Group generally adopted a policy to require certain amounts of advance payment from some customers before the delivery of goods. Advances received from customers amounted to approximately RMB27,637,000, RMB15,585,000 and RMB12,810,000 as at 31 December 2012, 2013 and 2014, respectively.

25. BANK AND OTHER BORROWINGS, LOANS FROM IMMEDIATE HOLDING COMPANY AND LOAN FROM NON-CONTROLLING INTERESTS

(a) Bank and other borrowings

THE GROUP

	At 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Bank loans	–	70,000	216,645
Other borrowings	42,782	36,557	17,395
	42,782	106,557	234,040
Secured	–	20,000	166,645
Unsecured	42,782	86,557	67,395
	42,782	106,557	234,040
Carrying amount repayable*			
Within one year or on demand	42,782	79,557	123,595
More than one year, but not more than two years	–	27,000	–
More than two years, but not more than five years	–	–	110,445
	42,782	106,557	234,040
Less: Amounts shown under current liabilities	(42,782)	(79,557)	(123,595)
Amounts due after one year	–	27,000	110,445

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

Fixed-rate borrowings	12,782	59,557	10,395
Variable-rate borrowings	30,000	47,000	223,645
	42,782	106,557	234,040

The range of effective interest rate (which are also equal to contractual interest rates) on the Group's borrowings are as follows:

	At 31 December		
	2012	**2013**	**2014**
Fixed-rate borrowings	6.0%	5.6 – 6.0%	6.0%
Variable-rate borrowings	6.9%	6.6% – 6.9%	6.3% – 7.2%

As at year ended 31 December 2012, the Group has entered two entrusted loan agreements amounting to RMB15,000,000 and RMB15,000,000 respectively, with two third parties in which the two parties provided the loans to the Group through a bank in the PRC. The entrusted loans were unsecured, carried floating interest rates based on the People's Bank of China and fully settled during the year ended 31 December 2013.

As at year ended 31 December 2013, the Group has entered two entrusted loan agreements amounting to RMB15,000,000 and RMB12,000,000 respectively, with two third parties in which the two parties provided the loans to the Group through a bank in the PRC. The entrusted loans were unsecured, carried floating interest rates based on the People's Bank of China and repayable in two years since the withdrawal dates. During the year ended 31 December 2014, RMB8,000,000 and RMB12,000,000 for the loan amounts were early settled.

The other borrowings amounting to RMB12,782,000, RMB9,557,000 and RMB10,395,000 as at 31 December 2012, 2013 and 2014 were unsecured, carried fixed interest rate of 6.0% per annum and have no fixed terms of repayment.

THE COMPANY

	At 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Bank loans	–	50,000	50,000

The bank borrowings of the Company as at 31 December 2013 carried interest at fixed rate of 5.6% per annum.

The bank borrowings of the Company as at 31 December 2014 carried interest at floating interest rates ranged from 6.3% to 6.44% per annum.

All bank and other borrowings of the Group and the Company are denominated in RMB.

As at 31 December 2013 and 2014, bank borrowings of the Group and the Company amounting to RMB50,000,000 are guaranteed by immediate holding company of the Group and repayable within one year.

As at 31 December 2013 and 2014, bank borrowings of the Group are secured by fixed charges on property, plant and equipment and prepaid lease payments as set out in notes 15 and 17, respectively.

Loan Covenants Breached

As at 31 December 2014, the Group breached certain of the terms of bank loans amounting to RMB36,200,000, which are primarily related to the debt-equity and current ratios of Hebei Sino-agri Boyuan. On discovery of the breach, the directors of the Company informed the lenders and commenced renegotiation of the terms of the loans with the relevant banks. As at 31 December 2014, the negotiation had not been concluded and the loans have been classified as current liabilities as at 31 December 2014.

The directors of the Company are confident that their negotiation with the lenders will ultimately reach a successful conclusion. In any event, should the lenders call for immediate repayment of the loans, the directors of the Company believe that adequate alternative sources of finance are available to ensure that there is no threat to the continuing operations of the Group.

(b) Loans from immediate holding company

THE GROUP

	At 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount repayable			
Within one year	–	80,000	200,000
More than one year, but not exceed two years	80,000	90,000	–
	80,000	170,000	200,000
Less: Amounts shown under current liabilities	–	(80,000)	(200,000)
Amounts shown under non-current liabilities	80,000	90,000	–

As at 31 December 2012, 2013 and 2014, the Group has entered entrusted loan agreements with Sino-agri Group in which Sino-agri Group provided the loans to the Group through various banks in the PRC. The entrusted loans were unsecured and carries floating interest rates based on the People's Bank of China as follows:

The range of effective interest rate (which are also agreed to contractual interest rates) on the Group's borrowings are as follows:

	At 31 December		
	2012	**2013**	**2014**
Variable rate borrowings	7.01%	7.01%–7.07%	6.90%–7.07%

(c) Loan from non-controlling interests

The amount is secured, bearing floating interest rate based on the People's Bank of China and repayable in two years since the withdrawal date. The effective interest rates for the years ended 31 December 2013 and 2014 were 6.95% and 6.90% per annum, respectively.

26. DEFERRED INCOME

THE GROUP

	Year ended 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	2,700	2,400	41,760
Receipt of subsidies related to property, plant and equipment *(Note)*	–	39,660	15,000
Amounts credited to profit or loss	(300)	(300)	(300)
At end of year	2,400	41,760	56,460

Note:

The Group received government subsidies for compensation of capital expenditures on the plant and machinery which are deferred and amortised over the estimated useful lives of the respective assets when they are ready to use.

The subsidies were granted on a discretionary basis to the Group during the Relevant Periods.

27. DEFERRED TAX

The following is the major deferred tax assets (liabilities) recognised and movements thereon during the Relevant Periods:

THE GROUP

	Prepaid lease payments	Tax losses	Accelerated tax depreciation	Other deductible temporary difference	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	(997)	–	(1,161)	778	(1,380)
Credit to profit or loss	61	2,783	25	323	3,192
At 31 December 2012	(936)	2,783	(1,136)	1,101	1,812
Credit to profit or loss	61	1,233	25	190	1,509
At 31 December 2013	(875)	4,016	(1,111)	1,291	3,321
Credit (charge) to profit or loss	61	(1,085)	25	2,410	1,411
At 31 December 2014	(814)	2,931	(1,086)	3,701	4,732

The following is the analysis of the deferred tax balances for the purpose of presentation in the consolidated statements of financial position:

THE GROUP

	At 31 December		
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Deferred tax assets	3,884	5,307	6,632
Deferred tax liabilities	(2,072)	(1,986)	(1,900)
	1,812	3,321	4,732

The Group has unused tax loss of approximately RMB12,212,000, RMB19,804,000 and RMB18,415,000 at 31 December 2012, 2013 and 2014 respectively which are available to offset against future profit. A deferred tax asset has been recognised in respect of approximately RMB11,132,000, RMB16,064,000 and RMB11,724,000 of such losses at 31 December 2012, 2013 and 2014 respectively. No deferred tax asset has been recognised in respect of the RMB1,080,000, RMB3,740,000 and RMB6,691,000 at 31 December 2012, 2013 and 2014, respectively due to the unpredictably of future profit streams.

At the end of each reporting period, the Group has no significant unrecognised deferred taxation.

28. PAID-IN CAPITAL

The paid-in capital at 31 December 2012, 2013 and 2014 represents the fully paid-in capital and registered capital of the Company.

29. NON-CONTROLLING INTERESTS

	Share of net assets of subsidiaries
	RMB'000
At 19 March 2012	80,793
Share of profit for the period	19,604
Payment of dividends	(10,500)
As 31 December 2012	89,897
Share of profit for the year	15,088
Payment of dividends	(20,250)
As 31 December 2013	84,735
Acquisition of a subsidiary *(Note 39)*	5,831
Share of loss for the year	(37)
Payment of dividends	(14,100)
At 31 December 2014	76,429

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

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

Name of subsidiary	Place of incorporation and principle place of business	Proportion of ownership interests and voting rights held by non-controlling interests			Profit (loss) allocated to non-controlling interests			Non-controlling interests		
		2012	2013	2014	2012	2013	2014	2012	2013	2014
					RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Hebei Sino-agri Boyuan	PRC	45%	45%	45%	22,417	15,917	(798)	59,074	55,191	40,893
Sino-agri Shaanxi	PRC	30%	30%	30%	(2,813)	(829)	(685)	30,823	29,544	28,228
Individually immaterial subsidiary with non-controlling interests					–	–	1,443	–	–	7,308
					19,604	15,088	(37)	89,897	84,735	76,429

Summarised financial information in respect of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Hebei Sino-agri Boyuan

	31 December 2012 *RMB'000*	**31 December 2013** *RMB'000*	**31 December 2014** *RMB'000*
Current assets	253,220	397,543	410,725
Non-current assets	79,111	153,673	302,810
Current liabilities	(192,750)	(346,989)	(454,522)
Non-current liabilities	(4,472)	(77,746)	(164,305)
Non-controlling interests	59,074	55,191	40,893
Equity attributable to owners of the Company	76,035	71,290	53,815

	1.1.2012 to 31.12.2012 *RMB'000*	**1.1.2013 to 31.12.2013** *RMB'000*	**1.1.2014 to 31.12.2014** *RMB'000*
Revenue	507,857	488,501	312,671
Expenses	(458,042)	(453,129)	(314,445)
Profit (loss) for the year	49,815	35,372	(1,774)
Profit (loss) and total comprehensive income (expense) attributable to owners of the Company	27,398	19,455	(976)
Profit (loss) and total comprehensive income (expense) attributable to the non-controlling interests	22,417	15,917	(798)
Profit (loss) and total comprehensive income (expense) for the year	49,815	35,372	(1,774)
Dividends paid/payable to non-controlling interests	(10,500)	(19,800)	(13,500)

	1.1.2012 to 31.12.2012 *RMB'000*	1.1.2013 to 31.12.2013 *RMB'000*	1.1.2014 to 31.12.2014 *RMB'000*
Net cash inflow (outflow) from operating activities	61,430	20,212	(65,810)
Net cash outflow from investing activities	(72,884)	(83,938)	(122,451)
Net cash inflow from financing activities	1,043	79,509	148,929
Net cash (outflow) inflow	(10,411)	15,783	(39,332)

Sino-agri Shaanxi

	31 December 2012 *RMB'000*	31 December 2013 *RMB'000*	31 December 2014 *RMB'000*
Current assets	175,362	289,265	278,177
Non-current assets	56,441	81,900	109,506
Current liabilities	(49,061)	(182,788)	(289,089)
Non-current liabilities	(80,000)	(90,000)	(4,500)
Non-controlling interests	30,823	29,544	28,228
Equity attributable to owners of the Company	71,919	68,833	65,866

	1.1.2012 to 31.12.2012 *RMB'000*	1.1.2013 to 31.12.2013 *RMB'000*	1.1.2014 to 31.12.2014 *RMB'000*
Revenue	313,132	357,794	172,188
Expenses	(322,506)	(360,660)	(174,472)
Loss for the year	(9,374)	(2,866)	(2,284)
Loss and total comprehensive expense attributable to owners of the Company	(6,561)	(2,037)	(1,599)
Loss and total comprehensive expense attributable to the non-controlling interests	(2,813)	(829)	(685)
Loss and total comprehensive expense for the year	(9,374)	(2,866)	(2,284)
Dividends paid to non-controlling interests	–	(450)	(600)

	1.1.2012 to 31.12.2012 *RMB'000*	1.1.2013 to 31.12.2013 *RMB'000*	1.1.2014 to 31.12.2014 *RMB'000*
Net cash outflow from operating activities	(1,591)	(98,757)	(49,022)
Net cash (outflow) inflow from investing activities	(11,593)	6,941	2,176
Net cash inflow from financing activities	28,450	94,000	33,500
Net cash inflow (outflow)	15,266	2,184	(13,347)

30. RESERVE OF THE COMPANY

	Accumulated loss/profits *RMB'000*
At 19 March 2012	–
Loss and total comprehensive expense for the period	(1,388)
At 31 December 2012	(1,388)
Profit and total comprehensive income for the year	6,541
At 31 December 2013	5,153
Profit and total comprehensive income for the year	14,949
At 31 December 2014	20,102

31. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to equity owners through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged during the Relevant Periods.

The capital structure of the Group consists of net debts (which include bank and other borrowings, loans from immediate holding company, loan from non-controlling interests and amount due to related parties and companies, net of cash and cash equivalents) and equity attributable to owners of the Company, comprising paid-in capital and accumulated profits.

The management of the Group reviews the capital structure periodically. As part of this review, the management considers the cost of capital and the risks associated with the capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends and raising of new capital as well as the issue of new debt or the redemption of existing debt.

32. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

THE GROUP

	At 31 December		
	2012 *RMB'000*	**2013** *RMB'000*	**2014** *RMB'000*
Financial assets			
Loans and receivables (including cash and bank balance)	266,683	411,051	388,765
Financial liabilities			
Amortised cost	280,275	606,140	843,789

THE COMPANY

	At 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Loans and receivables (including cash and bank balance)	63,932	169,347	262,522
Financial liabilities			
Amortised cost	1,854	101,561	182,670

(b) Financial risk management objectives and policies

The management monitors and manages the financial risks relating to the operations of the Group through internal risk assessment which analyses exposures by degree and magnitude of risks. The risks include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to cash flow interest rate risk on the variable rate of interest earned on the bank balances and variable-rate of interest incurred on bank and other borrowings, loans from immediate holding company and loan from non-controlling interests. The Group is also exposed to fair value interest rate risk in relation to fixed-rate bank and other borrowings. The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The management of the Group monitor interest rate exposure and will consider hedging significant interest rate exposure should the need arise. The Group is mainly exposed to interest rates quoted by the People's Bank of China.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. The following sensitivity analysis represents management's assessment of the reasonably possible change in interest rates.

Variable-rate bank and other borrowings

If interest rates of the variable-rate borrowings had been 50 basis points higher/lower and all other variables were held constant, the Group's profit before tax for the years ended 31 December 2012 and 2013 would decrease/increase by approximately RMB150,000 and RMB235,000, respectively, and the Group's loss before tax for the year ended 31 December 2014 would increase/decrease by approximately RMB1,118,000.

If interest rates of the variable-rate borrowings had been 50 basis points higher/lower and all other variables were held constant, the Company's profit before tax for the years ended 31 December 2014 would decrease/increase by approximately RMB250,000. For the year ended 31 December 2012 and 2013, there were no variable rate bank and other borrowings.

Variable-rate loans from immediate holding company

If interest rates of the variable-rate borrowings had been 50 basis points higher/lower and all other variables were held constant, the Group's profit before tax for the years ended 31 December 2012 and 2013 would decrease/increase by approximately RMB400,000 and RMB850,000 respectively, and the Group's loss before tax for the year ended 31 December 2014 would increase/decrease by approximately RMB1,000,000.

Variable-rate loan from non-controlling interests

If interest rates of the variable-rate borrowings had been 50 basis points higher/lower and all other variables were held constant, the Group's profit before tax for the years ended 31 December 2013 would decrease/increase by approximately RMB35,000 and the Group's loss before tax for the year ended 31 December 2014 would increase/decrease by approximately RMB35,000. For the year ended 31 December 2012, there was no variable-rate loan from non-controlling interests.

Variable-rate bank balances

If interest rates of the variable-rate pledged bank deposits and bank balances had been 50 basis points higher/lower and all other variables were held constant, the Group's profit before tax for the years ended 31 December 2012 and 2013 would increase/decrease by approximately RMB575,000 and RMB578,000, respectively, and the Group's loss before tax for the year ended 31 December 2014 would decrease/increase by approximately RMB342,000.

If interest rates of the variable-rate bank balances had been 50 basis points higher/lower and all other variables were held constant, the Company's loss for the year ended 31 December 2012 would decrease/increase by approximately RMB262,000.

If interest rates of the variable-rate bank balances had been 50 basis points higher/lower and all other variables are held constant, the Company's profit for the years end 31 December 2013 and 2014 would increase/decrease by approximately RMB181,000 and RMB216,000, respectively.

Credit risk

As at 31 December 2012, 2013 and 2014, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group due to the failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

The credit risk of the Group's and the Company's on liquid fund is limited because the counterparties are banks with high credit ratings.

As at 31 December 2012, 2013 and 2014, the Group and the Company has concentration of credit risk in relation to amounts due from related parties and companies as disclosed in note 36. In order to minimise the credit risk, the management of the Group has reviewed the recoverability of the long term receivable regularly to ensure that follow-up action is taken timely. In this regard, the management of the Group considers that the credit risk on the balances is significantly reduced.

The trade receivables balances of the Group at the end of each reporting period mainly represented the credit sales to certain customers. With respective to these credit sales, the Group has concentration of credit risk as 27%, 25% and 16% of the Group's total trade receivables as at 31 December 2012, 2013 and 2014, respectively, were due from five major customers. Those five major customers are with good creditworthiness based on historical settlement record. In order to minimise the concentration of credit risk, the management of the Group is responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure follow-up action is taken to recover overdue debts. The management of the Group also performs periodic evaluations and customer visits to ensure the Group's exposure to bad debts is not significant and adequate impairment losses are made for irrecoverable amount. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

Liquidity risk

In the management of the liquidity risk, the Group and the Company closely monitors their cash position resulting from its operations and maintains a level of cash and cash equivalents deemed adequate by the management to meet in full its financial obligations as they fall due for the foreseeable future. The management also monitors the utilisation of bank borrowings.

The following tables detail the Group's and the Company's remaining contractual maturity for its financial liabilities based on the agreed repayment terms as at 31 December 2012, 2013 and 2014. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amount is derived from the interest rate at the end of the reporting period.

Liquidity tables

THE GROUP

	Weighted average effective interest rate	Repayable on demand	Less than 3 months	3 months to 1 year	1–5 years	Total undiscounted cash flows	Total carrying amount
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2012							
Trade, bills and other payables	–	156,200	–	–	–	156,200	156,200
Amounts due to a related parties and companies	–	1,293	–	–	–	1,293	1,293
Loans from immediate holding company	7.01%	–	1,403	4,207	84,909	90,519	80,000
Bank and other borrowings	6.63%	12,782	518	31,035	–	44,335	42,782
		170,275	1,921	35,242	84,909	292,347	280,275
At 31 December 2013							
Trade, bills and other payables	–	301,490	–	–	–	301,490	301,490
Amounts due to related parties and companies	–	21,093	–	–	–	21,093	21,093
Loans from immediate holding company	7.04%	–	2,994	88,280	91,680	182,954	170,000
Loan from non-controlling interests	6.95%	–	121	365	7,223	7,709	7,000
Bank and other borrowings	6.17%	9,557	1,642	72,850	28,329	112,378	106,557
		332,140	4,757	161,495	127,232	625,624	606,140
At 31 December 2014							
Trade, bills and other payables	–	369,426	–	–	–	369,426	369,426
Amounts due to related parties and companies	–	33,323	–	–	–	33,323	33,323
Loans from immediate holding company	7.02%	–	53,364	154,389	–	207,753	200,000
Loan from non-controlling interests	6.95%	–	121	7,102	–	7,223	7,000
Bank and other borrowings	6.56%	10,365	3,680	121,976	135,774	271,795	234,040
		413,114	57,165	283,467	135,774	889,520	843,789

Liquidity tables

THE COMPANY

	Weighted average effective interest rate	Repayable on demand	Less than 3 months	3 months to 1 year	1–5 years	Total undiscounted cash flows	Total carrying amount
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2012							
Trade, bills and other payables	–	561	–	–	–	561	561
Amount due to a related company	–	1,293	–	–	–	1,293	1,293
		1,854	–	–	–	1,854	1,854
At 31 December 2013							
Trade, bills and other payables	–	50,268	–	–	–	50,268	50,268
Amount due to a related company	–	1,293	–	–	–	1,293	1,293
Bank and other borrowings	5.6%	–	700	50,700	–	51,400	50,000
		51,561	700	50,700	–	102,961	101,561
At 31 December 2014							
Trade, bills and other payables	–	131,267	–	–	–	131,267	131,267
Amounts due to related companies	–	1,403	–	–	–	1,403	1,403
Bank and other borrowings	6.36%	–	795	50,530	–	51,325	50,000
		132,670	795	50,530	–	183,995	182,670

The amounts included above for variable interest rate on bank and other borrowings are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair value measurements of financial instruments

Fair value of the Group's and the Company's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management of the Group consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

33. TRANSFERS OF FINANCIAL ASSETS

The following were the Group's and the Company's bills receivables as at 31 December 2012, 2013 and 2014 that were transferred to suppliers by endorsing those bills receivables on a full recourse basis. If the bills receivables are not paid at maturity, the bank and the suppliers have the right to request the Group and the Company to pay the unsettled balance. As the Group and the Company has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the bills receivables and has recognised the associated trade payables. These financial assets are carried at amortised cost in the Group's consolidated statements of financial position and the statement of financial position of the Company.

At the end of the reporting period, the carrying amount of the bills receivables that have been transferred but have not been derecognised and the amount of the associated liabilities are as follows:

THE GROUP

	At 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Bills receivables endorsed to suppliers with full recourse	20,887	92,146	79,824
Associated trade payables relating to the endorsement of bills receivables	20,887	92,146	79,824

THE COMPANY

	At 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Bills receivables endorsed to suppliers with full recourse	–	30,507	35,512
Associated trade payables relating to the endorsement of bills receivables	–	30,507	35,512

The bills receivable and payable issued between group entities were fully eliminated on consolidation.

34. OPERATING LEASE

The Group as lessee

Minimum lease payments under operating lease were approximately RMB4,100,000, RMB2,612,000, and RMB4,644,000, which represents the rent paid by the Group for office and plant and machineries for the years ended 31 December 2012, 2013 and 2014, respectively.

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating lease which fall due as follows:

	At 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	1,369	1,415	655
In the second to fifth years inclusive	5,440	5,440	4,790
Over five years	1,360	–	–
	8,169	6,855	5,445

Lease is negotiated and rental is fixed for an average of 1 year.

35. CAPITAL COMMITMENTS

	At 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Capital expenditure in respect of the acquisition of property, plant and equipment:			
– contracted for but not provided in the Financial Information	14,595	240,524	44,833

36. RELATED PARTY DISCLOSURES

The Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("**government-related entities**"). In addition, Group is controlled by All China FSMC led by the State Council of the PRC. The Group is also a government-related entity.

The transactions and balance with All China FSMC and its subsidiaries (collectively referred to as "**All China FSMC Group**"), other PRC government-related entities and other non-government related parties/entities are disclosed below.

(a) Balances with All China FSMC Group

THE GROUP

	At 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from related companies			
Fellow subsidiaries	–	–	4,870

	At 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Amounts due to related companies			
Fellow subsidiary	–	–	110
Immediate holding company	1,293	1,293	1,293
	1,293	1,293	1,403

The balances above with All Group FSMC Group are unsecured, interest-free and repayable on demand.

THE COMPANY

	At 31 December 2012 RMB'000	2013 RMB'000	2014 RMB'000
Amounts due from related companies			
Fellow subsidiary	–	–	2,822
Subsidiaries	11,500	102,490	180,999
	11,500	102,490	183,821

	At 31 December 2012 RMB'000	2013 RMB'000	2014 RMB'000
Amounts due to related companies			
Immediate holding company	1,293	1,293	1,293
Fellow subsidiary	–	–	110
	1,293	1,293	1,403

The balances above with All China FSMC Group are unsecured, interest-free and repayable on demand.

In addition, the Group has the following borrowings from All China FSMC Group as follows:

THE GROUP

	At 31 December 2012 RMB'000	2013 RMB'000	2014 RMB'000
Loans from immediate holding company *(Note 25(b))*	80,000	170,000	200,000

As at 31 December 2013 and 2014, the bank borrowings of RMB50,000,000 of the Group and the Company were guaranteed by the immediate holding company of the Group. Details are set out in note 25(a).

(b) Transactions with All China FSMC Group

THE GROUP

	At 31 December 2012 RMB'000	2013 RMB'000	2014 RMB'000
Sales of agricultural machineries	–	–	1,945
THE GROUP AND THE COMPANY			
Sales of agricultural products	–	–	26,576
Purchase of agricultural products	–	–	26,549
Lease payments under operating lease in respect of land and building	–	655	655

(c) Balances with non-controlling interests

THE GROUP

	At 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Amount due from a related party			
Non-controlling interests *(Note)*	22,960	20,188	19,650
Amount due to a related party			
Non-controlling interests	–	19,800	31,920
Loan from a non-controlling interests *(Note 25(c))*	–	7,000	7,000

Note:

The balances with non-controlling interests include unsecured loan to non-controlling interests of RMB12,749,000, RMB13,602,000 and RMB14,455,000 at 31 December 2012, 2013 and 2014, respectively, carried variable-rate interest at People's Bank of China Renminbi Lending Rate plus 10% and is repayable on demand. The remaining balances are unsecured, interest-free and repayable on demand.

(d) Transactions with non-controlling interests

THE GROUP

	Year ended 31 December		
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Sales of agricultural machineries	7,812	8,282	–
Interest income	853	853	853

(e) Balances with other PRC government-related entities

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

THE GROUP

As at 31 December 2012, 2013 and 2014, 90%, 66% and 97% of bank balances, nil, 1% and 100% of pledged bank deposits and 100%, 37% and 31% of bank borrowings are held with these government-related banks.

THE COMPANY

As at 31 December 2012, 2013 and 2014, 100%, 100% and 100% of bank balances and 100%, 100% and 100% of bank borrowings are held with these government-related banks.

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

(f) Key management personnel

The remuneration of key management personnel included directors' and chief executives' remuneration which have been set out in note 12.

37. PLEDGE OF ASSETS

As at 31 December 2012, 2013 and 2014, the following items were used to secure banking facilities granted to the Group:

	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
(a) Pledged bank deposits *(note 22)*	31,141	29,917	8,350
(b) Pledge of property, plant and equipment *(note 15)*	–	14,379	15,182
(c) Pledge of prepaid lease payments *(note 17)*	–	24,416	23,595
	31,141	68,712	47,127

38. RETIREMENT BENEFIT PLAN

The employees of the Group are members of the state-managed retirement benefit scheme operated by the PRC government. The Group is required to contribute a certain percentage of basic payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

The total expense recognised in profit or loss of approximately RMB5,041,000, RMB6,739,000 and RMB6,882,000 represent contributions paid and payable to the retirement benefit scheme during the years ended 31 December 2012, 2013 and 2014, respectively.

39. ACQUISITION OF A SUBSIDIARY

On 17 April 2014, the Group acquired 42% of the equity interest of Henan Sino-agri Fuan from independent third parties at a consideration of RMB4,233,300. Upon completion of the acquisition of Henan Sino-agri Fuan, the Group is able to control over Henan Sino-agri Fuan pursuant to the terms and conditions of the Article of Association of Henan Sino-agri Fuan and the authorisation letter from Sino-agri Group. Pursuant to the authorisation letter, 28% voting rights in the equity owners' meeting and the right to appointment of board of directors in Henan Sino-agri Fuan held by the fellow subsidiary of the Company was irrevocably given to the Company by Sino-agri Group. As such, Henan Sino-agri Fuan is accounted for as a subsidiary of the Group. This acquisition has been accounted for using the acquisition method. No goodwill arised as a result of the acquisition. Henan Sino-agri Fuan is engaged in the manufacturing and trading of agricultural machineries. Henan Sino-agri Fuan was acquired so as to continue the expansion of the Group's manufacturing and trading of agricultural machineries operations.

Consideration transferred

	RMB'000
Cash	4,233
Total	4,233

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

	RMB'000
Property, plant and equipment	681
Inventories	4,375
Other receivables	703
Bank balances and cash	10,007
Bank borrowing	(1,800)
Receipt in advance	(3,823)
Tax payables	(79)
	10,064

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	4,233
Plus: non-controlling interests (58% in Henan Sino-agri Fuan)	5,831
Less: net assets acquired	(10,064)
Goodwill arising on acquisition	–

The non-controlling interests (58% in Henan Sino-agri Fuan) recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Henan Sino-agri Fuan.

Net cash inflow on acquisition of Henan Sino-agri Fuan

	RMB'000
Cash consideration paid	(4,233)
Bank balances and cash acquired	10,007
Net bank balances and cash from a acquisition of a subsidiary	5,774

Included in the profit for the year is RMB5,059,000 attributable to the additional business generated by Henan Sino-agri Fuan. Revenue for the year includes RMB24,035,000 generated from Henan Sino-agri Fuan.

Had the acquisition been completed on 1 January 2014, total group revenue for the year would have been RMB557,500,000, and loss for the year would have been RMB5,620,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2014, nor is it intended to be a projection of future results.

40. EVENTS AFTER THE REPORTING PERIOD

On 29 April 2015, Sino-agri Group entered into an investment agreement with National Agricultural Holdings Limited, in which National Agricultural Holdings Limited conditionally agreed to purchase 30% of the existing equity interest of the Company at a consideration of RMB105 million, subject to the approval from its upcoming extraordinary general meeting.

B. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company, any of its subsidiaries or the Group have been prepared in respect of any period subsequent to 31 December 2014.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

Set out below is the management discussion and analysis of the Target Group for the three years ended 31 December 2014 based on the financial information of the Target Group as set out in Appendix III to this circular.

FOR THE YEAR ENDED 31 DECEMBER 2012

Business review and financial review of operations

The revenue of the Target Group increased from approximately RMB424.61 million in 2011 to approximately RMB820.99 million in 2012, representing approximately 93.35% increase, which was mainly attributable to (1) increase in brand awareness and advertising resulting in sales of more agricultural machineries to new customers; and (2) increase in distribution channels. In addition, the gross profit of the Target Group for the year ended 31 December 2012 increased by approximately 104.19% to approximately RMB132.64 million from approximately RMB64.96 million for the corresponding period in 2011. The significant increase of gross profit was mainly attributable to the significant revenue increase of approximately 93.35% as discussed above.

The Target Company was established in 2012, profit attributable to owners of the Target Company is approximately RMB19.45 million in 2012.

In 2012, the revenue of manufacturing and trading of agricultural machineries business increase from approximately RMB424.61 million in 2011 to approximately RMB820.99 million in 2012, representing approximately 93.35% increase. The segment result increase from approximately RMB22.27 million in 2011 to approximately RMB57.04 million in 2012, representing approximately 156.13% increase.

Cost of sales

The cost of sales mainly comprised costs of sale for agricultural machineries. The cost of sales of the Target Group increased from approximately RMB359.65 million in 2011 to approximately RMB688.35 million in 2012, representing approximately 91.39% increase. The significant increase was mainly attributable to the total purchase cost of raw material increase with the sales increase of approximately 93.35% as discussed above during the year.

Selling and distribution costs

The Target Group's selling and distribution costs comprised cost of salary in relation to selling; marketing expense and maintaining cost. The selling and distribution costs of the Target Group increased from approximately RMB22.98 million in 2011 to approximately RMB38.69 million in 2012, representing approximately 68.36% increase. The increase was mainly attributable to sale increase resulting from increase in advertising and marketing expenses and transportation expenses.

Administrative expenses

The administrative expenses of the Target Group increased from approximately RMB15.44 million in 2011 to approximately RMB34.09 million in 2012, representing approximately 120.79% increase. The increase was mainly attributable to the business expansion, as the Target Group hired more employees in 2012 than that in 2011, resulting in increase in employee salary and other benefit.

Liquidity and financial resources

As at 31 December 2012, the net current assets of the Target Group amounted to approximately RMB$242.89 million. The current ratio, representing current assets divided by current liabilities, was about 2.05.

As at 31 December 2012, total borrowings of the Target Group were approximately RMB122.78 million which consisted of bank and other borrowings amounted to approximately RMB42.78 million and loans from immediate holding company amounted to approximately RMB80.00 million. The gearing ratio, as a ratio of total borrowings over total equity, was about 0.40.

For the year ended 31 December 2012, the Target Group usually financed its working capital through internal funds and other borrowings from third parties. To manage liquidity risk, the management of the Target Group closely monitors the liquidity position to ensure that the liquidity structure of the Target Group's assets, liabilities and commitments can meet its funding requirements.

Bank balance and cash

As at 31 December 2012, the bank balances and cash of the Target Group were approximately RMB83.79 million.

Net cash from operating activities

The Target Group derived cash inflow from operating activities principally from the sales proceeds of its products. Cash outflow to operations primarily reflected purchase of raw materials, selling and distribution expenses, administrative expenses and finance costs.

Net cash generated from operating activities for the year of 2012 amounted to approximately RMB57.77 million which was mainly attributable to the profit before tax of approximately RMB45.21 million primarily adjusted for (i) depreciation of approximately RMB3.48 million; (ii) decrease in trade, bills and other receivables of approximately RMB66.46 million due to increased settlement of credit sales to customers; (iii) increase in trade, bills and other payables of approximately RMB19.56 million due to increase in purchase for production; (iv) increase in advance from customers of approximately RMB10.85 million; and (v) increase in inventories of approximately RMB87.81 million due to an increase in purchase of raw materials and packing materials.

Net cash used in investing activities

Cash inflow from investing activities was primarily generated from proceeds from disposal of property, plant and equipment, and interest received. Cash outflow to investing activities primarily included cash used in purchase of property, plant and equipment, payment for acquisition of investment properties, pledged deposits for banking facilities and addition of land use rights.

Net cash used in investing activities for the year of 2012 amounted to approximately RMB88.22 million and was mainly due to (i) an increase in pledged bank deposits of approximately RMB31.14 million; and (ii) addition of land use rights of approximately RMB50.36 million due to an addition of prepaid lease payment.

Net cash from financing activities

Cash inflow from financing activities primarily included new bank and other borrowings raised, loan from immediate holding company and capital injection by immediate holding company. Cash outflow to financing activities primarily included repayment of bank and other borrowings; dividends paid, repayment to immediate holding company and deemed distribution upon group reorganisation.

Net cash from financing activities for the year of 2012 amounted to approximately RMB87.67 million was mainly due to (i) an increase in loan from immediate holding company of RMB150 million; (ii) an increase in capital injection by immediate holding company of RMB200 million; (iii) repayment to immediate holding company of RMB120 million; and (iv) the deemed distribution upon group reorganisation of approximately RMB136.52 million to its immediate holding company as consideration resulting in a reduction of net assets of the Target Group.

Charges of assets

As at 31 December 2012, the Target Group had pledged bank deposits amounted approximately RMB31.14 million to secure banking facilities granted to the Target Group.

Contingent liabilities

The Target Group did not have any material contingent liability as at 31 December 2012.

Capital commitments

As at 31 December 2012, the Target Group's contracted capital commitments but not provided in the consolidated financial statements amounted to approximately RMB14.60 million being the capital expenditure in respect of the acquisition of property, plant and equipment.

Employees

The Target Group had 371 employees as at 31 December 2012.

The total remunerations paid to the Target Group's employees for the year ended 31 December 2012 was approximately RMB37.86 million.

Foreign currency exposure

The Target Group had only minimal foreign currencies transactions, which would expose the Target Group to foreign currency risk. For the year ended 31 December 2012, the impact of fluctuations in foreign currency on the Target Group was minimal and the Target Group did not have any foreign currency hedging policy. However, the directors of the Target Group would monitor foreign exchange exposure and consider hedging significant foreign currency exposure should the need arise.

Significant investment, material acquisition and disposal

As part of the Target Group's reorganisation, on 1 July 2012, the equity interest of 70% in Sino-agri Shaanxi held by Vendor was transferred to the Target Company at a cash consideration of approximately RMB77,109,000, which was the amount attributable to the Vendor based on the PRC audited net asset value as of 31 December 2011. On 26 November 2012, the equity interest of 55% in Hebei Sino-agri Boyuan held by the Vendor was transferred to the Target Company at a cash consideration of approximately RMB59,413,000, which was based on the initial investment cost by the Vendor plus the PRC audited surplus reserve shared by Vendor as of 31 December 2011.

Save as disclosed above, the Target Group did not have any significant investment, material acquisition or disposal for the year ended 31 December 2012.

FOR THE YEAR ENDED 31 DECEMBER 2013

Business review and financial review of operations

The revenue of the Target Group increased from approximately RMB820.99 million in 2012 to approximately RMB846.30 million in 2013, representing an increase of approximately 3.08%, which was mainly attributable to technology upgrade in corn and wheat harvesters resulting in sales increase. In addition, the gross profit of the Target Group for the year ended 31 December 2013 decreased by approximately 9.16% to approximately RMB120.49 million from approximately RMB132.64 million for the corresponding period in 2012. The decrease of gross profit was mainly attributable to technology upgrade resulting in increase in production cost as discussed below.

Profit attributable to owners of the Target Company decreased by 28.79% from RMB19.45 million in 2012 to RMB13.85 million in 2013, which was primarily resulted from an increase of cost of sales, such as increase in repairment expenses and transportation expenses during production.

(i) Manufacturing and trading of agricultural machineries business

In 2013, the revenue of manufacturing and trading of agricultural machineries business increase from approximately RMB820.99 million in 2012 to approximately RMB846.30 million in 2013, representing approximately 3.08% increase. The segment result decrease from approximately RMB57.04 million in 2012 to approximately RMB38.86 million in 2013, representing approximately 31.87% decrease.

(ii) Property development and property investment business

In 2013, the revenue of property development and property investment business was nil. The segment result decrease from a loss of approximately RMB10.99 million in 2012 to a loss of approximately RMB4.81 million in 2013, representing approximately 56.23% decrease of loss.

Cost of sales

The cost of sales mainly comprised costs of sale for agricultural machineries. The cost of sales of the Target Group increased from approximately RMB688.35 million in 2012 to approximately RMB725.81 million in 2013, representing approximately 5.44% increase. The increase was mainly attributable to the sales increase of lower gross profit products with higher repairment expenses and transportation expenses from production during the year.

Selling and distribution costs

The Target Group's selling and distribution costs comprised cost of salary in relation to selling; marketing expense and maintaining cost. The selling and distribution costs of the Target Group decreased from approximately RMB38.69 million in 2012 to approximately RMB35.15 million in 2013, representing approximately 9.15% decrease. The decrease was mainly attributable to lower selling and distribution cost from Sino-agri Shaanxi resulting in decrease in advertising and marketing expense.

Administrative expenses

The administrative expenses of the Target Group increased from approximately RMB34.09 million in 2012 to approximately RMB38.51 million in 2013, representing approximately 12.97% increase. The increase was mainly attributable to increase in the number of retired employees resulting in increase in retirement benefit.

Liquidity and financial resources

As at 31 December 2013, the net current assets of the Target Group amounted to approximately RMB$225.03 million. The current ratio, representing current assets divided by current liabilities was about 1.45.

As at 31 December 2013, total borrowings of the Target Group were approximately RMB283.56 million which consisted of bank and other borrowings amounted to approximately RMB106.56 million, loans from immediate holding company amounted to approximately RMB170.00 million and loan from a non-controlling interests amounted to of approximately RMB7.00 million. The gearing ratio, as a ratio of total borrowings over total equity, was about 0.94.

For the year ended 31 December 2013, the Target Group usually financed its working capital through (i) internal funds; and (ii) loans from banks in the PRC and from immediate holding company. To manage liquidity risk, the management of the Target Group closely monitors the liquidity position to ensure that the liquidity structure of the Target Group's assets, liabilities and commitments can meet its funding requirements.

Bank balance and cash

As at 31 December 2013, the bank balances and cash of the Target Group were approximately RMB85.69 million.

Net cash used in operating activities

The Target Group derived cash inflow from operating activities principally from the sales proceeds of its products. Cash outflow to operations primarily reflected purchase of raw materials, selling and distribution expenses, administrative expenses and finance costs.

Net cash used in operating activities for the year of 2013 amounted to approximately RMB98.27 million which was mainly attributable to the profit before tax of approximately RMB33.99 million primarily adjusted for (i) depreciation of approximately RMB5.66 million; (ii) increase in trade, bills and other receivables of approximately RMB145.66 million due to an increase in credit sales to customers; (iii) increase in trade, bills and other payables of approximately RMB129.80 million due to an increase in purchase for production and increase in construction costs payable; (iv) decrease in advance from customers of approximately RMB12.05 million; and (v) increase in inventories of approximately RMB108.52 million mainly due to an increase in properties under development of Fuping Taihong.

Net cash used in investing activities

Cash inflow from investing activities was primarily generated from proceeds from disposal of property, plant and equipment, interest received and receipt of assets-related government grants. Cash outflow to investing activities primarily included cash used in purchase of property, plant and equipment, payment for acquisition of investment properties, and addition of land use rights.

Net cash used in investing activities for the year of 2013 amounted to approximately RMB40.28 million and was mainly due to (i) purchase of property, plant and equipment of approximately RMB23.88 million, (ii) addition of land use rights of approximately RMB30.78 million due to an increase in addition of prepaid lease payment, and (iii) receipt of assets-related government grants of approximately RMB39.66 million.

Net cash from financing activities

Cash inflow from financing activities primarily included new bank and other borrowings raised and loans from immediate holding company and non-controlling interests. Cash outflow to financing activities primarily included repayment of bank and other borrowings, and dividends paid.

Net cash from financing activities for the year of 2013 amounted to approximately RMB140.44 million mainly due to (i) an increase in new bank and other borrowings raised of RMB98.00 million; (ii) an increase in loans from immediate holding company and from non-controlling interests of a total of RMB97.00 million; (iii) repayment of bank and other borrowings of approximately RMB34.23 million; and (iv) dividends paid of approximately RMB16.45 million.

Charges of assets

As at 31 December 2013, the Target Group had (i) pledged bank deposits amounted to approximately RMB29.92 million; (ii) pledge of property, plant and equipment approximately RMB14.38 million and (iii) pledge of prepaid lease payments approximately RMB24.42 million to secure banking facilities granted to the Target Group.

Contingent liabilities

The Target Group did not have any material contingent liability as at 31 December 2013.

Capital commitments

As at 31 December 2013, the Target Group's contracted capital commitments but not provided in the consolidated financial statements amounted to approximately RMB240.52 million being the capital expenditure in respect of the acquisition of property, plant and equipment.

Employees

The Target Group had 629 employees as at 31 December 2013.

The total remunerations paid to the Target Group's employees for the year ended 31 December 2013 was approximately RMB52.14 million.

Foreign currency exposure

The Target Group had only minimal foreign currencies transactions, which would expose the Target Group to foreign currency risk. For the year ended 31 December 2013, the impact of fluctuations in foreign currency on the Target Group was minimal and the Target Group did not have any foreign currency hedging policy. However, the directors of the Target Group would monitor foreign exchange exposure and consider hedging significant foreign currency exposure should the need arise.

Significant investment, material acquisition and disposal

The Target Group did not have any significant investment, material acquisition or disposal for the year ended 31 December 2013.

FOR THE YEAR ENDED 31 DECEMBER 2014

Business review and financial review of operations

The revenue of the Target Group decreased from approximately RMB846.30 million in 2013 to approximately RMB544.84 million in 2014, representing a decrease of approximately 35.62%, which was mainly attributable to the decrease in the sales of the agricultural machinery mainly due to (1) the increased competition in the corn harvester market; (2) the decrease in demand on the old models of the agricultural machinery that is partially affected by a change in the emission standard for diesel vehicles imposed by the PRC governmental authority, which are applicable to the production of the agricultural machinery; and (3) the expiry of the lease of part of the plants for manufacturing which caused a disruption in production process. In addition, the gross profit of the Target Group for the year ended 31 December 2014 decreased by approximately 21.35% to approximately RMB94.76 million from RMB120.49 million for the corresponding period in 2013. The decrease of gross profit was mainly attributable to revenue decrease of approximately 35.62% as discussed above.

Further, the Target Group recorded a loss attributable to owners of the Target Company of approximately RMB5.94 million for the year ended 31 December 2014, compared with a profit attributable to owners of the Company of approximately RMB13.85 million for the corresponding period in 2013 which was primarily resulted from a decrease in revenue due to the aforementioned reasons and an increase in expenses as a result of the development of the New Base and the Western Trading Market.

(i) Manufacturing and trading of agricultural machineries business

In 2014, the revenue of manufacturing and trading of agricultural machineries business decrease from approximately RMB846.30 million in 2013 to approximately RMB520.81 million in 2014, representing approximately 38.46% decrease. The segment result decrease from a profit of approximately RMB38.86 million in 2013 to a loss of approximately RMB6.76 million in 2014.

(ii) Property development and property investment business

In 2014, the revenue of property development and property investment business was approximately RMB24.04 million. The segment result increase from a loss of approximately RMB4.81 million in 2013 to a profit of approximately RMB5.43 million in 2014.

Cost of sales

The cost of sales mainly comprised costs of sale for agricultural machineries. The cost of sales of the Target Group decreased from approximately RMB725.81 million in 2013 to approximately RMB450.08 million in 2014, representing approximately 37.99% decrease. The decrease was mainly attributable to the decrease of the directly trading cost resulting from the sales decrease of approximately 35.62% as discussed above.

Selling and distribution costs

The Target Group's selling and distribution costs comprised cost of salary in relation to selling, marketing expense and maintaining cost. The selling and distribution costs of the Target Group increased from approximately RMB35.15 million in 2013 to approximately RMB40.94 million in 2014, representing approximately 16.47% increase. The increase was mainly attributable to increase selling and distribution cost after acquiring Henan Sino-agri Fuan during the year resulting in increase in employee salary and other benefits, marketing expenses and travelling expenses relating to the said acquisition.

Administrative expenses

The administrative expenses of the Target Group decreased from approximately RMB38.51 million in 2013 to approximately RMB37.66 million in 2014, representing approximately 2.21% decrease. The decrease was mainly attributable to (1) sales decrease resulting in advertising and marketing expense decrease; and (2) improvement in management resulting in decrease in impairment on inventory and trade receivables; and (3) decrease in meeting expenses.

Liquidity and financial resources

As at 31 December 2014, the net current assets of the Target Group amounted to approximately RMB$33.64 million. The current ratio, representing current assets divided by current liabilities was about 1.04.

As at 31 December 2014, total borrowings of the Target Group were approximately RMB441.04 million which consisted of bank and other borrowings amounted to approximately RMB234.04 million, loans from immediate holding company amounted to approximately RMB200.00 million and loan from a non-controlling interests amounted to approximately RMB7.00 million. The gearing ratio, as a ratio of total borrowings over total equity, was about 1.54.

For the year ended 31 December 2014, the Target Group usually financed its working capital through (i) internal funds; and (ii) loans from banks in the PRC and from immediate holding company. To manage liquidity risk, the management of the Target Group closely monitors the liquidity position to ensure that the liquidity structure of the Target Group's assets, liabilities and commitments can meet its funding requirements.

Bank balance and cash

As at 31 December 2014, the bank balance and cash of the Target Group were approximately RMB60.10 million.

Net cash used in operating activities

The Target Group derived cash inflow from operating activities principally from the sales proceeds of its products. Cash outflow to operations primarily reflected purchase of raw materials, selling and distribution expenses, administrative expenses and finance costs.

Net cash used in operating activities for the year of 2014 amounted to approximately RMB42.35 million which was mainly attributable to the loss before tax of approximately RMB1.6 million primarily adjusted for (i) depreciation of approximately RMB4.53 million; (ii) increase in trade, bills and other receivables of approximately RMB24.10 million due to an increase in credit sales to customers; (iii) increase in trade, bills and other payables of approximately RMB54.10 million due to an increase in purchase for production and increase in construction costs payable; (iv) decrease in advance from customers of approximately RMB6.60 million; and (v) increase in inventories of approximately RMB76.80 million mainly due to a decrease in sales of agricultural machineries.

Net cash used in investing activities

Cash inflow from investing activities was primarily generated from proceeds from disposal of property, plant and equipment, interest received, withdrawal of pledged bank deposits and receipt of assets-related government grants. Cash outflow to investing activities primarily included cash used in purchase of property, plant and equipment, and payment for acquisition of investment properties.

Net cash used in investing activities for the year of 2014 amounted to approximately RMB120.72 million and was mainly due to (i) purchase of property, plant and equipment of approximately RMB135.08 million for the construction of Phase One, (ii) payment for acquisition of investment properties of approximately RMB31.31 million due to the acquisition of Henan Sino-agri Fuan in April 2014, and (iii) receipt of assets-related government grants of RMB15.00 million.

Net cash from financing activities

Cash inflow from financing activities primarily included new bank and other borrowings raised and loan from immediate holding company. Cash outflow to financing activities primarily included repayment of bank and other borrowings, and dividends paid.

Net cash from financing activities for the year of 2014 amounted to approximately RMB137.48 million mainly due to (i) an increase in new bank and other borrowings raised of approximately RMB216.48 million; (ii) an increase in loan from immediate holding company of RMB30 million; (iii) repayment of bank and other borrowings of approximately RMB90.80 million; and (iv) dividends paid of approximately RMB14.10 million.

Charges of assets

As at 31 December 2014, the Target Group had (i) pledged bank deposits amounted to approximately RMB8.35 million; (ii) pledge of property, plant and equipment approximately RMB15.18 million and (iii) pledge of prepaid lease payments approximately RMB23.60 million to secure banking facilities granted to the Target Group.

Contingent liabilities

The Target Group did not have any material contingent liability as at 31 December 2014.

Capital commitments

As at 31 December 2014, the Target Group's contracted capital commitments but not provided in the consolidated financial statements amounted to approximately RMB44.83 million being the capital expenditure in respect of the acquisition of property, plant and equipment.

Employees

The Target Group had 745 employees as at 31 December 2014.

The total remunerations paid to the Target Group's employees for the year ended 31 December 2014 was approximately RMB52.85 million.

Foreign currency exposure

The Target Group had only minimal foreign currencies transactions, which would expose the Target Group to foreign currency risk. For the year ended 31 December 2014, the impact of fluctuations in foreign currency on the Target Group was minimal and the Target Group did not have any foreign currency hedging policy. However, the directors of the Target Group would monitor foreign exchange exposure and consider hedging significant foreign currency exposure should the need arise.

Significant investment, material acquisition and disposal

On 17 April 2014, the Target Group acquired 42% of the equity interest of Henan Sino-agri Fuan from independent third parties at a consideration of RMB4,233,300. Upon completion of the acquisition of Henan Sino-agri Fuan, the Target Group is able to control over Henan Sino-agri Fuan pursuant to the terms and conditions of the Article of Association of Henan Sino-agri Fuan and the authorisation letter from China AMP. Pursuant to the authorisation letter, 28% voting rights in the equity owners' meeting and the right to appointment of board of directors in Henan Sino-agri Fuan held by the fellow subsidiary of the Target Company was irrevocably given to the Target Company by China AMP. As such, Henan Sino-agri Fuan is accounted for as a subsidiary of the Target Group. This acquisition has been accounted for using the acquisition method. No goodwill arised as a result of the acquisition. Henan Sino-agri Fuan is engaged in the manufacturing and trading of agricultural machineries. Henan Sino-agri Fuan was acquired so as to continue the expansion of the Target Group's manufacturing and trading of agricultural machineries operations.

Save as disclosed above, the Target Group did not have any significant investment, material acquisition or disposal for the year ended 31 December 2014.

(1) INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma financial information of the Enlarged Group ("**Unaudited Pro Forma Financial Information**"), being the Company and its subsidiaries (collectively referred to as the "**Group**") together with its interest in Sino-agri Agricultural Machinery Holdings Company Limited* 中農集團農機控股有限公司 (the "**Target Company**"), is prepared by the directors of the Company (the "**Directors**") to illustrate the financial effect of the potential acquisition of 30% of the Target Company (the "**Acquisition**") and provision of shareholder's loan (the "**Transactions**") on the Group, as if the Transactions had been completed on 31 December 2014 or 1 January 2014, as appropriate. Details of the Transactions 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 Transactions pursuant to the terms of the sale and purchase agreement dated 29 April 2015 (the "**SPA**") entered into between the Company, the equity owner of the Target Company and the Target Company.

The unaudited pro forma consolidated statement of financial position is prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2014, which has been extracted from the Company's published annual report for the year ended 31 December 2014 and after making pro forma adjustments relating to the Transactions that are (i) directly attributable to the Transactions and (ii) factually supportable, as if the Transactions had been completed on 31 December 2014.

The unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group are prepared based on (i) the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2014 as extracted from the published annual report of the Company for the year ended 31 December 2014; and (ii) the audited consolidated statement of profit or loss and other comprehensive income of the Target Group for the year ended 31 December 2014 as extracted from the accountants' report of the Target Group as set out in Appendix III to this circular, after making pro forma adjustments relating to the Transactions, as if the Transactions had been completed on 1 January 2014. The Unaudited Pro Forma Financial Information is prepared based on a number of assumptions, estimates and uncertainties. Accordingly, because of its hypothetical nature, it may not give a true picture of the financial position of the Group upon completion of the Transactions as at 31 December 2014 or at any future date or results and cash flows of the Group for the year ended 31 December 2014 or for any future period.

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

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group set out in the annual report of the Company for the year ended 31 December 2014, accountants' report of the Target Group set out in Appendix III and other financial information included elsewhere in this Circular.

(2) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP AS AT 31 DECEMBER 2014

	The Group as at 31 December 2014	Pro forma adjustments			The Enlarged Group as at 31 December 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note a)	*(Note b)*	*(Note d)*	*(Note e)*	
Non-current assets					
Property, plant and equipment	24,421				24,421
Goodwill	182				182
Deposits for potential investments	301,948	(105,000)			196,948
Interest in an associate	–	105,000			105,000
Loan to an associate	–		38,070		38,070
Finance lease receivables	58,438				58,438
Deferred tax assets	295				295
	385,284	–	38,070		423,354
Current assets					
Inventories	37				37
Finance lease receivables	52,027				52,027
Trade and other receivables	95,011				95,011
Deposits and prepayments	6,458				6,458
Other financial asset	624				624
Tax recoverable	55				55
Restricted bank deposits	217				217
Cash and cash equivalents	190,642		(45,000)	(2,000)	143,642
	345,071		(45,000)	(2,000)	298,071
Assets classified as held for sale	50,948				50,948
	396,019		(45,000)	(2,000)	349,019

	The Group as at 31 December 2014	Pro forma adjustments			The Enlarged Group as at 31 December 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note a)	*(Note b)*	*(Note d)*	*(Note e)*	
Current liabilities					
Trade and other payables	26,463				26,463
Amount due to non-controlling interests	3,204				3,204
Bank borrowings	36,223				36,223
Deferred revenue	44,449				44,449
Tax payable	995				995
	111,334				111,334
Net current assets	284,685		(45,000)	(2,000)	237,685
Total assets less current liabilities	669,969	–	(6,930)	(2,000)	661,039
Non-current liabilities					
Bank borrowings	54,760				54,760
Deferred revenue	12,095				12,095
	66,855				66,855
Net assets	603,114		(6,930)	(2,000)	594,184
Capital and reserves					
Share capital	34,863				34,863
Reserves	466,609		(6,930)	(2,000)	457,679
Equity attributable to owners of the Company	501,472		(6,930)	(2,000)	492,542
Non-controlling interests	101,642		–		101,642
Total equity	603,114		(6,930)	(2,000)	594,184

(3) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE ENLARGED GROUP FOR THE YEAR ENDED 31 DECEMBER 2014

	The Group for the year ended 31 December 2014	Pro forma adjustments			The Enlarged Group for the year ended 31 December 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note a)	*(Note c)*	*(Note d)*	*(Note e)*	
Turnover	116,767				116,767
Cost of sales	(28,692)				(28,692)
Gross profit	88,075				88,075
Other income	17,303		2,189		19,492
Other gains and loss	1,938		(6,930)		(4,992)
Selling and distribution costs	(46,622)				(46,622)
Research and distribution costs	(30,726)				(30,726)
Administrative expenses	(52,343)			(2,000)	(54,343)
Share of results of an associate	–	(1,783)			(1,783)
Finance costs	(795)				(795)
Loss before tax	(23,170)	(1,783)	(4,741)	(2,000)	(31,694)
Income tax expense	(3,577)				(3,577)
Loss for the year	(26,747)	(1,783)	(4,741)	(2,000)	(35,271)
Other comprehensive expense					
Item that will not be reclassified subsequently to profit or loss:					
Exchange difference arising on translation	(97)				(97)
Total comprehensive expense for the year	(26,844)	(1,783)	(4,741)	(2,000)	(35,368)
Loss for the year attributable to:					
Owner of the Company	(32,759)	(1,783)	(4,741)	(2,000)	(41,283)
Non-controlling interests	6,012				6,012
	(26,747)	(1,783)	(4,741)	(2,000)	(35,271)
Total comprehensive (expense) income for the year attributable to:					
Owner of the Company	(32,856)	(1,783)	(4,741)	(2,000)	(41,380)
Non-controlling interests	6,012				6,012
	(26,844)	(1,783)	(4,741)	(2,000)	(35,368)

(4) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP FOR THE YEAR ENDED 31 DECEMBER 2014

	The Group for the year ended 31 December 2014	Pro forma adjustments			The Enlarged Group for the year ended 31 December 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note a)	*(Note c)*	*(Note d)*	*(Note e)*	
OPERATING ACTIVITIES					
Loss before tax	(23,170)	(1,783)	(4,741)	(2,000)	(31,694)
Adjustments for:					
Interest income	(5,898)		(2,189)		(8,087)
Finance costs	795				795
Share of loss of an associate	–	1,783			1,783
Allowance of doubtful debts	268				268
Depreciation of property, plant and equipment	2,940				2,940
Depreciation of investment properties	803				803
Amortisation of prepaid lease payments	1,369				1,369
Gain from changes in fair value on financial instruments	(1,436)				(1,436)
Fair value loss on loan to an associate	–		6,930		6,930
Operating cash flows before movements in working capital	(24,329)	–	–	(2,000)	(26,329)
Increase in inventories	(5)				(5)
Increase in trade and other receivables	(20,260)				(20,260)
Decrease in deposits and prepayments	1,145				1,145
Decrease in finance lease receivables	1,238				1,238
Decrease in trade and other payables	(21,690)				(21,690)
Increase in deferred revenue	6,084				6,084
Cash used in operations	(57,817)			(2,000)	(59,817)
PRC income tax paid	(1,718)				(1,718)
NET CASH USED IN OPERATING ACTIVITIES	(59,535)			(2,000)	(61,535)

	The Group for the year ended 31 December 2014	Pro forma adjustments			The Enlarged Group for the year ended 31 December 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note a)	*(Note c)*	*(Note d)*	*(Note e)*	
INVESTING ACTIVITIES					
Proceeds from redemption of structured deposit	405,432				405,432
Refund of deposit paid to a property escrow agent	34,530				34,530
Acquisition of a subsidiary	32,837				32,837
Withdrawal of restricted bank deposits	9,942				9,942
Interest received	5,898				5,898
Investments in structured deposits	(366,696)				(366,696)
Deposits paid for a potential investment	(149,109)				(149,109)
Loan advanced to third parties	(62,568)				(62,568)
Advance to an associate	–		(45,000)		(45,000)
Deposits paid to a property escrow agent	(34,530)				(34,530)
Placement of restricted bank deposits	(10,159)				(10,159)
Acquisition of property, plant and equipment	(1,260)				(1,260)
NET CASH USED IN INVESTING ACTIVITIES	(135,683)		(45,000)		(180,683)
FINANCING ACTIVITIES					
Proceeds from issue of shares	139,968				139,968
Proceeds from bank borrowings	78,891				78,891
Repayment of bank borrowings	(10,908)				(10,908)
Repayment on amount due to a controlling shareholder	(1,068)				(1,068)
Interest paid for convertible loan notes	(714)				(714)
Repayment of amount due to non-controlling interests	(235)				(235)
NET CASH FROM FINANCING ACTIVITIES	205,934				205,934

	The Group for the year ended 31 December 2014	Pro forma adjustments			The Enlarged Group for the year ended 31 December 2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note a)	(Note c)	(Note d)	(Note e)	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,716		(45,000)	(2,000)	(36,284)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	180,020				180,020
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(94)				(94)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	190,642		(45,000)	(2,000)	143,642
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	162,642		(45,000)	(2,000)	115,642
Time deposits with original maturity of less than three months when acquired	28,000				28,000
	190,642		(45,000)	(2,000)	143,642

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

a. Figures are extracted from the audited consolidated financial statements of the Group as set out in the annual report of the Company for the year ended 31 December 2014 which is mentioned in Appendix I to this Circular.

b. Pursuant to the terms and conditions of the SPA, the Company, conditionally agreed to purchase 30% of the existing equity interest of the Target Company with cash consideration of RMB105 million, which amount was already paid as deposit to a PRC lawyer in relation to the Acquisition as at 31 December 2014.

Upon completion of the Acquisition, the Group would be able to exercise significant influence over the Target Company pursuant to the terms and conditions of the SPA because the Group would be able to appoint two out of five members to the board of directors of the Target Company to approve decisions on relevant activities that significantly affect the returns of the Target Company. As such, the Target Company is accounted for as an associate of the Company in this Unaudited Pro Forma Financial Information.

In addition, the Acquisition will be accounted for in accordance with the Hong Kong Accounting Standard 28 (as revised in 2011) "Investments in Associates and Joint Ventures" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

For the purpose of the Unaudited Pro Forma Financial Information, it is assumed that the pro forma fair values of the identifiable assets and liabilities of the Target Company approximate their carrying amounts as at 31 December 2014.

The recognition of pro forma interest in an associate as if the Acquisition were completed on 31 December 2014 are as follows:

	RMB'000
Cash consideration for 30% equity interest of the Target Company	105,000
Less: Group's 30% share of the pro forma fair value of identifiable assets and liabilities of the Target Company attributable to the owners of the Target Company as at 31 December 2014 *(Note 1)*	(63,245)
Pro forma goodwill (included in cost of interest in an associate)	41,755

Note 1: Amount assumed to be represented by 30% of carrying amounts of identifiable assets and liabilities of the Target Company attributable to the owners of the Target Company of RMB210,815,000 as at 31 December 2014 which are extracted from the consolidated statement of financial position as at 31 December 2014 included in the accountants' report of the Target Company as set out in Appendix III to this Circular.

The pro forma fair values of the identifiable assets and liabilities and goodwill in relation to the Acquisition are subject to change upon the completion of purchase price allocation at the completion date of the Acquisition (the "**Valuation**"), which may be substantially different from their estimated amounts used in the preparation of this Unaudited Pro Forma Financial Information. The entire investment cost in the Target Company is subject to impairment assessment in accordance with the Hong Kong Accounting Standard 36 ("**HKAS 36**") "Impairment of Assets" issued by the HKICPA as a single asset, by comparing its recoverable amount with its carrying amount, whenever application of the requirement in the Hong Kong Accounting Standard 39 indicates that the investment may be impaired.

The Directors have assessed whether there is any impairment, on a pro forma basis, on the entire investment cost in the Target Company as at 31 December 2014 in accordance with the accounting policies of the Group. The impairment assessment is based on a valuation prepared by an independent valuer, Asset Appraisal Ltd., in which the recoverable amount of the 30% investment in the Target Group as at 31 December 2014, based on its pro forma fair value less costs of disposal as at 31 December 2014, is estimated to approximate the carrying amount of the investment cost. The valuer used a market approach with key assumption of Enterprise Value to Revenue multiple of 1.98 times for the subsidiaries engaged in the agricultural machineries business and asset based approach, which considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for the similar assets, for the subsidiary engaged in the property development and property investment businesses. Additionally, a marketability and minority discount adjustment of 25% is made to arrive at the valuation of the 30% equity interest. The valuer has stated that empirical studies have been conducted in an attempt to determine the average levels of the discount and that the rationale to adopt the discount is as opposed to the shares of comparable companies which can be publicly traded on stock exchanges, the Target Company's shares are closely held shares with liquidity relative inferior to the publicly trading shares. A discount of lack of marketability and minority discount has been thus applied in concluding the fair value of the Target Group. The pro forma valuation is estimated at RMB105 million, and accordingly the Directors concluded that there is no impairment, on a pro forma basis, in respect of the investment cost of RMB105 million shown in this Unaudited Pro Forma Financial Information.

The Directors confirmed that they will apply consistent accounting policies, principal assumptions and methodology in interest in an associate impairment assessment in subsequent reporting periods.

The reporting accountants have conducted their engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "*Assurance Engagements to Report on the Compilation of Unaudited Pro Forma Financial Information Included in a Prospectus*" issued by the Hong Kong Institute of Certified Public Accountants and set out their opinion as a whole in the Independent Reporting Accountants' Assurance Report on the Compilation of Pro Forma Financial Information.

c. The adjustment represents pro forma share of loss of the Target Company for the year ended 31 December 2014 as if the Acquisition is completed as at 1 January 2014.

	RMB'000
Loss of the Target Company attributable to its owners for the year ended 31 December 2014 *(Note 2)*	5,942
Proportion of equity interest in the Target Company acquired by the Company	30%
Pro forma share of loss of the Target Company for the year ended 31 December 2014	1,783

Note 2: Figures are extracted from the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014 included in the accountants' report of the Target Group as set out in Appendix III to this Circular.

d. Pursuant to the SPA, the Company has further agreed to grant shareholder's loans up to RMB145 million in three tranches, subject to the terms and conditions therein. The grant of the first tranche of the shareholder's loan in the amount of RMB45 million will be made after the date of completion of the Acquisition. The grant of the second and the third tranches of the shareholder's loans in the amounts of RMB50 million and RMB50 million are conditional upon the satisfaction of the financial performance of the Target Company as described in the "Letter from the Board" for the financial years ending 31 December 2015 and 2016 respectively.

The shareholder's loans will mature in three years from the date of grant of the relevant tranches of the loans. The shareholder's loans are interest-free unless the financial performance of the

Target Company for the year ending 31 December 2015 and 2016 are less than the expected net profit figures set out in the SPA and stipulated in the "Letter from the Board", in which event(s) an interest rate equal to the interest rate for 1-3 years term loan as announced by the People's Bank of China will be charged on the relevant tranches of the shareholder's loan commencing from their respective date of grant.

For the purpose of preparation of the Unaudited Pro Forma Financial Information, the first tranche of the shareholder's loan in the amount of RMB45 million is assumed to be interest-free for the whole three years' term, in the assumption that the financial performance of the Target Company for the year ending 31 December 2015 and 2016 will meet the expectation as set out in the SPA. Fair value loss of approximately RMB6,930,000 on the first tranche of the loan amount at the grant date is recognised in the unaudited pro forma consolidated profit or loss and other comprehensive income for the year ended 31 December 2014 by reference to the interest rate equal to 1-3 years term loan as announced by the People's Bank of China. In addition, imputed interest income of approximately RMB2,189,000 is recognised in the unaudited pro forma statement of profit or loss and other comprehensive income for the year ended 31 December 2014 for the first tranche of shareholder's loan.

e. The adjustment represents payments for estimated costs directly attributable to the Transaction of approximately RMB2,000,000 which would be expensed in profit or loss upon completion of the Transactions.

f. The pro forma adjustments in relation to the share of results of an associate and imputed interest income for the first tranche of shareholder's loan as mentioned in Notes (c) and (d) respectively, have continuing effects on the Enlarged Group. No other adjustments included in the pro forma consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows is expected to have any continuing effects on the consolidated financial statements of the Enlarged Group in subsequent years.

g. For the purpose of this Unaudited Pro Forma Financial Information, no adjustments have been made to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 31 December 2014.

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

Deloitte.
德勤

(6) INDEPENDENT REPORTING ACCOUNTANTS' 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 consolidated statement of financial position as at 31 December 2014, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014, the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2014, and related notes (the "**Pro Forma Financial Information**") as set out in Appendix V of the circular issued by the Company dated 24 June 2015 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Appendix V of the Circular.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impacts of the proposed acquisition of 30% equity interest of Sino-agri Agricultural Machinery Holdings Company Limited (the "**Acquisition**") and provision of shareholder's loan (the "**Transactions**") on the Group's financial position as at 31 December 2014 and the Group's financial performance and cash flows for the year ended 31 December 2014 as if the Transactions had taken place on 31 December 2014 and 1 January 2014. As part of this process, information about the Group's financial position, financial performance and cash flows have been extracted by the Directors from the Group's financial statements for the year ended 31 December 2014 on which an audit 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 Accountants' 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 accountants comply 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 31 December 2014 and 1 January 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 accountants' judgment, having regard to the reporting accountants' 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 June 2015

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

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

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

(a) Interests in issued ordinary shares of the Company

Name of Director	Nature of interest	Number of Shares held	Long/short position	Approximate % of the Company's issued share capital
Wen Yuanyi	Beneficial owner/Interest of controlled corporation of spouse *(Note)*	107,861	Long position	0.005

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 underlying shares of the Company

Name of Director	Nature of Interest	Number of underlying shares of the Company in respect of the share options granted *(Note)*	Long/short position	Approximate % of the Company's underlying shares over the Company's issued share capital
Chen Li-Jun	Beneficial owner	1,500,000	Long position	0.073
Ren Hai	Beneficial owner	300,000	Long position	0.015
Peng Guojiang	Beneficial owner	1,000,000	Long position	0.049
Zhang Yuliang	Beneficial owner	300,000	Long position	0.015
Wen Yuanyi	Beneficial owner	5,900,000	Long position	0.289
Liu Yong	Beneficial owner	1,500,000	Long position	0.073

Note: The Company has granted share options under the Share Option Scheme to certain eligible participants which will enable the grantee to subscribe for an aggregate of 19,500,000 ordinary shares of HK$0.025 each in the share capital of the Company. Among the 19,500,000 share options, total of 10,500,000 share options are granted to the Directors. Please refer to the announcement of the Company dated 2 April 2015 for the details of the grant of share options.

(c) Interests in issued shares of associated corporations

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

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

Note 1: Hebei AMP owned 51% of Million Rich which in turn owned 100% of issued share capital in Parko. Parko owned approximately 54.60% of the issued share capital in the Company as at the Latest Practicable Date. As such, Hebei AMP is a holding company of and therefore an associated corporation of the Company pursuant to section 308 of the SFO. Chen Li-Jun held 15.5% interests in Hebei AMP.

Note 2: The entering into of the subscription agreement by Parko on 28 January 2015 (as supplemented and amended by the supplemental agreement dated 2 April 2015) would not be treated as a dealing by Mr. Chen Li-Jun for the purposes of Part XV of the SFO due to his interest in Hebei AMP, and therefore would not be subject to the restrictions under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules.

Disclosure of interests of substantial shareholders

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

Name of Shareholder	Nature of interest	Number of Shares	Approximate % of the Company's issued share capital
Parko	Beneficial owner	1,115,202,292 (L) 26,315,789 (S)	54.60 1.29
Million Rich *(Note)*	Interest of controlled corporation	1,115,202,292 (L) 26,315,789 (S)	54.60 1.29
Hebei AMP *(Note)*	Interest of controlled corporation	1,115,202,292 (L) 26,315,789 (S)	54.60 1.29
Hebei New Cooperation *(Note)*	Interest of controlled corporation	1,115,202,292 (L) 26,315,789 (S)	54.60 1.29

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 54.6% of the issued share capital in the Company as at the Latest Practicable Date. Million Rich, Hebei AMP and Hebei New Cooperation are deemed to be interested in the Shares held by Parko for the purpose of Part XV of the SFO.

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

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company was aware of any other person, other than a Director or the chief executive of the Company, who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or which was recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

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 2014 (being the date to which the latest published audited consolidated financial statements of the Group were made up), been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

(b) As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting and which is significant in relation to the business of the Group.

(c) As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which will not expire or is not determinable by the employer within a year without payment of compensation (other than statutory compensation).

(d) As at the Latest Practicable Date, so far as the Directors are aware of, none of the Directors and their respective associates had any interests in business which competes, or are likely to compete, either directly or indirectly, with the businesses of the Group.

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 known to the Directors to be pending or threatened against any member of the Group.

5. MATERIAL CONTRACTS

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

(a) the subscription agreement dated 15 July 2013 (as supplemented by two supplemental agreements dated 16 August 2013 and 10 October 2013 respectively) entered into between the Company and 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;

(c) the joint venture agreement dated 21 March 2014 entered into among Ever Harvest, Coopinvest Company, 789 Investments Limited, Shandong Jindu Dazhan Group Company Limited* (山東金都大展集團有限公司) and Hebei Mingde Machinery Limited Liability Company* (河北明德機械有限責任公司);

(d) joint operation agreement dated 4 June 2014 entered into between the Company and Guangzhou Exchange Group Co., Ltd. (廣州交易所集團有限公司);

(e) the capital contribution agreement entered into between Ever Harvest and China Coop Mengda dated 14 August 2014;

(f) the placing agreement dated 14 August 2014 entered into between the Company, CCBI, ICBC International Securities Limited and Guosen Securities (HK) Capital Company Limited for the placing of up to 243,900,000 to placees provided by the placing agents at the placing price within the range of HK$2.80 to HK$3.28 per Share;

(g) the subscription agreement dated 14 August 2014 entered into between the Company and Parko for the issue of up to 256,100,000 Shares to Parko at the subscription price of within the range of HK$2.80 to HK$3.28 per Share;

(h) the placing agreement dated 20 November 2014 (as supplemented and amended by a supplemental agreement dated 4 December 2014) entered into between the Company, CCBI and Convoy for the placing of up to 82,928,000 Shares to placees provided by the placing agents at the placing price of HK$3.0 per Share;

(i) the subscription agreement dated 20 November 2014 (as supplemented and amended by a supplemental agreement dated 4 December 2014) entered into between the Company and Co-Op Funds (V) for the subscription of 100,000,000 Shares by Co-Op Funds (V) at the subscription price of HK$3.0 per Share;

(j) the subscription agreement dated 20 November 2014 (as supplemented and amended by a supplemental agreement dated 4 December 2014) entered into between the Company and Parko for the subscription of a maximum of 192,074,400 new Shares by Parko at the subscription price of HK$3.0 per Share;

(k) the placing agreement dated 28 January 2015 (as supplemented and amended by a supplemental agreement dated 2 April 2015) entered into between the Company and Convoy in relation to the placing of a maximum of 141,463,000 unlisted warrants;

(l) the subscription agreement dated 28 January 2015 (as supplemented and amended by a supplemental agreement dated 2 April 2015) entered into between the Company and Parko in relation to the subscription of a maximum of 212,194,500 unlisted warrants;

(m) the placing agreement dated 12 June 2015 entered into between the Company, CCBI and Convoy in relation to the placing of a maximum of 58,000,000 new Shares at the placing price of HK$4.25 per Share; and

(n) the SPA.

6. EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this circular and has given opinions and advice which are contained in this circular:

Name	**Qualification**
Deloitte Touche Tohmatsu (“**Deloitte**”)	Certified Public Accountants

As at the Latest Practicable Date, Deloitte (i) had no shareholding, directly or indirectly, in any member of the Enlarged Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group; (ii) had no any direct or indirect interest in any assets which had been acquired, or disposed of by, or leased to any member of the Enlarged Group, or were proposed to be acquired, or disposed of by, or leased to any member of the Enlarged Group since 31 December 2014, the date to which the latest published audited financial statements of the Group were made up.

Deloitte has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of its letters and the reference to its name in the form and context in which it appear.

7. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of each of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Suites 1604–5, Prudential Tower, Harbour City, 21 Canton Road, Tsimshatsui, Kowloon, Hong Kong from the date of this circular up to and including the date of EGM:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for the years ended 31 December 2013 and 31 December 2014;

(c) the interim report of the Company for the six months ended 30 June 2014;

(d) the accountants' report on the Target Group prepared by Deloitte for the three years ended 31 December 2014, the text of which is set out in Appendix III to this circular;

(e) the report prepared by Deloitte on the unaudited pro forma financial statements on the Enlarged Group, the text of which is set out in Appendix V to this circular;

(f) the written consent of Deloitte as referred to in the paragraph headed "Expert and Consent" of this Appendix;

(g) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix;

(h) the circular of the Company dated 13 September 2013;

(i) the circular of the Company dated 20 January 2014;

(j) the circular of the Company dated 13 May 2014;

(k) the circular of the Company dated 6 June 2014;

(l) the circular of the Company dated 3 September 2014;

(m) the circular of the Company dated 24 October 2014;

(n) the circular of the Company dated 12 December 2014;

(o) the circular of the Company dated 27 April 2015; and

(p) this circular.

8. MISCELLANEOUS

(a) The secretary of the Company is Mr. Ip Pui Sum who is a member of the Hong Kong Institute of Certified Public Accountants.

(b) The registered office of the Company is at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

(c) The Company's head office and principal place of business in Hong Kong is at Suites 1604–5, Prudential Tower, Harbour City, 21 Canton Road, Tsimshatsui, Kowloon, Hong Kong.

(d) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at 17M, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(e) The English language text of this circular shall prevail over the Chinese language in case of inconsistency.

* *For identification purposes only*

NATIONAL AGRICULTURAL HOLDINGS LIMITED
國農控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1236)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting ("**EGM**") of National Agricultural Holdings Limited (the "**Company**") will be held at Suites 1604–5, Prudential Tower, Harbour City, 21 Canton Road, Tsimshatsui, Kowloon, Hong Kong at 10 a.m. on Monday, 13 July 2015 for the purposes of considering and, if thought fit, passing with or without modifications, the following resolution which will be proposed as ordinary resolution of the Company:

ORDINARY RESOLUTION

"THAT

(a) subject to and conditional upon the fulfilment of the conditions in the sale and purchase agreement dated 29 April 2015 entered into among the Company, 中國農業生產資料集團公司(China National Agricultural Means of Production Group Corporation*) (the "**Vendor**") and 中農集團農機控股有限公司(Sino-agri Agricultural Machinery Holdings Company Limited*) (the "**Target Company**") in relation to the acquisition of 30% equity interest in the Target Company from the Vendor and provision of a shareholder's loan in the amount up to RMB145 million by the Company to the Target Company (the "**SPA**", a copy of which is marked "A" and signed by the chairman of the EGM for identification purpose has been tabled at the meeting), the form and substance of the SPA be and is hereby approved, ratified and confirmed and any one director of the Company ("**Director**") be and is hereby authorised to approve any changes and amendments thereto as he may consider necessary, desirable or appropriate;

(b) subject to the fulfilment of the conditions of the SPA, any one Director be and is hereby authorised to exercise all the powers of the Company and to take all steps as might in his opinion be desirable or necessary in connection with the SPA; and

* *For identification purposes only*

(c) all other transactions contemplated under the SPA be and are hereby approved and any one Director be and is hereby authorised to do all such acts and things to sign and execute such documents or agreements or deeds on behalf of Company and to do such other things and to take all such actions as he considers necessary, appropriate, desirable or expedient for the purpose of giving effect to or in connection with the SPA and to agree to such variation, amendments or waiver of matters relating thereto as are, in the opinion of such Director, in the interests of the Company and its shareholders as a whole.

Yours faithfully
By Order of the Board
National Agricultural Holdings Limited
Chen Li-Jun
Chairman

Hong Kong, 24 June 2015

Notes:

(1) A member of the Company entitled to attend and vote at the EGM convened by the above notice is entitled to appoint one or if he/she is the holder of two or more shares, more than one proxy to attend and, subject to the provisions of the memorandum of association and articles of association of the Company, to vote on his/her behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

(2) In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the office of the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or adjourned meeting. Completion and return of the form of proxy will not preclude a member of the Company from attending and voting in person at the EGM or any adjournment thereof, should he so wish.

(3) Completion and return of an instrument appointing a proxy will not preclude a member of the Company from attending and voting in person at the meeting and/or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.

(4) As required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the above resolution will be decided by way of poll.

(5) The form of proxy for use at the EGM is enclosed herewith.