國農控股有限公司
National Agricultural Holdings Limited

二零一三年度年報
ANNUAL REPORT 2013

國農控股有限公司
National Agricultural Holdings Limited

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

(Stock Code 股份代號 : 1236)

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chiu Kam Hing Kathy
Tsai Jeng-Yang
Ting Tit Cheung
Shum Wan Lung
Law Yee Kwan Quinn

COMPANY SECRETARY

Ip Pui Sum

AUTHORISED REPRESENTATIVES

Ip Pui Sum
Wen Yuanyi

PRINCIPAL BANKERS

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

AUDITOR

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

AUDIT COMMITTEE

Chiu Kam Hing Kathy (Chairman)
Tsai Jeng-Yang
Ting Tit Cheung
Shum Wan Lung
Law Yee Kwan Quinn

REMUNERATION COMMITTEE

Chiu Kam Hing Kathy (Chairman)
Ting Tit Cheung
Shum Wan Lung
Wen Yuanyi

NOMINATION COMMITTEE

Chen Li-Jun (Chairman)
Chiu Kam Hing Kathy
Ting Tit Cheung
Shum Wan Lung

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716
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183 Queen's Road East
Wan Chai, Hong Kong

CORPORATE INFORMATION

REGISTERED OFFICE

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PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 1604-5, Prudential Tower
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21 Canton Road
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Hong Kong

STOCK CODE

1236

WEBSITE

www.natagri.com.hk

FINANCIAL SUMMARY

A summary of the audited results of National Agricultural Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2013 together with the comparative figures for the corresponding year in 2012 and of the assets and liabilities of the Group as at 31 December 2013 and 2012 is set out as follows:

GROUP RESULTS

	2013 **RMB'000**	2012 RMB'000
Turnover	**95,659**	105,747
(Loss) profit for the year	**(25,961)**	4,765
		Restated
(Loss) earnings per share - Basic and diluted (RMB cents)	**(2.57)**	0.47

FINANCIAL SUMMARY

GROUP ASSETS AND LIABILITIES

	2013 RMB'000	2012 RMB'000
Total non-current assets	**78,066**	80,796
Total current assets	**233,277**	150,470
Total current liabilities	**60,684**	62,088
Net current assets	**172,593**	88,382
Total assets less current liabilities	**250,659**	169,178
Total non-current liabilities	**80,445**	10,726
NET ASSETS	**170,214**	158,452
TOTAL EQUITY	**170,214**	158,452

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present the annual report of National Agricultural Holdings Limited for the year ended 31 December 2013.

2013 was a remarkable year for National Agricultural Holdings. Hebei Supply and Marketing Cooperative* (河北省供銷合作總社) ("**Hebei SMC**") made its successful debut in Hong Kong's capital market after acquiring a majority stake in National Agricultural Holdings. Through this relationship with Heibei SMC, it is expected that the Group will have exposures to new and potential business opportunities in China's "agricultural sector, rural areas and farmers", which encompass the businesses of "rural financial services", "trading in agricultural means of production", and "urbanization".

We believe that agriculture is the backbone of any country's economy. The Chinese government has been devoting its efforts to the country's agricultural development. The No.1 Central Document – the Chinese government's first policy document of the year – has focused on agriculture for 11 consecutive years. Issues relating to "agricultural sector, rural areas and farmers" and their development are closely linked to the nation as well as its interests and the livelihood of its people.

Along with the modernization process, the Chinese government has abolished the agricultural tax and implemented agricultural production subsidies. The Chinese government also pursues market-oriented reforms for agricultural products, and proposes relying on urban-rural integration as a fundamental solution to issues relating to "agricultural sector, rural areas and farmers". Such urban-rural integration will be implemented under the "new urbanization" concept, by modernizing rural areas through urbanization, and facilitating the sustainable development of both urban and rural areas. National Agricultural Holdings believes that there shall be tremendous business opportunities in the process, while at the same time being able to help further the objective of "helping farmers, improving their living standards and strengthening the agricultural sector", as well as serving the agricultural industry, rural areas and farmers and contributing to the resolution of issues relating to "the agricultural sector, rural areas and farmers" in China.

Hebei SMC, our ultimate controlling shareholder, plays an important role in the development of China's "agricultural sector, rural areas and farmers". Hebei SMC has been playing a pivotal role in the process of agricultural modernization and urbanization in Hebei Province, hosting a large-scale service system with a government background and market mechanism.

The Group will leverage on its relationship with Hebei SMC in different areas including developing its talent and network. It will also target to grow in tandem with China's agricultural modernization and urbanization, by proactively seeking appropriate partners, capital and resources in new areas of development. We believe these measures will allow the Group to capture attractive market opportunities arising from the rapidly developing business environment, leveraging on the highly competitive market position of and support from Hebei SMC.

Looking ahead, the Board has determined that the Group will focus on principal businesses that include "rural financial services", "trading in agricultural means of production", "urbanization" and "high-tech IT products". The Board intends to fully implement these directives and explore opportunities in conjunction with China's strategic goal of developing large-scale agriculture and a new model of urbanization.

The Board believes that the Group's future development will be driven by our advantages in resources and marketing, our relationship with our controlling shareholder, our diverse and market-driven business model, as well as our exposure to an extensive network in rural areas.

Last but not least, I would like to take this opportunity to express my heartfelt thanks to our shareholders, customers and business partners who have trusted and supported us all along. My sincere appreciation also goes to our staff for their hard work and contribution throughout the year.

Mr. Chen Li-Jun
Chairman of the Board

BUSINESS REVIEW

On 16 August 2013, the Company announced that Parko (Hong Kong) Limited ("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 Taifeng Agricultural Asset Management (Beijing) Company Limited* (新源泰豐農業資產管理(北京)有限公司) ("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 OPERATIONS

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, Shanghai Qianlong Advanced Technology Company Limited, 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 (Hong Kong) Limited

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 Taifeng Agricultural Asset Management (Beijing) Company Limited*（新源泰豐農業資產管理（北京）有限公司）("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 Financial Leasing Co., Ltd*（中合盟達融資租賃有限公司）("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.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

Looking ahead to 2014, the global economy is expected to improve further, and China's economy is expected to grow at a rate of about 7.5%. Income and consumption per capita are expected to continue to rise, with domestic consumption expected to grow in tandem with the acceleration of urbanization in China amid a moderate pick-up in economic growth. Per capita income in cash is also expected to continue to rise, with growth expected to continue to outpace that of urban residents.

The Group has clearly defined the focus of its future business with the strategic goals of "helping farmers, improving their living standards and strengthening the agricultural sector". It will leverage on the full support of Hebei SMC and its own competitive advantages to capture the robust market opportunities arising from the favorable business environment.

The Group is optimistic about its long-term development and will better position itself to take on the challenges and opportunities arising in the years to come – by integrating internal and external resources and leveraging its advantages in terms of cooperation in a more effective manner – in order to contribute to solving issues relating to "agricultural sector, rural areas and farmers" issues in China.

GROUP PROFILE

National Agricultural Holdings Limited is a rural market-based company that integrates financial services, trade, information, industry and science research. The direction of development for its principal business are rural finance, trading in agricultural means of production, management of commercial complexes and high-tech information technology, etc. These directives are fully implemented to accommodate China's strategic goal of vigorously developing large-scale agriculture and a new model of urbanization.

Hebei Supply and Marketing Cooperative made an equity investment in National Agricultural Holdings through its subsidiary Parko (HongKong) Ltd. in November 2013. As the largest shareholder of National Agricultural Holdings, Hebei Supply and Marketing Cooperative is one of the largest integrated agricultural economic and trade service providers in China. Its business is advised and guided by the All China Federation of Supply and Marketing Cooperatives led by the State Council, while its development direction and staff appointments are advised and administered by the Hebei Provincial People's Government. Its business covers conventional agricultural means of production and the cotton and salt industries as well as new areas of development – county town commercial complexes, e-commerce and the rural financial industry – providing comprehensive and integrated agriculture, economic and trade services.

National Agricultural Holdings will aim to develop the rural economy, improve the living standards of farmers, rural education and culture levels as well as minimizing extreme income inequality in cities towns by means of rural finance, trading in the agricultural means of production, management of commercial complexes and development of the high-tech IT industry. As the only overseas-listed capital platform system, National Agricultural Holdings endeavors to work in line with the development of the nationwide supply and marketing system to fully play its role as a listed platform.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Chen Li-Jun, aged 58, has been an executive Director and Chairman since 2013. He joined Hebei Agricultural Means of Production Company Limited ("Hebei AMP"), a subsidiary of Hebei Supply and Marketing Cooperative ("Hebei SMC"), in 1989 and is the general manager of Hebei AMP and a director of Parko (Hong Kong) Limited. He has accumulated over 20 years of experience in the management of enterprises engaged in agricultural means of production, and has been involved in reforms in the distribution of agricultural means of production in China's transition from a planned economy to a market economy. He has also participated in the liaison with the relevant government authorities in the planning of the supply of chemical fertilisers in Hebei province. Mr. Chen is a director of Ever Harvest Inc. Limited and its subsidiary, Hebei Baihao Trading Company Limited.

Mr. Zhang Yanhui, aged 61, has been an executive Director since 2013. He joined Hebei SMC in 1997 and was an ex-council director of Hebei SMC. He has been involved in the policy making and planning for Hebei SMC. He obtained an undergraduate degree in history from Hebei University in 1976. He also completed a 3-year programme in legal studies organised by Party School of the Central Committee of C.P.C. (中共中央黨校) in 1998.

Mr. Ren Hai, aged 50, has been an executive Director since 2013. He joined Hebei AMP in 1986 and is the deputy general manager of Hebei AMP. Mr. Ren has over 17 years of experience in sales and marketing and has helped Hebei AMP establish a sales network in Hebei Province and manage the sales network. He earned a degree in historical philology at Sichuan University (四川大學) in 1999.

Mr. Peng Guojiang, aged 49, has been an executive Director since 2013. He joined Hebei AMP in 1987 and is the deputy general manager of Hebei AMP. Mr. Peng has over 9 years of experience in sales and marketing and has helped Hebei AMP build sales networks in Hebei province. Mr. Peng is a director of Ever Harvest and Hebei Baihao Commerce & Trade Co., Ltd. (河北百豪商貿有限公司), a wholly-owned subsidiary of Ever Harvest. He obtained an undergraduate degree in politics from Hebei Normal University (河北師範大學) in 1987.

Mr. Zhang Yuliang, aged 29, has been an executive Director since 2013. He is the chairman and general manager of GuangRong Investment Limited (廣融投資管理有限公司). Mr. Zhang completed a 4-year programme in finance and securities organised by Sun Yat-sen University (the PRC) (中山大學) in 2009.

Ms. Wen Yuanyi, aged 31, has been an executive Director since 2013. She is the deputy director of the Investment Department of PMI. PMI is a private equity fund providing capital to growing companies in various industries in China. Ms. Wen obtained undergraduate degrees in English and Economics from Guangdong University of Foreign Studies (廣東外語外貿大學) in 2006.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Chiu Kam Hing, Kathy, aged 64, joined the Group in 1999. Ms. Chiu has over 29 years of banking experience in Canada and the Asia Pacific region. She was Senior Vice President at the Republic National Bank of New York, responsible for management and investment of third party client's funds. She is an associate and a fellow of the Institute of Canadian Bankers. Ms. Chiu was appointed as a Justice of the Peace by the Hong Kong Government in 1992 and as Cavaliere by the Italian Government in 1999. She was named Monblanc Outstanding Business Lady of the year 2002 in Hong Kong. Ms. Chiu is currently Chairman of Prime Investments Group Limited. She is an independent non-executive director of Sau San Tong Holdings Limited, a Hong Kong listed company. Ms. Chiu is licensed to carry out asset management business under Type 9 regulated activity under the Securities and Futures Ordinance.

Mr. Tsai Jeng-Yang, aged 56, joined the Group in 2012. He is the chairman and partner of Standard Credit Capital Management Co., Marshall. He is also the Supreme Advisor of the Legislative Yuan of Taiwan, the honorable chairman of the Small-and Medium Sized Enterprises Foundation of Taipei and the honorable chairman of the Information Management Association of Taiwan. He holds a Doctorate degree of Science in Polymer Science from the Department of Materials Science and Engineering of Massachusetts Institute of Technology in the United States of America in 1988. He is an associate professor (adjunct) in the Energy Engineering and Management Department of School of Software and Microelectronics of Peking University in the PRC. Mr. Tsai is a certified financial investment analyst in the PRC and a certified valuation analyst and patent application attorney in Taiwan.

Mr. Ting Tit Cheung, aged 58, has been an independent non-executive Director of the Company since 2013. He is the Senior Representative Officer for Hong Kong Region at Banque Cantonale de Genève. He is a member of the Chinese People's Political Consultative Conference representing the Putou District of Shanghai. From 1998 to 2012, Mr. Ting served as chief representative for the Hong Kong Region and South China Region, Credit Industriel et Commercial, the second largest banking network in France. A graduate of Technicum Neuchatelois in Switzerland in 1978, Mr. Ting subsequently earned an MBA at the University of East Asia, Macau, in 1991.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Shum Wan Lung, aged 57, has been an independent non-executive Director of the Company since 2013. He has been serving as president of Aaron Shum Jewelry Ltd. since 1985 and is Honorary Consul of the Republic of Yemen in Hong Kong SAR and a member of the Chinese People's Political Consultative Conference representing the Huadu District of Guangzhou. He earned a master's degree in materials engineering at Beijing's Yanshan University in 2004, and was granted the title of honorary fellow by the Professional Validation Council of Hong Kong Industries in 2006. Mr. Shum was awarded a doctorate of philosophy in business administration by Southern Pacific University in Malaysia in 2010.

Mr. Law Yee Kwan Quinn, aged 61, has been an independent non-executive Director of the Company since 2013. He is a fellow of the Hong Kong Institute of Certified Public Accountants, a practising Certified Public Accountant, and a Chartered Secretary. In the five-year period to February 2013, Mr. Law was the deputy chairman and managing director of Urban Renewal Authority, a statutory organization in Hong Kong. He has been appointed an unofficial Justice of Peace in Hong Kong since 2011. Mr. Law is currently a member of the Council of the Hong Kong University of Science and Technology.

SENIOR MANAGEMENT

Mr. Liao Chao-Ping, aged 70, joined the Group in October 2004 and is responsible for the Group's relationship development of potential business opportunities. Mr. Liao was the former Chairman of the Group and resigned as an executive Director in November 2013. He is a director of Union Construction Company Limited (a company incorporated in Taiwan).

Mr. Yang Ching Shou, aged 55, is the president of Shanghai Qianlong Advanced Technology Company Limited. Mr. Yang was the former Chief Executive Officer of the Group and resigned as an executive Director in November 2013. Before joining the Group since 1999, Mr. Yang held senior management positions in various computer software companies in Taiwan. Mr. Yang holds a Bachelor degree of Management from National Chiao Tung University, Taiwan.

COMPANY SECRETARY

Mr. Ip Pui Sum, aged 54, is the company secretary of the Group (the "Company Secretary"). He joined the Group on 1 December 2011. Mr. Ip is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants, the Society of Chinese Accountants & Auditors, the Chartered Institute of Management Accountants, the Institute of Chartered Secretaries and Administrators and an ordinary member of Hong Kong Institute of Chartered Secretaries. Mr. Ip has over 20 years of experience in accounting and company secretarial practices and is also a certified public accountant (practising) in Hong Kong.

CORPORATE GOVERNANCE REPORT

INTRODUCTION

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

The Company has adopted the code provisions ("Code Provisions") set out in Appendix 14 to the Listing Rules issued by the Stock Exchange during the year ended 31 December 2013 ("the year under review").

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

BOARD OF DIRECTORS

The Board currently comprises eleven Directors, including six executive Directors and five independent non-executive Directors and its composition during the year 2013 is set out as follows:

EXECUTIVE DIRECTORS

(appointed on 15 October 2013)
Chen Li-Jun *(Chairman)*
Zhang Yanhui
Ren Hai
Peng Guojiang
Zhang Yuliang
Wen Yuanyi

EXECUTIVE DIRECTORS

(resigned on 5 November 2013)
Liao Chao-Ping *(Chairman)*
Fan Ping-Yi
Yang Ching Shou *(CEO)*
Chen Ming-Chuan
Yu Shih-Pi
Liao Angela Min-Yin

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chiu Kam Hing, Kathy
Tsai Jeng-Yang
Ting Tit Cheung (appointed on 18 December 2013)
Shum Wan Lung (appointed on 18 December 2013)
Law Yee Kwan Quinn (appointed on 18 December 2013)
Hsieh Billy Shao-Ven (resigned on 18 December 2013)

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

Ms. Chiu Kam Hing, Kathy has served the Company for 14 years. A separate resolution accompanying the reasons why the Board believes she is still independent will be proposed in the coming annual general meeting for her re-election.

According to paragraph A.5.6 of the Code Provisions, with effect from 1 September 2013, the nomination committee (or the board) should have a policy concerning diversity of board members. The existing chairman of the nomination committee was appointed on 18 December 2013 and the board diversity policy was discussed at the meeting of the nomination committee on 31 March 2014. The Company will make relevant publication once the policy has been fixed.

Except that the relationship between the former Chairman, Mr. Liao Chao-Ping, and the former executive Director, Ms Liao Angela Min-Yin, is father and daughter, there is no other financial, business, relative or other significant or relevant relationship among the Board members and Chairman or the former CEO.

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

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

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

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

DIRECTORS' INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT

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

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

DIRECTORS' AND OFFICERS' INSURANCE

According to paragraph A.1.8 of the Code Provisions, listed company should arrange appropriate insurance cover in respect of legal action against its directors. The Company did not arrange such insurance cover during the year as Directors concluded that the risk of material legal claims against Directors is minimal. In November 2013, the management reviewed the needs for insurance cover for the Directors. In February 2014, appropriate directors' and officers' liability insurance was arranged for the Directors and officers of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

According to paragraph A.6.4 of the Code Provisions, the board should establish written guidelines no less exacting than the Model Code for relevant employees in respect of their dealings in listed company's securities. Except for directors, the Company should also ensure that the relevant employees who are likely to possess inside information in relation to the Company properly comply with the Model Code. The Company will establish written guidelines as soon as possible for those relevant employees.

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

The Chairman also encourages all the Directors including independent non-executive Directors to take an active part in all board and committee meetings. According to paragraph A.2.7 of the Code Provisions, the chairman of listed company should at least annually hold meetings with non-executive directors (including independent non-executive directors) without the executive directors present. Owing to the time arrangement amongst the relevant Directors, the former Chairman was not able to arrange a meeting with independent non-executive Directors without the other executive directors present during the year. The existing Chairman of the Company was appointed on 18 December 2013. The Chairman will ensure to hold meetings with independent non-executive Directors annually without the executive Directors present.

BOARD COMMITTEE

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

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

	Meeting Attended/Held		
	Board	**Audit Committee**	**Shareholder meeting**
Executive Directors (appointed on 15 October 2013)			
Chen Li-Jun *(Chairman)*	4/13		0/2
Zhang Yanhui	2/13		0/2
Ren Hai	4/13		0/2
Peng Guojiang	4/13		0/2
Zhang Yuliang	2/13		0/2
Wen Yuanyi	4/13		0/2
Executive Directors (resigned on 5 November 2013)			
Liao Chao-Ping *(Chairman)*	9/13		2/2
Fan Ping-Yi	9/13		1/2
Yang Ching Shou *(CEO)*	9/13		1/2
Chen Ming-Chuan	9/13		1/2
Yu Shih-Pi	8/13		1/2
Liao Angela Min-Yin	9/13		1/2
Independent non-executive Directors			
Chiu Kam Hing, Kathy	12/16	2/2	1/2
Tsai Jeng-Yang	11/16	2/2	1/2
Ting Tit Cheung (appointed on 18 December 2013)	0/13	0/2	0/2
Shum Wan Lung (appointed on 18 December 2013)	0/13	0/2	0/2

	Meeting Attended/Held		
	Board	Audit Committee	Shareholder meeting
Law Yee Kwan Quinn (appointed on 18 December 2013)	0/13	0/2	0/2
Hsieh Billy Shao-Ven (resigned on 18 December 2013)	9/16	2/2	2/2

REMUNERATION COMMITTEE

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

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

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

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

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

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

AUDIT COMMITTEE

The Company established an audit committee in 1999. This committee consists of five members, including independent non-executive Directors Ms. Chiu Kam Hing, Kathy (chairman of the audit committee), Mr. Tsai Jeng-Yang, Mr. Ting Tit Cheung, Mr. Shum Wan Lung and Mr. Law Yee Kwan Quinn.

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

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

The audit committee has reviewed the annual results announcement for the year ended 31 December 2013 and the consolidated financial statements for the year ended 31 December 2013.

According to its terms of reference, the audit committee shall meet at least twice a year. Two committee meetings were held in 2013 and the attendance of each member is listed in the section "Board Committee" of this report.

According to paragraph C. 3.3(e)(i) of the Code Provisions, the audit committee must meet with the listed company's auditors at least twice a year. During the year, the audit committee convened a meeting with the Company's auditors to discuss the audit matters relating to the annual statutory audit. Subsequently, the audit committee did not hold second meeting with the Company's auditor as no other significant matters came to the attention of the committee members and auditor.

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

1. Reviewed the financial report for the year ended 31 December 2012;

2. Reviewed and recommended the 2013 interim results for the approval of the Board;

3. Reviewed connected transactions; and

4. Reviewed and commented the change of the Company's auditor.

NOMINATION COMMITTEE

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

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

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

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

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

According to paragraph A.5.2(a) of the Code Provisions, the nomination committee is under a duty to review the structure, size and composition (including the skills, knowledge and experience) of the board at least annually and make recommendations on any proposed changes to the board. During the year, the former Chairman of the Board could not arrange a meeting with other nomination committee members owing to the time arrangement amongst the relevant directors. The existing chairman of the nomination committee was appointed on 18 December 2013 and relevant matters have been discussed in the meeting of the nomination committee on 31 March 2014.

CORPORATE GOVERNANCE FUNCTIONS

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

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

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

3. To review and monitor the Company policy and practices comply with the statutory and regulatory rules;

4. To develop, review and monitor the Code of Conduct and Compliance Handbook (if any) of the employees and Directors; and

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

COMPANY SECRETARY

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

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

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

CODE OF CONDUCT ON DIRECTORS' SECURITIES TRANSACTIONS

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

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

According to paragraph C.1.2 of the Code Provisions, management should provide all members of the board with monthly updates giving a balanced and understandable assessment of listed company's performance, position and prospects. In view of the simplicity of the Company's business, consolidated financial statements prepared at half year intervals to Board members for annual and interim results give sufficient measures at this stage. However, management shall continue to review the need for providing such monthly updates to the Board.

The statement by the independent auditor about its reporting responsibilities relating to the consolidated financial statements for the year ended 31 December 2013 is set out in the Independent Auditor's Report on pages 40 to 41 of this annual report.

INTERNAL CONTROL

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

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

AUDITOR'S REMUNERATION

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

Type of Service	RMB'000
Audit Services	878
Non-Audit Services (Other consulting service)	12,475
Total:	13,353

INVESTOR RELATIONS

There are no changes in the constitutional documents of the Company in 2013. The latest version of the Memorandum and Articles of Association of the Company is made available on the Company's website and the Stock Exchange's website.

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

SHAREHOLDERS' RIGHTS

CONVENE SPECIAL GENERAL MEETING

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

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

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

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

SHAREHOLDERS COMMUNICATION POLICY

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

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

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

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

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

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

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

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

The Directors present their report together with the audited consolidated financial statements of the Company for the year ended 31 December 2013.

CHANGE IN COMPANY NAME

By a special resolution passed on 10 February 2014, the Company changed the company name to National Agricultural Holdings Limited 國農控股有限公司.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group are research, development and distribution of software, and provision of related maintenance, usage and information services in the PRC. In the future, the Group will engage in rural finance, trading in agricultural means of production and management of commercial complexes.

The principal activities of the Company's subsidiaries are set out in note 29 to the consolidated financial statements.

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

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 16% of the Group's total sales for the year and sales to the largest customer included therein accounted for approximately 8% of the Group's total sales.

Purchases from the Group's five largest suppliers accounted for approximately 75% of the Group's total purchases for the year and purchases from the largest supplier included therein accounted for approximately 31% of the Group's total purchases.

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

RESULTS AND APPROPRIATIONS

The loss of the Group for the year ended 31 December 2013 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 42 to 107.

A special dividend of HK$0.098 (equivalent to approximately RMB0.078) per share, totalling HK$24,754,800 (equivalent to approximately RMB19,720,000) was paid during the year.

The Directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2013.

CONVERTIBLE LOAN NOTES

Details of the subscription of convertible loan notes of the Group during the year are set out in note 26 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the year are set out in notes 15 and 16 to the consolidated financial statements respectively.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 28 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

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

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out on page 45 of this annual report and in note 30 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

At 31 December 2013, the Company had accumulated losses of RMB31,030,000, and the Hong Kong Dollar denominated share premium was fully distributed by the Company as at 31 December 2013, the remaining amount of RMB8,352,000 represented the non-distributable exchange difference as a result of the translation of the Company's share premium into the Group's presentation currency with reference to historical exchange rate and the exchange rate of the day on which capital distribution was made (as more particularly described in note 30 of the consolidated financial statements). Thus, no reserves available for distribution to owners of the Company as at 31 December 2013.

At 31 December 2012, the Company had accumulated losses of RMB14,819,000, and after taking into consideration of the balance of share premium account, subject to the provisions of the Cayman Islands Companies Law (Revised) as detailed in note 30 to the consolidated financial statements, the aggregate amount of reserves available for distribution to owners of the Company was RMB8,873,000.

DIRECTORS

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

Executive Directors
(appointed on 15 October 2013)
Chen Li-Jun *(Chairman)*
Zhang Yanhui
Ren Hai
Peng Guojiang
Zhang Yuliang
Wen Yuanyi

Executive Directors
(resigned on 5 November 2013)
Liao Chao-Ping *(Chairman)*
Fan Ping-Yi *(Vice-chairman)*
Yang Ching Shou *(CEO)*
Chen Ming-Chuan
Yu Shih-Pi
Liao Angela Min-Yin

Independent non-executive Directors
Chiu Kam Hing, Kathy
Tsai Jeng-Yang
Ting Tit Cheung (appointed on 18 December 2013)
Shum Wan Lung (appointed on 18 December 2013)
Law Yee Kwan Quinn (appointed on 18 December 2013)
Hsieh Billy Shao-Ven (resigned on 18 December 2013)

In accordance with article 16.2 of the Company's articles of association, Chen Li-Jun, Ren Hai, Peng Guojiang, Zhang Yuliang, Wen Yuanyi, Ting Tit Cheung, Shum Wan Lung, Law Yee Kwan Quinn retire from office as Directors and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting; and Zhang Yanhui retires from office as Director and will not offer himself for re-election at the forthcoming annual general meeting.

In accordance with article 16.18 and 16.3 of the Company's articles of association, Chiu Kam Hing, Kathy who has served for more than nine years will retire from office as independent non-executive Director by rotation and, being eligible, will offer herself for re-election at the forthcoming annual general meeting.

In accordance with article 16.18 of the Company's articles of association, Tsai Jeng-Yang retires from office as independent non-executive Director by rotation and will not offer himself for re-election at the forthcoming annual general meeting.

Biographical details of the Directors are set out on pages 15 to 17 of this annual report. Details of the Directors' remuneration are set out in note 10 to the consolidated financial statements.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules for the year ended 31 December 2013 and the Company considers all of the independent non-executive Directors are independent.

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' SERVICE CONTRACTS

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

The Company has entered into service contracts with each of the independent non-executive Directors Ting Tit Cheung, Shum Wan Lung and Law Yee Kwan Quinn for a term of one year and Chiu Kam Hing, Kathy and Tsai Jeng-Yang for a term of two years and shall continue thereafter until terminated by either party giving to the other at least one month's prior notice in writing.

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

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

As at 31 December 2013, none of the Directors or chief executive of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

MANAGEMENT CONTRACTS

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

DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES

At no time during the year ended 31 December 2013 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executives of the Company or their associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL INTERESTS IN THE SHARES AND UNDERLYING SHARES

Save as disclosed above, as at 31 December 2013, the following persons had interests in the shares and underlying shares of the Company have been recorded in the register kept by the Company pursuant to Section 336 of SFO:

Name	Nature of interest and capacity	Long/short position	Number of the shares held	Percentage of interest in the issued share capital
Mr. Chou Shih-Chung	Personal interest	Long	22,948,000	9.08%
Parko (Hong Kong) Limited	Beneficial owner	Long	215,106,842 Note (1)	85.16%
		Short	17,106,842 Note (2)&(3)	6.77%
Million Rich Hong Kong Holdings Company Limited	Interest in controlled corporation	Long Short	215,106,842 Note (1) 17,106,842 Note (3)	85.16% 6.77%
河北省新合作控股集團有限公司	Interest in controlled corporation	Long Short	215,106,842 Note (1) 17,106,842 Note (3)	85.16% 6.77%
河北省農業生產資料有限公司	Interest in controlled corporation	Long Short	215,106,842 Note (1) 17,106,842 Note (3)	85.16% 6.77%
Central Huijin Investment Ltd	Interest in controlled corporation	Long	17,396,842 Note (4)	6.89%
China Construction Bank Corporation	Beneficial owner	Long	17,396,842 Note (4)	6.89%

Notes:

(1) The total number of 215,106,842 shares comprise of 135,629,200 shares in the equity capital of the Company as of 31 December 2013 and 79,477,642 shares representing the number of shares that could be converted upon full exercise of the conversion rights on the convertible loan notes issued by the Company to Parko (Hong Kong) Limited pursuant to the Subscription Agreement between the aforesaid parties dated 15 July 2013.

(2) Heibei Supply and Marketing Cooperative, through its indirect interests in Parko (Hong Kong) Limited, is the controlling shareholder of the Company.

(3) Parko (Hong Kong) Limited is a wholly-owned subsidiary of Million Rich Hong Kong Holdings Company Limited. 河北省新合作控股集團有限公司 and 河北省農業生產資料有限公司 had 49% and 51% interest respectively in Million Rich Hong Kong Holdings Company Limited.

(4) China Construction Bank Corporation is a wholly-owned subsidiary of Central Huijin Investment Ltd. The references to the 17,396,842 shares in question both relate to the same block of 17,396,842 shares registered in the name of China Construction Bank Corporation.

Save as disclosed above, the Directors were not aware of any other person (other than the Directors or the chief executives of the Company or their associates) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

AUDIT COMMITTEE

The Company established an audit committee in 1999 with written terms of reference pursuant to Rules 3.21 to 3.23 of the Listing Rules. The audit committee comprises five independent non-executive Directors namely Ms. Chiu Kam Hing, Kathy, Mr. Tsai Jeng-Yang, Mr. Ting Tit Cheung, Mr. Shum Wan Lung and Mr. Law Yee Kwan Quinn. Ms. Chiu Kam Hing, Kathy is the chairman of the audit committee.

Duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group, and to provide advice and comments to the Board. The audit committee has reviewed the Group's audited consolidated results and annual report for the year ended 31 December 2013.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements is set out on page 108 of this annual report. This summary does not form part of the audited consolidated financial statements.

PROPERTIES

Location	Existing use	Term of lease
Leasehold land and buildings:		
26/F, World Plaza, No. 855 Pudong South Road, Shanghai, the PRC	Office building	Medium
Investment properties:		
25/F and 10 parking spaces at basement 2, World Plaza, No. 855 Pudong South Road, Shanghai, the PRC	Office building	Medium

RETIREMENT SCHEMES

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

EMOLUMENT POLICY

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

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

For the year ended 31 December 2013, the Directors are not aware of any business or interest of the Directors, the controlling shareholders and their respective associates (as defined under the Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interests which any such person has or may have with the Group.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 18 to 29 of this annual report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best of the Directors' knowledge, the Company has maintained a sufficient prescribed public float of the issued shares of the Company under the Listing Rules throughout the year ended 31 December 2013.

EVENTS AFTER REPORTING PERIOD

(i) *Conversion of convertible loan notes by Parko (Hong Kong) Limited*

On 28 January 2014, the Company received conversion notice from Parko in respect of the full conversion of all of the convertible loan notes in the principal amount of approximately HK$151,008,000. As a result of this conversion, the Company has allotted and issued a total of 79,477,642 shares to Parko at the conversion price of HK$1.9.

(ii) *Change of Company name and principal place of business*

On 10 February 2014, an Extraordinary General Meeting ("EGM") was held by the Company and name of the Company is approved to change to National Agricultural Holdings Limited 國農控股有限公司.

On 7 March 2014, the principal place of business of the Company in Hong Kong was changed from 19/F, Nan Dao Commercial Building, 359-361 Queen's Road Central, Sheung Wan, Hong Kong to Suites 1604-5, Prudential Tower, Harbour City, 21 Canton Road, Tsimshatsui, Kowloon, Hong Kong.

(iii) *Share subdivision*

The EGM on 10 February 2014 also approved that each issued and unissued share of HK$0.10 each in the share capital of the Company as at 10 February 2014 is subdivided into four subdivided shares of HK$0.025 each in the share capital of the Company. The share subdivision was effective on 11 February 2014.

(iv) *Formation of a subsidiary*

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

Xinyuan is granted by Ever Harvest a capital contribution option pursuant to which Xinyuan has the right at any time within 1 year from the date of the Xinyuan Joint Venture Agreement to increase the total registered capital of the new company from RMB50 million to RMB80 million, out of which RMB48 million and RMB32 million will be contributed by Ever Harvest and Xinyuan respectively.

(v) *Acquisition of an investment*

Separately, on 21 March 2014, Ever Harvest entered into another agreement with the shareholders of China Coop Financial Leasing Co., Ltd* (中合盟達融資租賃有限公司) ("China Coop Mengda") ("Mengda Joint Venture Agreement"), an independent third party, regarding to its investment in China Coop Mengda which principally engages in financial leasing business in the PRC. Pursuant to the Mengda Joint Venture Agreement, Ever Harvest has conditionally agreed to make a cash capital contribution of RMB70.0 million to China Coop Mengda. After the investment by Ever Harvest, Ever Harvest will hold approximately 41.18% equity interest in China Coop Mengda and the remaining interest would be held by four other shareholders. Ever Harvest will have the right to appoint four out of seven directors in the board of directors of China Coop Mengda.

In addition, Ever Harvest is granted by one of the shareholders, a call option pursuant to which Ever Harvest has the right at any time within two years after the date of the Mengda Joint Venture Agreement to acquire from that shareholder its entire equity interest (representing approximately 9.91% of the total registered capital) in China Coop Mengda.

* The English name is for identification purpose only.

AUDITOR

During the year, Messrs. BDO Limited, who acted as auditor of the Company for the past three years, resigned and Messrs. Deloitte Touche Tohmatsu was appointed as auditor of the Company. A resolution will be submitted to the annual general meeting to re-appoint the auditor, Messrs. Deloitte Touche Tohmatsu.

By Order of the Board
Chen Li-Jun
Chairman

Hong Kong
31 March 2014

Deloitte.
德勤

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

We have audited the consolidated financial statements of National Agricultural Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 42 to 107, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

AUDITOR'S RESPONSIBILITY (CONTINUED)

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2013, and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2012 were audited by another auditor who expressed an unmodified opinion on these statements on 28 March 2013.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
31 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	NOTES	**2013** **RMB'000**	2012 RMB'000
Turnover	6	**95,659**	105,747
Cost of sales		**(28,442)**	(30,119)
Gross profit		**67,217**	75,628
Other income	7	**14,150**	14,481
Other gain and losses	8	**(10,578)**	1,050
Selling and distribution costs		**(38,365)**	(39,049)
Research and development costs		**(27,448)**	(27,109)
Administrative expenses		**(28,884)**	(16,815)
Finance costs	26	**(2,152)**	–
(Loss) profit before tax	9	**(26,060)**	8,186
Income tax credit (expense)	13	**99**	(3,421)
(Loss) profit for the year		**(25,961)**	4,765
Other comprehensive expense			
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**(785)**	(8)
Total comprehensive (expense) income for the year		**(26,746)**	4,757
			Restated
(Loss) earnings per share			
– Basic and diluted (RMB cents)	14	**(2.57)**	0.47

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	NOTES	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment	15	**26,059**	26,874
Investment properties	16	**14,791**	15,594
Prepaid lease payments	17	**36,959**	38,328
Deferred tax assets	18	**257**	–
		78,066	80,796
Current assets			
Inventories	19	**32**	36
Trade and other receivables	20(a)	**6,656**	10,502
Deposits and prepayments	20(b)	**7,603**	3,502
Prepaid lease payments	17	**1,369**	1,369
Tax recoverable		**297**	–
Structured deposits	21	**37,300**	–
Held-for-trading investments	22	**–**	5,000
Cash and cash equivalents	23	**180,020**	130,061
		233,277	150,470
Current liabilities			
Trade and other payables	24	**18,375**	16,783
Amount due to a controlling shareholder	25	**1,068**	–
Deferred revenue	27	**41,241**	42,634
Tax payable		**–**	2,671
		60,684	62,088
Net current assets		**172,593**	88,382
Total assets less current liabilities		**250,659**	169,178
Non-current liabilities			
Convertible loan notes	26	**71,226**	–
Deferred revenue	27	**9,219**	9,413
Deferred tax liabilities	18	**–**	1,313
		80,445	10,726
Net assets		**170,214**	158,452

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	NOTE	2013 RMB'000	2012 RMB'000
Capital and reserves			
Share capital	28	**26,128**	26,128
Reserves		**144,086**	132,324
Total equity		**170,214**	158,452

The consolidated financial statements on pages 42 to 107 were approved and authorised for issue by the board of directors on 31 March 2014 and are signed on its behalf by:

Chen Li-Jun
DIRECTOR

Peng Guojiang
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Share capital RMB'000	Share premium[1] RMB'000	Exchange reserve[2] RMB'000	Statutory reserve[3] RMB'000	Merger reserve[4] RMB'000	Convertible loan notes equity reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2012	26,128	33,921	(5,870)	21,311	24,598	–	63,836	163,924
Exchange difference arising on translation	–	–	(8)	–	–	–	–	(8)
Profit for the year	–	–	–	–	–	–	4,765	4,765
Total comprehensive income	–	–	(8)	–	–	–	4,765	4,757
Interim dividend paid (note 31)	–	(10,229)	–	–	–	–	–	(10,229)
Transfer to statutory reserve	–	–	–	1,176	–	–	(1,176)	–
Balance at 31 December 2012	26,128	23,692	(5,878)	22,487	24,598	–	67,425	158,452
Exchange difference arising on translation	–	–	(785)	–	–	–	–	(785)
Loss for the year	–	–	–	–	–	–	(25,961)	(25,961)
Total comprehensive expense	–	–	(785)	–	–	–	(25,961)	(26,746)
Recognition of equity component of convertible loan notes (note 26)	–	–	–	–	–	59,452	–	59,452
Transaction costs directly attributable to equity component of convertible loan notes	–	–	–	–	–	(1,224)	–	(1,224)
Special dividend paid (note 31)	–	(15,340)	–	–	–	–	(4,380)	(19,720)
Transfer to statutory reserve	–	–	–	903	–	–	(903)	–
Balance at 31 December 2013	**26,128**	**8,352**	**(6,663)**	**23,390**	**24,598**	**58,228**	**36,181**	**170,214**

For the year ended 31 December 2013

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

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

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

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	NOTE	2013 RMB'000	2012 RMB'000
OPERATING ACTIVITIES			
(Loss) profit before tax		**(26,060)**	8,186
Adjustments for:			
Interest income		**(2,927)**	(2,826)
Finance costs		**2,152**	–
(Reversal of) allowance for doubtful debts		**(4)**	6
Write off of property, plant and equipment		**–**	268
Depreciation of property, plant and equipment		**2,633**	3,884
Depreciation of investment properties		**803**	803
Amortisation of prepaid lease payments		**1,369**	1,369
Gain from changes in fair value on financial instruments		**(511)**	(1,318)
Loss on initial recognition of convertible loan notes	26	**11,089**	–
Expenses paid by a controlling shareholder on behalf of the Company		**294**	–
Unrealised exchange gain		**(800)**	–
Operating cash flows before movements in working capital		**(11,962)**	10,372
Decrease in inventories		**4**	43
Decrease (increase) in trade and other receivables		**3,850**	(2,601)
Increase in deposits and prepayments		**(4,101)**	(331)
Decrease in held-for-trading investments		**5,511**	4,318
Increase in trade and other payables		**1,592**	2,153
Decrease in deferred revenue		**(1,587)**	(5,549)
Cash (used in) generated from operations		**(6,693)**	8,405
PRC Withholding Tax Paid		**(4,439)**	(1,252)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		**(11,132)**	7,153
INVESTING ACTIVITIES			
Investments in structured deposits		**(98,300)**	–
Acquisition of property, plant and equipment		**(1,060)**	(572)
Proceeds from redemption of structured deposits		**61,000**	–
Interest received		**2,927**	2,826
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(35,433)**	2,254

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	NOTES	2013 RMB'000	2012 RMB'000
FINANCING ACTIVITIES			
Proceeds from issue of convertible loan notes	26	**119,231**	–
Transaction costs directly attributable to issue of convertible loan notes	26	**(2,683)**	–
Dividends paid	31	**(19,720)**	(10,229)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**96,828**	(10,229)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**50,263**	(822)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**130,061**	130,891
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(304)**	(8)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**180,020**	130,061
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS	23		
Cash and bank balances		**140,020**	45,710
Time deposits with original maturity of less than three months when acquired		**40,000**	84,351
		180,020	130,061

1. GENERAL

National Agricultural Holdings Limited (formerly known as Qianlong Technology International Holdings Limited) (the "Company") is a public limited company incorporated in Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate parent is Parko (Hong Kong) Limited ("Parko"), a company incorporated in Hong Kong and its ultimate parent is Hebei Supply and Marketing Cooperative ("Hebei SMC"), a company established in the People's Republic of China (the "PRC") (see note 34). The addresses of registered office and principal place of business of the Company are disclosed in the corporate information section to the the annual report and note 38(a).

The Company is an investment holding company. The principal activities of the Group are the research, development and distribution of software, and provision of related maintenance, usage and information services in the PRC. In the future, the Group will engage in rural finance, trading in agricultural means of production and management of commercial complexes. The principal activities of the subsidiaries are set out in note 29.

Pursuant to the announcement of the Company on 15 July 2013, in respect of the conditional agreement in relation to the sale and purchase of shares in the Company between Parko and the shareholders, Parko has agreed to purchase 87,250,000 shares, representing approximately 34.54% of the entire issued share capital of the Company. This transaction was completed on 11 October 2013.

Followed by the completion of a mandatory conditional general cash offer (the "Offer") on 19 November 2013, Parko further increased its equity interest to 54.73% of the total issued share capital of the Company and has became the single largest controlling shareholder of the Company.

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

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

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
Amendments to HKFRS 7	Disclosures-Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive income
HK(IFRIC) Int-20	Stripping Costs in the Production Phase of a Surface Mine

Except as described below, the application of the other new and revised HKFRSs in the current year has had no material impact on Group's financial performance and positions for the current and prior year and/or disclosures set out in these consolidated financial statements.

HKFRS 13 *Fair Value Measurement*

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad:

- the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements; and

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

HKFRS 13 *Fair Value Measurement* (Continued)

- disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", 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 (net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period (please see notes 16 and 36 for the 2013 disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*

The Group has applied the amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income". Upon the adoption of the amendments to HKAS 1, the Group's "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income". Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis-the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

New and revised HKFRSs in issue but not yet effective

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

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

1 Effective for annual periods beginning on or after 1 January 2014.
2 Effective for annual periods beginning on or after 1 July 2014.
3 Available for application-the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
5 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

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.

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

HKFRS 9 *Financial Instruments* (Continued)

Key requirements of HKFRS 9 are described as follows:

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

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

The directors do not anticipate that the adoption of HKFRS 9 in the future will have material impact on amounts reported in respect of the Group's financial assets and financial liabilities.

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

Annual Improvements to HKFRSs 2010-2012 Cycle

The *Annual Improvements to HKFRSs 2010-2012 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors do not anticipate that the application of the amendments included in the *Annual Improvements to HKFRSs 2010-2012 Cycle* will have a material effect on the Group's consolidated financial statements.

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

Annual Improvements to HKFRSs 2011-2013 Cycle

The *Annual Improvements to HKFRSs 2011-2013 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The directors do not anticipate that the application of the amendments included in the *Annual Improvements to HKFRSs 2011-2013 Cycle* will have a material effect on the Group's consolidated financial statements.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The directors of the Company do not anticipate that the application of these amendments to HKAS 32 will have a significant impact on the Group's consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

Except as described above, the directors of the Company expect that the application of the other new and revised HKFRSs in the future will not have material impact on Group's financial performance and positions.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

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

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

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

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

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

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

Property, plant and equipment

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

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

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

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

Investment properties

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties (Continued)

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.

Impairment losses on tangible assets

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

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

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

Financial instruments

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

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

Financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Effective interest method

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

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

Financial assets at FVTPL

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

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

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

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL (Continued)

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the other gain and losses line item. Fair value is determined in the manner described in note 36(c).

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 and other receivables, bank balances and cash and time deposits) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

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

Impairment of financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Objective evidence of impairment could include:

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

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Effective interest method

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

Convertible loan notes

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Convertible loan notes (Continued)

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

Derecognition

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.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity 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.

Cash and cash equivalents

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

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

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

Revenue recognition

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

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

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

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

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

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 lessor

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

The Group as lessee

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing (Continued)

Leasehold land and buildings

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

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

Foreign currencies

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

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on non-monetary items carried at fair value in respect of which gains or losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group entities which functional currency is Hong Kong Dollar, are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in the equity under the heading of exchange reserve.

Research and development expenditure

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

Government grants

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

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

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

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make 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.

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 financial year.

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

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

As at 31 December 2013, the carrying amount of property, plant and equipment was approximately RMB26,059,000 (2012: RMB26,874,000). Depreciation is recognised by the Group so as to write off the cost or revalued amount of items of property, plant and equipment less their residual values over the estimated useful lives of three to twenty years, using the straight-line method commencing from the date the property, plant and equipment are placed into use. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of that property, plant and equipment.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Estimated allowance for bad and doubtful debts

The Group estimates the allowance for bad and doubtful debts by assessing of their recoverability based on credit history and prevailing market conditions. This requires the use of management judgement and estimates. Allowances are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of trade and other receivables and doubtful debt expenses/written back in the period in which the estimate has been changed. The Group reassesses the allowance for bad and doubtful debts at the end of the reporting period. As at 31 December 2013, the carrying amount of trade receivables was approximately RMB4,305,000, net of allowance of approximately RMB49,000 (2012: RMB6,777,000, net of allowance of RMB53,000).

Fair value measurements and valuation processes

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

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the management establishes the appropriate valuation techniques and inputs for fair value measurement. Notes 21, 22 and 36(c) provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets.

5. SEGMENT REPORTING

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

(a) Operating and reportable segment

The Group operates in a single segment, which is the research, development and distribution of software and provision of related maintenance, usage and information services. Revenue from external customers for related products and services are presented in note 6.

5. SEGMENT REPORTING (CONTINUED)

(b) Geographical information

All operating assets and operations of the Group during the years ended 31 December 2013 and 2012 were located in the PRC.

(c) Information about a major customer

Revenue from the Group's largest customer amounted to less than 10% of the Group's total revenue for the years ended 31 December 2013 and 2012.

6. TURNOVER

Turnover represents the sales of goods to customers and the service fees receivable, net of goods returned and trade discounts. The Group's products and services are mainly sold and provided to customers in the PRC. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2013 **RMB'000**	2012 RMB'000
Maintenance service and usage fees	**51,789**	63,557
Information service fees	**39,322**	37,783
Sale of computer software	**4,548**	4,407
	95,659	105,747

7. OTHER INCOME

	2013 RMB'000	2012 RMB'000
Value added tax refund (Note (a))	**7,843**	8,217
Interest income	**2,927**	2,826
Gross rental income from investment properties	**2,515**	1,629
Subsidy income (Note (b))	**841**	1,793
Sundries	**24**	16
	14,150	14,481

Notes:

(a) A tax concession has been granted by the PRC tax authority to the Company's PRC subsidiaries which are engaged in the development and trading of computer software. Under this concession, the PRC subsidiaries are entitled to a refund of value added tax paid in excess of an effective rate of 3%. The amount of value added tax refund is recognised as other income.

(b) Subsidy income mainly represented a subsidy of RMB484,000 granted by Science and Technology Commission of Shanghai Municipality (2012: RMB600,000) to a PRC subsidiary to finance its general research in relation to software developments, and subsidies totalling RMB357,000 (2012: RMB1,193,000) granted by Shanghai Finance Bureau to finance the PRC subsidiaries' development of advanced technology and was calculated based on 50% of the business tax, value added tax and enterprise income tax paid to the local government.

8. OTHER GAIN AND LOSSES

	2013 RMB'000	2012 RMB'000
Gain from changes in fair value on financial instruments	**511**	1,318
Loss on initial recognition of convertible loan notes (note 26)	**(11,089)**	–
Write off of property, plant and equipment	**–**	(268)
	(10,578)	1,050

9. (LOSS) PROFIT BEFORE TAX

	2013 RMB'000	2012 RMB'000
(Loss) profit before tax is arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**2,633**	3,884
Depreciation of investment properties	**803**	803
Amortisation of prepaid lease payments	**1,369**	1,369
Total depreciation and amortisation	**4,805**	6,056
Directors' emoluments (note 10)	**3,312**	3,688
Other staff costs:		
Salaries and other benefits	**39,225**	42,852
Contributions to retirement benefits scheme (note 12)	**10,181**	9,624
Total staff costs	**52,718**	56,164
Gross rental income from investment properties	**(2,515)**	(1,629)
Direct operating expenses arising from investment properties that generated rental income during the year	**407**	296
Direct operating expenses arising from investment properties that did not generate rental income during the year	**529**	305
	(1,579)	(1,028)
Auditor's remuneration:		
Current year	**878**	420
Underprovision in prior year	**–**	29
Exchange (gain) loss, net	**(938)**	184
Write off of property, plant and equipment	**–**	268
(Reversal of) allowance for doubtful debts	**(4)**	6
Cost of inventories recognised as expenses	**43**	138
Cost of information service fees	**26,185**	27,828
Lease payments under operating leases in respect of land and buildings	**2,877**	2,615
Legal and professional fees (included auditor's remuneration) (Note)	**16,588**	676

Note: Legal and professional fees mainly related to (i) a one-off strategic review of the financial information services and software terminal operation of the Group; and (ii) the Company's obligations under the Hong Kong Code on Takeovers and Mergers in relation to the acquisition of a controlling interest in the Company by Parko and the Offer (see note 1) made by Parko in connection therewith during the year ended 31 December 2013.

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the eighteen (2012: eleven) directors and the chief executive were as follows:

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

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

	Directors' fees RMB'000	Salaries, and other benefits RMB'000	Contributions to retirement benefits schemes RMB'000	Total RMB'000
2012				
Executive directors:				
Liao Chao-Ping	–	413	–	413
Fan Ping-Yi	–	413	–	413
Yang Ching Shou *(Chief Executive)*	–	827	–	827
Chen Shen-Tien	–	360	–	360
Chen Ming-Chuan	–	413	–	413
Yu Shih-Pi	–	413	–	413
Liao Angela Min-Yin	–	413	–	413
Independent non-executive directors:				
Chiu Kam Hing, Kathy	158	–	–	158
Chang Long-Teng	37	–	–	37
Hsieh Billy Shao-Ven	158	–	–	158
Tsai Jeng Yang	83	–	–	83
	436	3,252	–	3,688

Mr. Yang Ching Shou was also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive for the year ended 31 December 2012 and for the period from 1 January 2013 to 5 November 2013, before his resignation. No Chief Executive was appointed by the Group since then up to the report date of these consolidated financial statements on 31 March 2014.

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

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

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2012: one) was director who was also the former Chief Executive of the Company whose emoluments are included in the disclosures in note 10 above. The emoluments of the remaining four (2012: four) individuals were as follows:

	2013 RMB'000	2012 RMB'000
Salaries and other benefits	**2,741**	1,602
Contributions to retirement benefits scheme	**266**	236
	3,007	1,838

Their emoluments were within the following band:

	2013 No. of employees	2012 No. of employees
Nil to HK$1,000,000 (equivalent to Nil to RMB786,200 (2012: Nil to RMB810,800)	**4**	4

12. RETIREMENT BENEFITS

The employees of the Company's operating subsidiaries, Shanghai Qianlong Advanced Technology Company Limited ("Qianlong Advanced"), Shanghai Xin Long Information Technology Company Limited ("Shanghai Xin Long") and Shanghai Qianlong Network Technology Company Limited ("Qianlong Network"), are members of a central pension scheme operated by the local government. The subsidiaries are required to contribute a certain percentage of the employees' monthly salaries to the central pension scheme to fund the employees' retirement benefits.

The Group does not have any liabilities to the retirement benefits of the employees other than the monthly contributions to the central pension scheme. The Group's contributions to the central pension scheme for the year ended 31 December 2013 amounted to RMB10,181,000 (2012: RMB9,624,000).

13. INCOME TAX (CREDIT) EXPENSE

	2013 RMB'000	2012 RMB'000
Current tax – PRC Enterprise Income Tax ("EIT")		
– Charge for the year	–	35
– (Over) underprovision in prior years	(35)	91
	(35)	126
Deferred tax (note 18)		
– (Credit) charge for the year	(64)	3,329
– Attributable to change in tax rate	–	(34)
	(64)	3,295
	(99)	3,421

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

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

On 28 November 2011, Qianlong Network obtained the High-New Technology Enterprise Certificate and is entitled to enjoy the preferential enterprise income tax at the concessionary rate of 15% for 3 years from 2011 to 2013 according to Article 28 of the EIT Law. The directors of the Company are confident that Qianlong Network 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 second half of 2014.

On 17 August 2011, Qianlong Advanced obtained the High-New Technology Enterprise Certificate and enjoy the preferential enterprise income tax rate of 15% for 3 years from 2011 to 2013 according to Article 28 of the EIT Law. The directors of the Company are confident that Qianlong Advanced 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 second half of 2014.

13. INCOME TAX (CREDIT) EXPENSE (CONTINUED)

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

	2013 RMB'000	2012 RMB'000
(Loss) profit before tax	**(26,060)**	8,186
Income tax calculated at PRC EIT rate of 25%[a]	**(6,515)**	2,047
Tax effect of expenses not deductible for tax purpose[b]	**5,547**	362
Tax effect of income not taxable for tax purpose	**(1,296)**	(1,676)
Tax effect of tax losses not recognised	**290**	308
Effect of preferential tax rate granted to the PRC subsidiaries	**(566)**	(1,138)
Effect of different tax rates of the Company and subsidiaries operating in Hong Kong	**2,598**	198
(Over)under provision in respect of prior years	**(35)**	91
Tax effect on distributable profits of the PRC subsidiaries	**(122)**	3,229
Income tax (credit) expense for the year	**(99)**	3,421

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

(b) The amount mainly represented the tax effect arising from loss on initial recognition of the convertible loan notes (note 26) and the legal and professional fees incurred by the Company.

14. (LOSS) EARNINGS PER SHARE

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

(Loss) earnings

	2013 **RMB'000**	2012 RMB'000
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share	**(25,961)**	4,765

Number of shares

	2013 **'000**	2012 '000 Restated
Weighted average number of ordinary shares for the purposes of basic and diluted (loss) earnings per share	**1,010,400**	1,010,400

The weighted average number of shares for current and prior years for the purposes of basic and diluted earnings per share have been adjusted for the subdivision of the Company's ordinary shares in February 2014 (details of the share subdivision are disclosed in note 38(b)). The basic and diluted earnings per share for the year ended 31 December 2012 has been restated accordingly.

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

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings RMB'000 (Note)	Leasehold improvements RMB'000	Computer equipment RMB'000	Furniture, fixtures and office equipment RMB'000	Total RMB'000
COST					
At 1 January 2012	34,455	5,897	6,056	991	47,399
Additions	–	71	414	87	572
Written off	–	(590)	(1,069)	(250)	(1,909)
At 31 December 2012	34,455	5,378	5,401	828	46,062
Additions	–	1,251	421	162	1,834
Written off	–	(256)	–	–	(256)
Exchange realignment	–	(12)	(3)	(1)	(16)
At 31 December 2013	34,455	6,361	5,819	989	47,624
ACCUMULATED DEPRECIATION					
At 1 January 2012	8,140	4,554	3,757	494	16,945
Provided for the year	1,551	1,033	1,137	163	3,884
Written off	–	(455)	(962)	(224)	(1,641)
At 31 December 2012	9,691	5,132	3,932	433	19,188
Provided for the year	1,550	212	723	148	2,633
Written off	–	(256)	–	–	(256)
At 31 December 2013	11,241	5,088	4,655	581	21,565
CARRYING AMOUNTS					
At 31 December 2013	23,214	1,273	1,164	408	26,059
At 31 December 2012	24,764	246	1,469	395	26,874

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

16. INVESTMENT PROPERTIES

	RMB'000
COST	
At 1 January 2012, 31 December 2012 and 2013	16,910
ACCUMULATED DEPRECIATION	
At 1 January 2012	513
Provided for the year	803
At 31 December 2012	1,316
Provided for the year	803
At 31 December 2013	2,119
CARRYING AMOUNTS	
At 31 December 2013	14,791
At 31 December 2012	15,594

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the cost model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties at 31 December 2013 was RMB15,413,000 (2012: RMB15,787,000). The fair value has been arrived at based on a valuation carried out by Shanghai Eastern Properties Valuations Company Limited* (上海東方房地產估價有限公司), an independent firm of qualified professional valuers not connected with the Group with appropriate qualifications and recent experiences in the valuation of similar properties in the relevant location. The fair value has been arrived at by reference to the adjusted transaction price available in the relevant market for similar properties and adjusted to reflect the heights and directions of the Group's investment properties. There has been no change from the valuation technique used in the prior year.

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

16. INVESTMENT PROPERTIES (CONTINUED)

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

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

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

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

* The English name is for identification purpose only.

17. PREPAID LEASE PAYMENTS

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

	2013 RMB'000	2012 RMB'000
Current assets	**1,369**	1,369
Non-current assets	**36,959**	38,328
	38,328	39,697

18. DEFERRED TAXATION

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

	2013 RMB'000	2012 RMB'000
Deferred tax assets	(257)	–
Deferred tax liabilities	–	1,313
	(257)	1,313

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

	Allowance for doubtful debts RMB'000	Other deductible temporary differences RMB'000	Withholding tax on distributable profit of subsidiaries in the PRC RMB'000	Total RMB'000
At 1 January 2012	(6)	(375)	1,649	1,268
(Credit) charge to profit or loss for the year	(1)	101	3,229	3,329
Release upon payments of dividends	–	–	(3,250)	(3,250)
Effect of change in tax rate	–	(34)	–	(34)
At 31 December 2012	(7)	(308)	1,628	1,313
Charge (credit) to profit or loss for the year	–	58	(122)	(64)
Release upon payments of dividends	–	–	(1,506)	(1,506)
At 31 December 2013	(7)	(250)	–	(257)

18. DEFERRED TAXATION (CONTINUED)

At the end of the reporting period, the Group has unused tax losses of approximately RMB12,058,000 (2012: RMB11,545,000) available for offset against future profits. The unused tax losses can be carried forward for 5 years from the year they were incurred. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses of RMB 601,000, RMB 2,033,000, RMB 8,264,000 and RMB 1,160,000 will expire in 2014, 2016, 2017 and 2018, respectively (2012: RMB 647,000, RMB 601,000, RMB 2,033,000 and RMB 8,264,000 will expire in 2013, 2014, 2016 and 2017, respectively).

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB61,130,000 (2012: RMB55,369,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

19. INVENTORIES

	2013 **RMB'000**	2012 RMB'000
Accessories	**29**	33
Finished goods	**3**	3
	32	36

20. TRADE AND OTHER RECEIVABLES/DEPOSITS AND PREPAYMENTS

(a) Trade and other receivables

	2013 **RMB'000**	2012 RMB'000
Trade receivables	**4,305**	6,777
Less: allowance for doubtful debts	**(49)**	(53)
	4,256	6,724
Other receivables	**2,400**	3,778
	6,656	10,502

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

(a) Trade and other receivables (continued)

The Group's policy is to allow an average credit period of 30 days (2012: 30 days) from the date of billing to its trade customers. All trade receivables are denominated in RMB.

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

	2013 **RMB'000**	2012 RMB'000
0 to 30 days	**2,767**	4,480
31 to 90 days	**282**	680
91 to 365 days	**777**	697
Over 365 days	**430**	867
	4,256	6,724

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

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB1,489,000 (2012: RMB2,323,000) which are past due as at the reporting date for which the Group has not provided for impairment loss.

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

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

(a) Trade and other receivables (continued)

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

	2013 RMB'000	2012 RMB'000
0 to 30 days	–	79
31 to 90 days	282	680
91 to 365 days	777	697
Over 365 days	430	867
	1,489	2,323

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

	2013 RMB'000	2012 RMB'000
At the beginning of year	53	47
(Reversal of) allowance for doubtful debts	(4)	6
At the end of year	49	53

(b) Deposits and prepayments

	2013 RMB'000	2012 RMB'000
Deposits	1,103	1,040
Prepaid professional fee (Note)	3,151	–
Prepaid data fee	1,249	945
Prepaid rent	737	159
Prepaid network custody fee	531	406
Others	832	952
	7,603	3,502

Note: Amount represented prepayment for advisory and consulting services from an independent third party.

21. STRUCTURED DEPOSITS

The structured deposits at 31 December 2013 consist of deposits of RMB37,300,000 denominated in RMB and were issued by banks in the PRC. The structured deposits carry interest at expected interest rate that range from 4.16% to 6.00% per annum, which is linked to the performance of the underlying money market instruments and debt instruments, payable on maturity within 1 year from the date of purchase. The structured deposits are designated at fair value through profit or loss on initial recognition as they contain non-closely related embedded derivative. The directors consider the fair values of the structured deposits, approximate their carrying values (see note 36(c)).

All the structured deposits were redeemed in March 2014. Fair value changes for those deposits were not recognised for the year ended 31 December 2013 as the effect is not significant.

22. HELD-FOR-TRADING INVESTMENTS

The Group's held-for-trading investments comprised investments in unlisted funds in the PRC. The full amounts were disposed of during the year ended 31 December 2013.

23. CASH AND CASH EQUIVALENTS

	2013 **RMB'000**	2012 RMB'000
Bank balances and cash	**140,020**	45,710
Time deposits	**40,000**	84,351
	180,020	130,061

Cash at banks and time deposits carry interest at market rate which range from 0.35% to 2.85% (2012: 0.35% to 2.85%) per annum. Short term time deposits are made for varying periods within three months depending on the immediate cash requirements of the Group.

24. TRADE AND OTHER PAYABLES

	2013 RMB'000	2012 RMB'000
Trade payables	**1,265**	2,225
Salaries and bonus payables	**8,700**	8,862
Receipts in advance	**3,694**	1,404
Accruals	**2,329**	1,723
Other payables	**1,980**	2,162
Rental deposits received	**407**	407
	18,375	16,783

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

	2013 RMB'000	2012 RMB'000
0 to 30 days	**782**	1,182
31 to 90 days	**483**	860
91 to 365 days	**–**	175
Over 365 days	**–**	8
	1,265	2,225

The average credit period on purchases of goods ranges from 30 to 90 days (2012: ranges from 30 to 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

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

25. AMOUNT DUE TO A CONTROLLING SHAREHOLDER

The balance represents the payment for acquisition of property and equipment and expenses paid by a controlling shareholder on behalf of the Company. The amount is unsecured, interest-free and repayable on demand.

26. CONVERTIBLE LOAN NOTES

On 15 July 2013, Parko entered into a convertible loan notes subscription agreement with the Company. Under this subscription agreement, the Company was binding to issue 3% convertible loan notes (the "Notes") to Parko upon the fulfilment of condition precedents for the issue of the Notes at the conversion price of HK$1.9 per share. The principal amount of the Notes was determined upon the closing of the Offer by deducting the total consideration payable by Parko to the independent shareholders who have validly accepted the Offer (as defined in note 1) at the close of the Offer, being the number of shares represented by such acceptances multiplied by the offer price, from the initial principal amount of HK$247,925,000 as stated in the subscription agreement. The Notes were subsequently issued on 19 November 2013 with the principal amount of approximately HK$151,008,000 (equivalent to approximately RMB119,231,000).

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

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

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

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

26. CONVERTIBLE LOAN NOTES (CONTINUED)

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

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

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

The movement of the liability component of the Notes for the year is set out below:

	2013 RMB'000
Carrying amount at the beginning of the year	–
Issuance of convertible loan notes	70,868
Interest charge	2,152
Transaction costs attributable to the liability component	(1,459)
Exchange realignment	(335)
Carrying amount at the end of the year	71,226

On 28 January 2014, the Company received conversion notice from Parko in respect of the full conversion of all of the convertible loan notes in the principal amount of approximately HK$151,008,000. As a result of this conversion, the Company has allotted and issued a total of 79,477,642 shares to Parko at the conversion price of HK$1.9.

27. DEFERRED REVENUE

	2013 **RMB'000**	2012 RMB'000
Amounts to be recognised as revenue within one year, classified as current liabilities	**41,241**	42,634
Amounts to be recognised as revenue after one year, classified as non-current liabilities	**9,219**	9,413
	50,460	52,047

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

28. SHARE CAPITAL OF THE COMPANY

	Number of ordinary shares '000	Share capital RMB'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2012, 31 December 2012 and 2013	1,000,000	106,510
Issued and fully paid:		
At 1 January 2012, 31 December 2012 and 2013	252,600	26,128

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

29. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the principal subsidiaries at 31 December 2013 and 2012 are as follows:

Name of company	Place of incorporation/ establishment/ operations and legal entity status	Percentage of equity interest Directly 2013 %	Directly 2012 %	Indirectly 2013 %	Indirectly 2012 %	Issued and fully paid ordinary share capital/ registered capital	Principal activities
Ever Harvest Inc Limited*	Hong Kong (limited liability)	**100**	–	**–**	–	HK$1	Investment holding
Hebei Baihao Commercial and Trading Co. Ltd.* 河北百豪商貿有限公司	PRC (wholly foreign-owned enterprise)	**–**	–	**100**	–	US$100,000	Inactive
Qianlong Computers Company Limited	Hong Kong (limited liability)	**100**	100	**–**	–	HK$10,000	Investment holding
Qianlong Advanced** 上海乾隆高科技有限公司	PRC (wholly foreign-owned enterprise)	**–**	–	**100**	100	US$5,950,000	Development and trading of computer software and the provision of related maintenance, usage and information services
Qianlong Network** 上海乾隆網絡科技有限公司	PRC (wholly foreign-owned enterprise)	**–**	–	**100**	100	RMB10,000,000	Development and trading of computer software and the provision of related maintenance, usage and information services
Shanghai Xin Long** 上海信龍信息科技有限公司	PRC (wholly foreign-owned enterprise)	**–**	–	**100**	100	RMB5,000,000	Development of finance database products

* Established in 2013.

** The English name is for identification purpose only.

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

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2013 RMB'000	2012 RMB'000
Non-current assets		
Interests in subsidiaries	**12,754**	12,754
Amount due from a subsidiary	**–**	17,835
Property, plant and equipment	**1,043**	–
	13,797	30,589
Current assets		
Prepayments	**1,414**	12
Cash and cash equivalents	**117,083**	2,341
	118,497	2,353
Current liabilities		
Trade and other payables	**1,349**	161
Amount due to a controlling shareholder	**1,068**	–
Amounts due to subsidiaries	**2,592**	2,715
	5,009	2,876
Net current assets (liabilities)	**113,488**	(523)
Total assets less current liabilities	**127,285**	30,066
Non-current liabilities		
Convertible loan notes	**71,226**	–
Net assets	**56,059**	30,066
Capital and reserves		
Share capital	**26,128**	26,128
Reserves	**29,931**	3,938
Total equity	**56,059**	30,066

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

Movement in reserves

	Share premium[1] RMB'000	Exchange reserve RMB'000	Convertible loan note equity reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2012	33,921	(4,927)	–	(33,056)	(4,062)
Exchange differences arising on translation of the financial statements of the Company into the presentation currency of the Group	–	(8)	–	–	(8)
Profit for the year	–	–	–	18,237	18,237
Total comprehensive income for the year	–	(8)	–	18,237	18,229
Interim dividend paid (note 31)	(10,229)	–	–	–	(10,229)
At 31 December 2012	23,692	(4,935)	–	(14,819)	3,938
Exchange differences arising on translation of the financial statements of the Company into the presentation currency of the Group	–	(684)	–	–	(684)
Loss for the year	–	–	–	(11,831)	(11,831)
Total comprehensive income for the year	–	(684)	–	(11,831)	(12,515)
Recognition of equity component of convertible loan notes	–	–	59,452	–	59,452
Transaction costs attributable to equity component of convertible loan notes	–	–	(1,224)	–	(1,224)
Special dividend paid (note 31)	(15,340)	–	–	(4,380)	(19,720)
At 31 December 2013	8,352	(5,619)	58,228	(31,030)	29,931

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

31. DIVIDENDS

	2013 RMB'000	2012 RMB'000
Special dividend paid HK$0.098 (equivalent to approximately RMB 0.078) per share	**19,720**	–
Interim dividend paid – HK$0.05 (equivalent to approximately RMB0.041) per share	**–**	10,229
	19,720	10,229

On 15 August 2013, the Board declared a special dividend in cash of HK$0.098 per share, amounting to HK$24,755,000 in total (equivalent to approximately RMB19,720,000), which is conditional upon the completion of sale of shares to Parko as disclosed in note 1.

For the year ended 31 December 2012, the directors declared an interim dividend of HK$0.05 (equivalent to approximately RMB0.041) per share, totalling HK$12,630,000 (equivalent to approximately RMB10,229,000).

No final dividend was paid or proposed at the end of both years ended 31 December 2013 and 2012.

32. OPERATING LEASE

The Group as lessee

Minimum lease payments paid under operating lease in respect of office premises during the year was approximately RMB2,877,000 (2012: RMB2,615,000).

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

	2013 RMB'000	2012 RMB'000
Within one year	**4,358**	2,415
In the second to fifth years inclusive	**5,088**	762
	9,446	3,177

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

32. OPERATING LEASE (CONTINUED)

The Group as lessor

The Group leases its investment properties under operating lease to an independent tenant during the year. All of the properties held have committed tenants for a period within next twelve months.

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

	2013 **RMB'000**	2012 RMB'000
Within one year	**635**	2,515
In the second to fifth years inclusive	**–**	635
	635	3,150

As at 31 December 2013, the Group received RMB407,000 (2012: RMB407,000) rental income from the tenant in advance and included in rental deposits received in the consolidated statement of financial position.

33. CAPITAL COMMITMENT

	2013 **RMB'000**	2012 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided for in the consolidated financial statements	**601**	–
Capital expenditure in respect of the formation and acquisition of investments authorised but not contracted for in the consolidated financial statements (note 38)	**105,500**	–

34. RELATED PARTY TRANSACTIONS

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

(a) Balances with Hebei SMC and its subsidiaries

	2013	2012
	RMB'000	RMB'000
Amount due to Parko (note 25)	**1,068**	–

In addition, the Company issued convertible loan notes to its controlling shareholder, Parko, during the year ended 31 December 2013, details are set out in note 26.

(b) Balances with other PRC government-related entities

Apart from the balances with All China FSMC Group as disclosed in notes 25 and 34(a), the Group has entered into various transactions in its ordinary course of business including bank deposits with certain banks which are government-related entities. As at 31 December 2013, 27% of bank balances are held with these government-related banks.

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

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

Other than disclosed elsewhere in these consolidated financial statements the Group had no other significant related party transactions for the year ended 31 December 2013.

35. CAPITAL RISK MANAGEMENT

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

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

The capital structure of the Group consists of convertible loan notes disclosed in note 26, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

36. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2013 **RMB'000**	2012 RMB'000
Financial assets		
Financial assets at FVTPL	**37,300**	5,000
Loans and receivables (including cash and cash equivalents)	**186,676**	140,563
Financial liabilities		
Amortised cost	**84,239**	13,249

36. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies

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

Market risk

(i) Currency risk

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

(ii) Interest rate risk

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

Credit risk

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

36. FINANCIAL INSTRUMENTS (CONTINUED)

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

Credit risk (continued)

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. The Group had concentration of credit risk by geographical locations is in the PRC, which accounted for 100% (2012: 100%) of the trade and receivables. As at 31 December 2013, the Group has concentration of credit risk as 36% (31 December 2012: 29%) and 57% (31 December 2012: 59%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within the investment broking and financial services industry.

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

Liquidity risk

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

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

36. FINANCIAL INSTRUMENTS (CONTINUED)

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

Liquidity risk (continued)

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

Liquidity table

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

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

	Weighted average interest rate	On demand or less than 1 month RMB'000	1 to 5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount at 31.12.2012 RMB'000
2012					
Non-derivative financial liabilities					
Trade and other payables	–	13,249	–	13,249	13,249

36. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurements of financial instruments

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

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

Financial assets	Fair value as at 31 December 2013	Fair value hierarchy	Valuation technique and key inputs	Relationship of unobservable inputs to fair value
Structured deposits	Bank deposits in Mainland China with non-closely related embedded derivative: RMB37,300,000	Level 3	Discounted cash flows Key unobservable inputs are: expected yields of money market instruments and debt instruments invested by banks and a discount rate that reflects the credit risk of the banks (Note)	The higher the expected yield, the higher the fair value The higher the discount rate, the lower the fair value

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

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

36. FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

37. MAJOR NON-CASH TRANSACTION

For the year ended 31 December 2013, the Group acquired property and equipment of RMB774,000 paid by a controlling shareholder on behalf of the Group.

38. EVENTS AFTER REPORTING PERIOD

(a) Change of Company name and principal place of business

On 10 February 2014, an Extraordinary General Meeting ("EGM") was held by the Company and name of the Company is approved to change to National Agricultural Holdings Limited 國農控股有限公司.

On 7 March 2014, the principal place of business of the Company in Hong Kong was been changed from 19/F, Nan Dao Commercial Building, 359-361 Queen's Road Central, Sheung Wan, Hong Kong to Suites 1604-5, Prudential Tower, Harbour City, 21 Canton Road, Tsimshatsui, Kowloon, Hong Kong.

(b) Share subdivision

The EGM on 10 February 2014 also approved that each issued and unissued share of HK$0.10 each in the share capital of the Company as at 10 February 2014 is subdivided into four subdivided shares of HK$0.025 each in the share capital of the Company. The share subdivision was effective on 11 February 2014.

38. EVENTS AFTER REPORTING PERIOD (CONTINUED)

(c) Formation of a subsidiary

On 21 March 2014, the Group, through a wholly-owned subsidiary of the Company, Ever Harvest Inc Limited ("Ever Harvest"), entered into an agreement with Xinyuan Taifeng Agricultural Asset Management (Beijing) Company Limited* (新源泰豐農業資產管理（北京）有限公司) ("Xinyuan") (the "Xinyuan Joint Venture Agreement"), an independent third party, to form a new company in the PRC which will engage in agricultural finance business in the PRC. Pursuant to the Xinyuan Joint Venture Agreement, Ever Harvest has conditionally agreed to make a cash capital contribution of RMB35.5 million to the new company, equivalent to 71% of the total registered capital of the new company and has the right to appoint four out of five directors in the board of directors of the new company. Up to the date of authorisation of these consolidated financial statements, the transaction is not completed.

(d) Acquisition of an investment

Separately, on the same date, Ever Harvest entered into another agreement with the shareholders of China Coop Financial Leasing Co., Ltd* (中合盟達融資租賃有限公司) ("China Coop Mengda") ("Mengda Joint Venture Agreement"), an independent third party, regarding to its investment in China Coop Mengda which principally engages in financial leasing business in the PRC. Pursuant to the Mengda Joint Venture Agreement, Ever Harvest has conditionally agreed to make a cash capital contribution of RMB70.0 million to China Coop Mengda. After the investment by Ever Harvest, Ever Harvest will hold approximately 41.18% equity interest in China Coop Mengda and the remaining interest would be held by four other shareholders. Ever Harvest will have the right to appoint four out of seven directors in the board of directors of China Coop Mengda.

In addition, Ever Harvest is granted by one of the shareholders, a call option pursuant to which Ever Harvest has the right at any time within two years after the date of the Mengda Joint Venture Agreement to acquire from that shareholder its entire equity interest (representing approximately 9.91% of the total registered capital) in China Coop Mengda.

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

* The English name is for identification purpose only.

FIVE-YEAR FINANCIAL SUMMARY

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

	Results of the Group for the year ended 31 December				
	2013	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**95,659**	105,747	116,730	112,436	84,146
(Loss) profit for the year	**(25,961)**	4,765	20,970	22,574	18,437
		Restated	Restated	Restated	Restated
(Loss) earnings per share					
– Basic and diluted (RMB cents)	**(2.57)**	0.47	2.08	2.23	1.83

	Assets and liabilities of the Group as at 31 December				
	2013	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**311,343**	231,266	237,965	216,467	185,165
Less: total liabilities	**(141,129)**	(72,814)	(74,041)	(72,354)	(51,580)
Net assets	**170,214**	158,452	163,924	144,113	133,585