國農控股有限公司
National Agricultural Holdings Limited

二零一四年度中期報告
INTERIM REPORT 2014

國農控股有限公司
National Agricultural Holdings Limited

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

(Stock Code 股份代號 : 1236)

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chiu Kam Hing Kathy
Ting Tit Cheung
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)
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
17th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

CORPORATE INFORMATION

REGISTERED OFFICE

P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

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

26/F, World Plaza, No. 855 Pudong South Road,
Shanghai, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 1604–5, Prudential Tower
Harbour City
21 Canton Road
Tsimshatsui Kowloon
Hong Kong

STOCK CODE

1236

WEBSITE

www.natagri.com.hk

FINANCIAL SUMMARY

A summary of the unaudited results of National Agricultural Holdings Limited (the "Company" or "National Agricultural Holdings") and its subsidiaries (collectively the "Group") for the six months ended 30 June 2014 together with the comparative figures for the corresponding year in 2013 and of the assets and liabilities of the Group as at 30 June 2014 and 2013 is set out as follows:

GROUP RESULTS

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Turnover	**53,442**	47,021
(Loss) profit for the year	**(5,436)**	(6,528)
		Restated
(Loss) earnings per share-Basic and diluted (RMB cents)	**(0.61)**	(0.65)

GROUP ASSETS AND LIABILITIES

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Total non-current assets	**200,422**	78,066
Total current assets	**268,306**	233,277
Total current liabilities	**110,055**	60,684
Net current assets	**158,251**	172,593
Total assets less current liabilities	**358,673**	250,659
Total non-current liabilities	**22,769**	80,445
NET ASSETS	**335,904**	170,214
TOTAL EQUITY	**335,904**	170,214

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present the interim results of National Agricultural Holdings for the six months ended 30 June 2014.

Since Hebei Supply and Marketing Cooperative* (河北省供銷合作總社) made its successful debut in Hong Kong's capital market after acquiring a majority stake in National Agricultural Holdings, the Group has strengthened its strategic position as a player in the rural market encompassing financial services, trading and information services and promoted the development of "rural finance services", "trading in agricultural means of production" and "urbanization development" by adopting a well-rounded market-oriented operation, which is in line with China's strategic goal of developing agriculture and new urbanization.

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

In addition to benefiting from China's ongoing focus on the "agricultural sector, rural areas and farmers", the Group was also a pioneer in tapping into the historic opportunities posed by e-commerce in the traditional rural market. It worked with Guangzhou Exchange Group Co., Ltd. (廣州交易所集團有限公司) to establish an agricultural products trading platform on which electronic spot commodities trading will be conducted, and which will offer related logistics, finance, information, quality control and other supporting services to its trading participants. With the more diversified types of agri-related products and transactions under the extensive internet penetration application in rural areas, as well as the swift development of logistics infrastructure, we are confident that the agricultural e-commerce business model of National Agricultural Holdings will become more mature and will provide sustainable momentum to drive the Group's development.

CHAIRMAN'S STATEMENT

As the only overseas platform for accessing the capital market of China's nationwide supply and marketing cooperatives system, the Group plays a ground-breaking role as a pioneer for the supply and marketing cooperatives system in China and works fully in tandem with the Cooperative in optimizing and upgrading the various segments along the agri-related industry chain. Riding on the solid integrated supply and marketing system of the Cooperative and the resources integration of logistics networks, the Group enjoys its unique competitive edge in attracting strong enterprises for forging cooperation, which will undoubtedly bring forth synergy for all parties involved. During this period, we also collaborated with UnionPay Network Payment Co., Ltd. (銀聯網絡支付有限公司) in expanding and consolidating the payment for agri-related professional markets, and worked with Guangzhou Exchange Group Co., Ltd. (廣州交易所集團有限公司) to build up trading platforms of agricultural products and rural land property rights. It also invested in China Coop Financial Leasing Co., Ltd.* (中合盟達融資租賃有限公司), thereby extending its reach to the rural financial leasing market. The Group's strategic moves in the area of rural financial services were in line with our long-tem benefit, and could provide a gateway to upgrade the assets of the Group and lead the way to a clear business model for the Group.

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

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

Mr. Chen Li-Jun
Chairman of the Board

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF
NATIONAL AGRICULTURAL HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of National Agricultural Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 9 to 41 which comprise the condensed consolidated statement of financial position as of 30 June 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended 30 June 2013 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 August 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Six months ended 30 June 2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Turnover	5	**53,442**	47,021
Cost of sales		**(14,002)**	(14,351)
Gross profit		**39,440**	32,670
Other income	6	**5,520**	6,596
Other gains	7	**1,378**	512
Selling and distribution costs		**(16,266)**	(17,613)
Research and development costs		**(14,768)**	(13,109)
Administrative expenses		**(18,607)**	(15,584)
Finance costs	8	**(795)**	–
Loss before tax	9	**(4,098)**	(6,528)
Income tax expense	11	**(1,338)**	–
Loss for the period		**(5,436)**	(6,528)
Other comprehensive income (expense)			
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**985**	(591)
Total comprehensive expense for the period		**(4,451)**	(7,119)
(Loss) profit for the period attributable to:			
Owners of the Company		**(7,806)**	(6,528)
Non-controlling interests		**2,370**	–
		(5,436)	(6,528)
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(6,821)**	(7,119)
Non-controlling interests		**2,370**	–
		(4,451)	(7,119)
			Restated
Loss per share	13		
– Basic (RMB cents)		**(0.61)**	(0.65)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	14	**25,882**	26,059
Investment properties	15	**14,389**	14,791
Goodwill	10	**182**	–
Prepaid lease payments		**36,275**	36,959
Finance lease receivables	16	**88,907**	–
Deposit for acquisition of investment property	17(a)	**34,530**	–
Deferred tax assets		**257**	257
		200,422	78,066
Current assets			
Inventories		**38**	32
Finance lease receivables	16	**20,600**	–
Trade and other receivables	17(b)	**43,533**	6,656
Deposits and prepayments	17(c)	**7,477**	7,603
Other financial asset	10	**624**	–
Prepaid lease payments		**1,369**	1,369
Tax recoverable		**297**	297
Structured deposits		**–**	37,300
Restricted bank deposits	18	**10,159**	–
Cash and cash equivalents		**184,209**	180,020
		268,306	233,277
Current liabilities			
Trade and other payables	18	**22,738**	18,375
Amount due to a controlling shareholder		**–**	1,068
Bank borrowings	19	**43,493**	–
Deferred revenue	21	**43,146**	41,241
Tax payable		**678**	–
		110,055	60,684
Net current assets		**158,251**	172,593
Total assets less current liabilities		**358,673**	250,659

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Non-current liabilities			
Bank borrowings	19	**13,750**	–
Convertible loan notes	20	**–**	71,226
Deferred revenue	21	**9,019**	9,219
		22,769	80,445
Net assets		**335,904**	170,214
Capital and reserves			
Share capital	22	**32,375**	26,128
Reserves		**202,325**	144,086
Equity attributable to owners of the Company		**234,700**	170,214
Non-controlling interests		**101,204**	–
Total equity		**335,904**	170,214

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium[1] RMB'000	Exchange reserve[2] RMB'000	Statutory reserve[3] RMB'000	Merger reserve[4] RMB'000	Convertible loan notes equity reserve[5] RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2013 (audited)	26,128	23,692	(5,878)	22,487	24,598	–	67,425	158,452	–	158,452
Exchange difference arising on translation	–	–	(591)	–	–	–	–	(591)	–	(591)
Loss for the period	–	–	–	–	–	–	(6,528)	(6,528)	–	(6,528)
Total comprehensive expense for the period	–	–	(591)	–	–	–	(6,528)	(7,119)	–	(7,119)
Balance at 30 June 2013 (unaudited)	26,128	23,692	(6,469)	22,487	24,598	–	60,897	151,333	–	151,333
Balance at 1 January 2014 (audited)	26,128	8,352	(6,663)	23,390	24,598	58,228	36,181	170,214	–	170,214
Exchange difference arising on translation	–	–	985	–	–	–	–	985	–	985
(Loss) profit for the period	–	–	–	–	–	–	(7,806)	(7,806)	2,370	(5,436)
Total comprehensive income (expense) for the period	–	–	985	–	–	–	(7,806)	(6,821)	2,370	(4,451)
Conversion of convertible loan notes (note 20)	6,247	123,288	–	–	–	(58,228)	–	71,307	–	71,307
Acquisition of a subsidiary (note 10)	–	–	–	–	–	–	–	–	98,834	98,834
Balance at 30 June 2014 (unaudited)	32,375	131,640	(5,678)	23,390	24,598	–	28,375	234,700	101,204	335,904

Notes:

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 as at 31 December 2013 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.

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

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

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

5. The amount represented the fair value of equity component of convertible loan notes as at the date of initial recognition. On 28 January 2014, the convertible loan notes equity reserve was transferred to share premium upon the conversion of the convertible loan notes. Details are set out in note 20.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	NOTE	Six months ended 30 June 2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited) Restated
OPERATING ACTIVITIES			
Operating cash flows before movements in working capital		**(2,996)**	(5,844)
Decrease in finance lease receivables		**2,196**	–
Interest paid		**(274)**	–
Other operating cash flows		**(31,925)**	2,131
NET CASH USED IN OPERATING ACTIVITIES		**(32,999)**	(3,713)
INVESTING ACTIVITIES			
Proceeds from redemption of structured deposits		**96,311**	5,512
Acquisition of a subsidiary	10	**32,837**	–
Interest received		**1,026**	1,157
Investments in structured deposits		**(57,770)**	–
Deposit paid to an escrow agent		**(34,530)**	–
Loans advanced to third parties		**(22,742)**	–
Placement of restricted bank deposits		**(10,159)**	–
Acquisition of property, plant and equipment		**(983)**	(125)
NET CASH FROM INVESTING ACTIVITIES		**3,990**	6,544
FINANCING ACTIVITIES			
Proceeds from bank borrowings		**36,093**	–
Repayment of bank borrowings		**(1,850)**	–
Repayment of amount due to a controlling shareholder		**(1,068)**	–
Interest paid for convertible loan note		**(714)**	–
Repayment of amount due to non-controlling interests		**(235)**	–
NET CASH FROM FINANCING ACTIVITIES		**32,226**	–
NET INCREASE IN CASH AND CASH EQUIVALENTS		**3,217**	2,831
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		**180,020**	130,061
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**972**	(591)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**184,209**	132,301
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**156,209**	106,301
Time deposits with original maturity of less than three months when acquired		**28,000**	26,000
		184,209	132,301

1. BASIS PREPARATION

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

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for the call option (classified as "other financial asset") and structured deposits which are measured at fair value, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, a new Interpretation and certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

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

In the current interim period, the Group has applied, for the first time, the following accounting policies are set out below.

Finance lease income

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Finance leasing

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

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

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

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

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

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

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

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

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

Consultancy fee income

Consultancy fee income is recognised when services are provided.

The Group as lessor

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

3. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying accounting policies

The following are the critical judgement that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the condensed consolidated financial statements.

Control over China Coop Financial Leasing Co., Ltd.

China Coop Financial Leasing Co., Ltd. ("China Coop Mengda") was considered as a subsidiary of the Group although the Group has only approximately 41.18% ownership interest in China Coop Mengda. The directors assessed whether or not the Group has control over China Coop Mengda based on whether the Group has the practical ability to direct the relevant activities of China Coop Mengda unilaterally. In making their judgement, the directors considered the Group's absolute size of holding in China Coop Mengda, the number of directors of China Coop Mengda, the commitment for the attendance of each board meeting by the board of directors and the relative size of and dispersion of the shareholdings owned by the other shareholders. After assessment, the directors concluded that the Group has sufficiently dominant voting interest in the board of directors to direct the relevant activities of China Coop Mengda and therefore the Group has control over China Coop Mengda. Details are set out in note 10.

Classification of lease contracts as finance leases

The directors of the Company examined the terms of the existing lease contracts as at 30 June 2014 and evaluated the extent to which the risks and rewards incidental to the ownership of leased asset lie with China Coop Mengda as the lessor, or the lessee. In making their judgement, the directors considered the indicators of classification of a lease as a finance lease set out in HKAS 17 "Leases". Taking into account the facts and circumstances, among others, that (i) the lessees have the option to purchase the leased assets at the end of the lease term at a nominal price of RMB1 and RMB100; and (ii) the lessee is required to compensate China Coop Mengda for an amount equivalent to the outstanding finance lease receivable if the lessee cancels the lease, the directors are satisfied that the terms of the leases transferred substantially all the risks and rewards of ownership to the lessees and the lease contracts as at 30 June 2014 are classified as finance leases. Details are set out in note 16.

3. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty

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

Estimated impairment of finance lease receivables

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

During the current interim period, no impairment loss has been recognised for finance lease receivables. As at 30 June 2014, the carrying amount of finance lease receivables is approximately RMB109,507,000.

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 and loan 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 loan receivables and doubtful debt expenses/written back in the period in which the estimate has been changed. The Group reassesses the allowance for bad and doubtful debts at the end of the reporting period. As at 30 June 2014, the carrying amount of trade receivables was approximately RMB13,368,000, net of allowance of approximately RMB49,000 (31 December 2013: RMB4,256,000, net of allowance of RMB49,000) and loan receivables was approximately RMB22,742,000 (31 December 2013: nil).

4. SEGMENT REPORTING

For management purposes, the Group is currently organised into two operating divisions: 1) research, development and distribution of software and provision of related maintenance, usage and information services and 2) finance leasing. These divisions are the basis that is regularly reviewed by the executive directors of the Company, being the chief operating decision maker ("CODM"), in order to allocate resources to the segment and to assess its performance.

For the six months ended 30 June 2013, the Group only operated in a single segment, which was the research, development and distribution of software and provision of related maintenance, usage information services.

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

Six months ended 30 June 2014 (unaudited)

	Research, development and distribution of software and provision of related maintenance, usage and information services RMB'000	Finance leasing RMB'000	Total RMB'000
Segment revenue	45,956	7,486	53,442
Segment result	2,056	6,824	8,880
Unallocated expenses			(15,085)
Other income			1,661
Other gains			1,241
Finance costs			(795)
Loss before tax			(4,098)

4. SEGMENT REPORTING (CONTINUED)

Six months ended 30 June 2013 (unaudited)

	Research, development and distribution of software and provision of related maintenance, usage and information services RMB'000
Segment revenue	47,021
Segment result	2,177
Unallocated expenses	(11,620)
Other income	2,403
Other gains	512
Loss before tax	(6,528)

All of the segment revenue is from external customers except for the revenue arising from finance leasing business amounting to approximately of RMB1,436,000 from a related company.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in the Group's annual report for the year ended 31 December 2013. Segment result represents the profit earned or loss incurred by each segment without allocation of certain unallocated expenses, other income, other gains and finance costs. This is the measure reported to the CODM for the purposes of resources allocation and assessment of segment performance.

4. SEGMENT REPORTING (CONTINUED)

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

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Segment assets		
Research, development and distribution of software and provision of related maintenance, usage and information services	78,910	76,776
Finance leasing	119,614	–
Total segment assets	198,524	76,776

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Segment liabilities		
Research, development and distribution of software and provision of related maintenance, usage and information services	60,485	68,583
Finance leasing	59,760	–
Total segment liabilities	120,245	68,583

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

- all assets are allocated to reportable segments other than property, plant and equipment, investment property, structured deposits, loan receivables, other receivables, deposit paid for acquisition of investment property, bank balances and cash and deposits and prepayments.

- all liabilities are allocated to reportable segments other than convertible loan notes, accruals and other payables.

5. TURNOVER

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Maintenance service and usage fees	**28,275**	27,318
Information service fees	**14,313**	16,372
Sale of computer software	**3,368**	2,859
Finance lease income	**2,443**	–
Consultancy fee income	**5,043**	–
Others	**–**	472
	53,442	47,021

6. OTHER INCOME

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Value added tax refund	**3,801**	3,669
Interest income	**1,026**	1,157
Gross rental income from investment properties	**635**	1,246
Subsidy income	**50**	512
Sundries	**8**	12
	5,520	6,596

7. OTHER GAINS

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Gain from changes in fair value on financial instruments	**1,241**	–
Gain on disposal of investments held for trading	**–**	511
Exchange gains	**137**	1
	1,378	512

8. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest on convertible loan notes	**795**	–

9. LOSS BEFORE TAX

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Loss before tax is arrived at after charging:		
Salaries and other benefits (included directors' remuneration)	**22,249**	17,903
Contributions to retirement benefits scheme	**5,117**	4,913
Total staff costs	**27,366**	22,816
Depreciation of property, plant and equipment	**1,212**	1,394
Depreciation of investment properties	**402**	402
Amortisation of prepaid lease payments	**684**	684
Legal and professional fees (included auditor's remuneration)	**8,598**	4,844
Cost of information service fees	**13,031**	12,362

10. ACQUISITION OF A SUBSIDIARY

On 18 April 2014, the Group acquired approximately 41.18% equity interest in China Coop Mengda by capital injection of RMB70 million. Upon completion of the investment in China Coop Mengda, the Group is able to control over China Coop Mengda pursuant to the terms and conditions of the joint venture agreement because (i) the Group is able to form the quorum for the board of directors' meetings as a related party of the Group, which is an existing equity owner of China Coop Mengda that is entitled to appoint a member of the board of directors of China Coop Mengda, has irrevocably committed to attend the board of directors' meetings of China Coop Mengda; and (ii) the Group is able to appoint four out of seven members to the board of directors of China Coop Mengda to approve decisions on activities that significantly affect the returns of China Coop Mengda by simple majority votes. As such, China Coop Mengda is accounted for as a subsidiary of the Group. In addition, the Group is granted a call option by one of the equity owners of China Coop Mengda to acquire its entire equity interest (approximately 9.91% of the total registered capital) at any time within two years after the date of the joint venture agreement on 21 March 2014. This call option is measured in fair value through profit or loss.

China Coop Mengda is principally engaged in the provision of financial services and was acquired with the objective of diversifying the Group's business.

Capital injection as consideration

	RMB'000
Cash	70,000

Acquisition-related costs amounting to approximately RMB1,785,000 have been excluded from the cost of acquisition and have been recognised directly as an expense in the period and included in the "administrative expenses" line item in the condensed consolidated statement of profit or loss and other comprehensive income.

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

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

10. ACQUISITION OF A SUBSIDIARY (CONTINUED)

Goodwill arising on acquisition

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

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

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

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

Net cash inflow arising on acquisition

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

10. ACQUISITION OF A SUBSIDIARY (CONTINUED)

Impact of acquisition on the results of the Group

Included in the loss for the current interim period is a profit of RMB4,016,000 attributable to China Coop Mengda. Revenue for the current interim period includes RMB7,486,000 is attributable to China Coop Mengda.

Had the acquisition of China Coop Mengda been effected at the beginning of the current interim period, the total amount of revenue of the Group for the six months ended 30 June 2014 would have been approximately RMB56,018,000, and the amount of the loss for the interim period would have been approximately RMB4,656,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the interim period, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and loss of the Group had China Coop Mengda been acquired at the beginning of the current interim period, the directors calculated depreciation of plant and equipment based on the recognised amounts of plant and equipment at the date of the acquisition.

11. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax – PRC Enterprise Income Tax ("EIT")		
– Charge for the period	**1,338**	–

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.

The Group's operating subsidiaries, Shanghai Qianlong Network Technology Company Limited ("Qianlong Network") and Shanghai Qianlong Advanced Technology Company Limited ("Qianlong Advanced"), used the preferential enterprise income tax at the concessionary rate of 15% as the directors of the Company are confident that Qianlong Network and Qianlong Advanced will obtain the renewal of the High-New Technology Enterprise Certificate and enjoy the preferential tax rate from 2014 to 2016. Such renewals are expected to be completed in second half of 2014. During the six months ended 30 June 2014, no income subject to EIT is generated by Qianlong Network and Qianlong Advanced.

12. DIVIDEND

No dividend were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

13. LOSS PER SHARE

The calculation of the basic loss per share attributable to the owners of the Company is based on the following data:

Loss

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Loss for the purposes of basic loss per share	**(7,806)**	(6,528)

Number of Shares

	'000	'000
		(Restated)
Weighted average number of ordinary shares for the purposes of basic loss per share	**1,280,624**	1,010,400

The weighted average number of shares for current period for the purposes of basic loss per share has been adjusted for the conversion of convertible loan notes in January 2014 (details of the conversion of convertible loan notes are disclosed in note 20) and the subdivision of the Company's ordinary shares in February 2014 (details of the shares' subdivision are disclosed in note 22). For the six months ended 30 June 2013, the weighted average number of shares for the purposes of basic loss per share has been adjusted for the share subdivision and the basic loss per share has been restated accordingly.

The Group has no outstanding potential ordinary shares as at 30 June 2014 and 2013.

14. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group incurred approximately RMB726,000 (2013: nil) for leasehold improvement of office premises and RMB257,000 (2013: RMB125,000) for acquisition of computer and furniture, fixtures and office equipment in order to meet the administrative needs.

15. INVESTMENT PROPERTIES

	Carrying values	
	2014 **RMB'000**	2013 RMB'000
At 1 January (audited)	**14,791**	15,594
Depreciation for the period	**(402)**	(402)
At 30 June (unaudited)	**14,389**	15,192

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 30 June 2014 was RMB15,181,000 (31 December 2013: RMB15,413,000). 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 transaction price available in relevant market for similar properties and adjusted to reflect the heights and directions of the Group's investment properties. There has been no change from the valuation technique used in the prior year.

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

Market comparable approach has been adopted for valuing the Group's commercial property units. One of the key inputs used in valuing the Group's commercial property units was the selling price per square meter, which ranged from RMB8,058 to RMB8,539 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 30 June 2014 are as follows:

	Level 3 RMB'000	**30 June 2014 RMB'000**
Commercial property units located in the PRC	15,181	**15,181**

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

* The English name is for identification purpose only.

16. FINANCE LEASE RECEIVABLES

	Minimum lease receipts		Present value of minimum lease receipts	
	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)	**30 June 2014 RMB'000 (unaudited)**	31 December 2013 RMB'000 (audited)
Finance lease receivables comprise:				
Within one year	**28,174**	–	**20,600**	–
In more than one year but not more than two years	**25,734**	–	**16,387**	–
In more than two years but not more than five years	**91,437**	–	**72,520**	–
	145,345	–	**109,507**	–
Less: Unearned finance lease income	**(35,838)**	–	**N/A**	N/A
Present value of minimum lease receipts	**109,507**	–	**109,507**	–

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Analysed as:		
Current finance lease receivables (receivable within twelve months)	**20,600**	–
Non-current finance lease receivables (receivable after twelve months)	**88,907**	–
	109,507	–
Finance lease receivable from a related company (note 24)	**69,158**	–
Finance lease receivable from a third party	**40,349**	–
	109,507	–

16. FINANCE LEASE RECEIVABLES (CONTINUED)

Effective interest rates per annum of the above finance lease receivables on three lease agreements as at 30 June 2014 are as follows:

Effective interest rates	
Fixed-rate finance lease receivables	10.9% to 12.9%

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

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

Specifically, finance lease receivable of RMB69,158,000 at 30 June 2014 involved a sale and lease back arrangement with a related party, whereby the related party sold certain motor vehicles, fixtures and electrical equipment and immediately leased back these assets from the Group under a non-cancellable lease term of five years. The directors evaluated that the leaseback is a finance lease, and the Group in substance provided finance to the related party with these assets as security. The outstanding receivable is also secured over certain land and hotels located in Lushan in Jiangxi Province, owned by another related party. The relationship with this related party is set out in note 24.

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

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

17. DEPOSIT FOR ACQUISITION OF INVESTMENT PROPERTY, TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(a) Deposit for acquisition of investment property

Amount represented a deposit of US$5.75 million (equivalent to RMB34,530,000) paid to an escrow agent for identifying potential investment property. At the end of the reporting period, no formal sale and purchase agreement being entered by the Group and with no capital commitment liable to the Group.

17. DEPOSIT FOR ACQUISITION OF INVESTMENT PROPERTY, TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

(b) Trade and other receivables

	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
Trade receivables	**13,417**	4,305
Less: allowance for doubtful debts	**(49)**	(49)
	13,368	4,256
Loan receivables (Note)	**22,742**	–
Other receivables	**7,423**	2,400
	43,533	6,656

Note: Amounts represent loans advanced to independent corporations during the current interim period. The loans are repayable within one year from the inception date and the amounts are unsecured and bear interest at fixed rate of 18% per annum.

The Group's policy is to allow an average credit period ranged from 30 to 180 days (2013: 30 days) from the date of billing to its trade customers.

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

	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
0 to 30 days	**7,664**	2,767
31 to 90 days	**3,552**	282
91 to 365 days	**1,584**	777
Over 365 days	**568**	430
	13,368	4,256

17. DEPOSIT FOR ACQUISITION OF INVESTMENT PROPERTY, TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

(c) Deposits and prepayments

	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
Deposits	**869**	1,103
Prepaid professional fee	**1,638**	3,151
Prepaid data fee	**443**	1,249
Prepaid rent	**674**	737
Prepaid network custody fee	**2,371**	531
Others	**1,482**	832
	7,477	7,603

18. TRADE AND OTHER PAYABLES

	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
Trade payables	**1,541**	1,265
Salaries and bonus payables	**3,626**	8,700
Receipts in advance	**1,109**	3,694
Accruals	**2,851**	2,329
Payables to agricultural merchants (Note)	**10,159**	–
Other payables	**3,452**	1,980
Rental deposits received	**–**	407
	22,738	18,375

Note: The Group will make capital contribution in the amount of RMB35.5 million to form an investment (see note 23) according to the joint venture agreement dated 21 March 2014 and the investee will mainly focus on the provision of agricultural financial services, in particular finance and payment services with focus on Beijing and Hebei Province of the PRC at the initial stage. The investee has obtained the required license and permits for the operation of its business, including the payment business for handling prepaid card issuance and acceptance business. The above amounts represented payables to merchants for the trial run of such agricultural financial services business. The corresponding bank receipts of approximately RMB10,159,000 were deposited into the restricted bank account which are shown as restricted bank deposits.

18. TRADE AND OTHER PAYABLES (CONTINUED)

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

	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
0 to 30 days	**689**	782
31 to 90 days	**852**	483
	1,541	1,265

The average credit period on purchases of goods ranges from 30 to 90 days (2013: ranges from 30 to 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

19. BANK BORROWINGS

During the six months ended 30 June 2014, the Group acquired bank borrowing amounting to approximately RMB23 million from the acquisition of a subsidiary (details are set out in note 10) and the Group obtained a new bank loan amounting to approximately RMB36 million (six months ended 30 June 2013: nil).

The loans carry interest at fixed market rates ranged from 6.765% to 7.13% per annum (six months ended 30 June 2013: nil) and are repayable in instalments over a period of ranged from three to five years. The proceeds were mainly used in the finance leasing business.

20. CONVERTIBLE LOAN NOTES

On 28 January 2014, the Company received a conversion notice from Parko (Hong Kong) Limited ("Parko") (see also note 26) in respect of the full conversion of all of the convertible loan notes (the "Notes") in the principal amount of approximately HK$151,008,000. As a result of this conversion, the Company has allotted and issued a total of 79,477,642 shares to Parko at the conversion price of HK$1.9. The movements of the liability component of the Notes for the period/year is set out below:

	Six months ended 30 June 2014 RMB'000 (unaudited)	Year ended 31 December 2013 RMB'000 (audited)
Carrying amount at the beginning of the period/year	**71,226**	–
Issuance of convertible loan notes	**–**	70,868
Interest charge	**795**	2,152
Interest paid	**(714)**	–
Transaction costs attributable to the liability component	**–**	(1,459)
Conversion of convertible loan notes	**(71,307)**	–
Exchange realignment	**–**	(335)
Carrying amount at the end of the period/year	**–**	71,226

21. DEFERRED REVENUE

	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
Amounts to be recognised as revenue within one year, classified as current liabilities	**43,146**	41,241
Amounts to be recognised as revenue after one year, classified as non-current liabilities	**9,019**	9,219
	52,165	50,460

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

22. SHARE CAPITAL

	Number of ordinary shares '000	Share capital RMB'000
Authorised:		
At 1 January 2013, 30 June 2013 and 1 January 2014 – Ordinary shares of HK$0.1	1,000,000	106,510
Share subdivision (Note)	3,000,000	–
At 30 June 2014 – Ordinary shares of HK$0.025	4,000,000	106,510
Issued and fully paid:		
At 1 January 2013, 30 June 2013 and 1 January 2014 – Ordinary shares of HK$0.1	252,600	26,128
Conversion of convertible loan notes (see note 20)	79,478	6,247
Share subdivision (Note)	996,234	–
At 30 June 2014 – Ordinary shares of HK$0.025	1,328,312	32,375

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

Note: On 10 February 2014, the shareholders of the Company passed the resolution of each existing issued and unissued share of HK$0.10 each in the existing share capital of the Company be subdivided into four subdivided shares of HK$0.025 each in the share capital of the Company (the "Share Subdivision") and the authorised share capital of the Company is HK$100,000,000 divided into 4,000,000,000 shares of HK$0.025 each immediately upon the Share Subdivision being effective.

23. CAPITAL COMMITMENT

	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided	–	601
Capital expenditure in respect of the formation of an investment contracted for but not provided	35,500	–
Capital expenditure in respect of the formation and acquisition of investments authorised but not contracted for	–	105,500

In addition, the Group entered into a cooperation framework agreement for investment in development and operation of agricultural products trading business and rural land property rights transfer business in China with Guangzhou Exchange Group Co., Ltd. on 4 June 2014. There is no specific investment commitment authorised or contracted by the Group in the agreement. Subsequently, the Group proposed to use approximately 60% of the proceeds from placing of new shares and subscription of new shares as disclosed in note 27(c) for the development of the agricultural products trading business.

24. RELATED PARTY TRANSACTIONS

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

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

	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
Finance lease receivable from a related company (note 16)	**69,158**	–
Amount due to Parko	**–**	(1,068)

	At 30 June 2014 RMB'000 (unaudited)
Carrying amount classification:	
Current	**3,428**
Non-current	**65,730**
Finance lease receivable from a related company	**69,158**

Finance lease receivable from a related company indirectly controlled by All China FSMC included in finance lease receivables is secured over machineries, motor vehicles and fixtures leased plus certain land and hotels, located in Lushan in Jiangxi Province, owned by another related party which is also controlled by All China FSMC, and carries interest at the rate of 10.9% per annum and is repayable according to the relevant lease schedule.

24. RELATED PARTY TRANSACTIONS (CONTINUED)

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

Amount due to Parko was unsecured, interest-free and repayable on demand. The amount was fully settled during the current interim period.

Loan receivables advanced to independent corporations (see note 17(b)) at the end of the reporting period was indemnified by the immediate parent of the Company against any default payments.

(b) Transaction with All China FSMC Group

	Six months ended 30 June	
	2014 **RMB'000** **(unaudited)**	2013 RMB'000 (unaudited)
Finance lease income	**1,436**	–

(c) Balances with other PRC government-related entities

Apart from the balances with All China FSMC Group as disclosed in notes 24(a) and (b), the Group has entered into various transactions in its ordinary course of business including bank balances, restricted bank deposits and bank borrowings, with certain banks which are government-related entities. As at 30 June 2014, 48%, 100% and 100% (31 December 2013: 27%, nil and nil) of bank balances, restricted bank deposits and bank borrowings are held with these government-related banks.

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

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

	Six months ended 30 June	
	2014 **RMB'000** **(unaudited)**	2013 RMB'000 (unaudited)
Salaries and other benefits	**3,828**	1,651

25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

Investment in a call option and 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 values	Fair value hierarchy	Valuation technique and key inputs	Relationship of unobservable inputs to fair value
Call option classified as other financial asset in the condensed consolidated statement of financial position	Asset – RMB624,000 as at 30 June 2014	Level 3	Binomial tree option pricing Key unobservable inputs are: exercise price, expected volatility and risk free rate	The higher the exercise price, the lower the fair value. The higher the expected volatility, the higher the fair value. The higher the risk free rate, the lower the fair value.
Structured deposits	Bank deposits in Mainland China with non-closely related embedded derivative: RMB37,300,000 (audited) as at 31 December 2013	Level 3	Discounted cash flows Key unobservable inputs are: expected yields of money market instruments and debt instruments invested by banks and a discount rate that reflects the credit risk of the banks (Note)	The higher the expected yield, the higher the fair value The higher the discount rate, the lower the fair value

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

25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

For the six months ended 30 June 2014, all structured deposits have been redeemed by the Group and no structured deposits was held by the Group at the end of the reporting period.

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

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

26. MAJOR NON-CASH TRANSACTION

During the six months ended 30 June 2014, conversion shares of 79,477,642 were conversed by capitalisation of liability and equity component of convertible loan notes at the date of conversion on 28 January 2014.

27. EVENTS AFTER REPORTING PERIOD

(a) Possible Acquisition

On 1 August 2014, the Company entered into a memorandum of understanding ("MOU") with Sinoagri Agricultural Machinery Holdings Company Limited* (中農集團農機控股有限公司) ("Sinoagri Machinery Holdings") in relation to the possible acquisition by the Company of an interest in Hebei Sinoagri Boyuan Agricultural Machinery Company Limited* (河北中農博遠農業裝備有限公司) ("Hebei Sinoagri Boyuan") which is principally engaged in the manufacturing and sales of agricultural machinery in the PRC (the "Proposed Acquisition").

Pursuant to the MOU, it is proposed that the Company may acquire not more than 51% of the equity capital in Hebei Sinoagri Boyuan through acquisition of existing shares and/or subscription of new shares. The parties to the MOU would continue to negotiate with a view to finalising a formal agreement with regard to the Proposed Acquisition.

Details of the above are set out in the Company's announcement dated 4 August 2014.

* *English name is for identification purpose only.*

27. EVENTS AFTER REPORTING PERIOD (CONTINUED)

(b) Proposed capital contribution in a subsidiary

On 14 August 2014, Ever Harvest Inc Limited ("Ever Harvest") a wholly-owned subsidiary of the Company, entered into capital contribution agreement with China Coop Mengda. Ever Harvest has conditionally agreed to make further capital contribution to China Coop Mengda within the range of RMB200,000,000 to RMB391,124,000 ("Capital Contribution"). Upon completion of the Capital Contribution, on the assumption that all other equity owners of China Coop Mengda will not make any further capital contribution to China Coop Mengda, the equity interests held by Ever Harvest in China Coop Mengda will be increased from approximately 41.18% to approximately 82.18% (based on the maximum capital contribution of RMB391,124,000).

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

(c) Share placement and subscription of shares

On 14 August 2014, the Company entered into a conditional placing agreement with placing agents. The placing agents have severally and conditionally agreed to procure a total of not less than six placees to subscribe for up to a maximum of 243,900,000 placing shares within the placing price range of HK$2.80 to HK$3.28 per placing share.

On the same date, the Company entered into a subscription agreement with the Parko (the "Subscriber"), a substantial shareholder of the Company, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue ordinary shares of the Company in a number equivalent to 1.05 times of the number of up to 243,900,000 new ordinary shares of the Company actually placed under the placing agreement up to a maximum of 256,100,000 new ordinary shares of the Company at a price equivalent to the final placing price.

Details of the above are set out in the Company's announcement dated 14 and 15 August 2014.

(d) Cancellation arrangement on deposit paid

On 20 August 2014, the Group had arranged and circulated a termination notice to the escrow agent for the refund of the deposit paid of US$5.75 million (equivalent to RMB34,530,000) for identifying potential investment property (see note 17(a)). The deposit is expected be subsequently refunded to the Group in September 2014.

28. COMPARATIVE FIGURES

Certain comparative information in the condensed consolidated financial statements have been restated to conform to current period presentation.

BUSINESS REVIEW

In the first half of 2014, China's economy remained stable in general, had made progress while maintaining stability with structural adjustments and demonstrated a positive trend of transformation. The nation's key economic indicators are in line with pre-set goals, with GDP attaining a year-on-year growth of 7.4%. During the period, strenuous efforts continued to support the development of "agriculture sector, rural areas and farmers". With the strong support of Hebei Supply and Marketing Cooperative (河北供銷合作總社) ("Hebei SMC"), National Agricultural Holdings continued to develop in a steady pace towards the predetermined goals to develop the businesses of "rural finance services", "trading in agricultural means of production" and "urbanization development".

China's stock market underperformed in the first half of the year, with weak Shanghai and Shenzhen stock exchanges indices. Shanghai Stock Exchange Composite Index dropped by 3.2% cumulatively in the first half of the year, worse than major market indices in the rest of the world. The sluggish performance of the stock market contributed negatively to the enthusiasm and confidence of stock investors to a certain extent, and inevitably curtailed market demand for financial information services. Affected by these factors, the Group recorded a drop in both turnover and profit in its financial information services segment and software terminal operations segment.

In March 2014, the Group through its wholly-owned subsidiary Ever Harvest Inc Limited (禾恒有限公司) ("Ever Harvest"), entered into two joint venture agreements 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") and the shareholders of China Coop Financial Leasing Co., Ltd.* (中合盟達融資租賃有限公司) ("China Coop Mengda"), setting its foothold in rural finance and finance lease businesses. Pursuant to the agreement between Ever Harvest and Xinyuan, Ever Harvest agreed to make a capital contribution of RMB35.50 million to the joint venture, equivalent to 71% interest, which focuses on the provision of agricultural financial services, in particular finance and payment services. Pursuant to the agreement between Ever Harvest and the shareholders of China Coop Mengda, Ever Harvest agreed to make a capital contribution of RMB70 million to China Coop Mengda, equivalent to 41.18% interest, which focuses on the provision of agricultural financial services including financial leasing, general leasing business, acquisition of leasing properties, treatment and maintenance of leasing properties and the provision of consultancy and guarantee in leasing transactions. Further, as announced by the Company on 14 August 2014, it has conditionally agreed to make further capital contribution to China Coop Mengda within the range of RMB200 million to RMB391 million, which will increase the equity interests held by the Group in China Coop Mengda to approximately 82.18% (on the assumption that all other shareholders will not make any further capital contribution to China Coop Mengda and based on the maximum capital contribution). These investments and proposed investments have exemplified the Group's strategic planning in pioneering in the development of agricultural financial services. The Group will become well-positioned in capturing the vast opportunities to be presented by the trend of modernization of China's rural areas.

MANAGEMENT DISCUSSION AND ANALYSIS

After establishing its foothold in financial leasing businesses, the Group continued to extend its business scope to cover agri-related payment services during the period. In April 2014, National Agricultural Holdings entered into a joint operating agreement with UnionPay Network Payment Co., Ltd. (銀聯網絡支付有限公司). Using the prepaid "Shangyintong" card system, which acts as a national platform for value-added business, both parties will establish a banking account function that allows customers to use one UnionPay card to manage two accounts, including a National Agricultural electronic prepayment account, which is mainly designed for professional agricultural related market payments and cash sweep services. The "One Card, Two Accounts" fund settlement and consumption system was launched on 30 June 2014 to embark upon an initial stage of pilot run. Since the day of launch, the system has been performing well and has laid a solid foundation for the Group's mission of becoming a leader in internet finance related to "agriculture sector, rural areas and farmers".

In addition, the Group also made its proactive planning for agricultural products trading business and rural land property rights transfer business, thereby further expanding its scope of services for "agriculture sector, rural areas and farmers". In June 2014, the Group entered into a cooperation framework agreement with Guangzhou Exchange Group Co., Ltd (廣州交易所集團有限公司) ("Guangzhou Exchange Group"). Pursuant to the agreement, the Group was granted an exclusive right to cooperate with Guangzhou Exchange Group on a nationwide basis. It will embark upon full-scale cooperation with Guangzhou Exchange Group in two segments, namely agricultural products trading business and rural land property rights transfer business. The Group will work with Guangzhou Commodity Exchange Limited (廣州商品交易所有限公司), a subsidiary of Guangzhou Exchange Group, to establish an agricultural products trading platform. On this platform, the Group will consolidate and recommend the types of products to be launched, develop relevant members including trading participants to be organized within the framework agreement, organize trading to be conducted by members, and provide services to trading participants including logistics, warehousing and finance agency which relate to spot commodities trading. The Group will also cooperate with Guangzhou Exchange Group in running the trading platform of the Guangzhou Agricultural Equity Exchange, and work together to operate rural land property rights transfer business. Such moves will foster and expedite the development of National Agricultural and fuel the Group's attainment of its goal of becoming a leader in the e-commerce arena for "agriculture sector, rural areas and farmers".

FINANCIAL REVIEW

For the six months ended 30 June 2014, the Group reported a turnover of RMB53,442,000, representing an increase of 13.66% as compared with the same period last year. Gross profit increased by 20.72% to RMB39,440,000. Loss attributable to the equity holders was RMB7,806,000, compared to a loss of RMB6,528,000 in the same period last year. Basic and diluted loss per share was RMB0.61 cents, compared to basic loss per share of RMB0.65 cents (restated) in the same period last year.

The loss recorded for the six months ended 30 June 2014 was mainly attributable to the following reasons:

(1) the increase in total expenditure of the Group in view of the increase in staff costs, expenses on rental payment and administration for the Group's office in Hong Kong which became operational in January 2014; and

(2) the increase in expenses incurred for business development and fees paid to independent financial advisers, accountants and legal advisers.

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

In the first half of 2014, China's economy remained stable in general, had made progress while maintaining stability with structural adjustments. Nevertheless, China's stock market underperformed in the first half of 2014, with the nation's A-share stock market sustaining a trend of adjustments, as demonstrated by the fluctuation of the Shanghai Stock Exchange Composite Index within a 10% range (with a 3.02% decrease of the Shanghai Stock Exchange Composite Index in the first half of the year), which represented the smallest amplitude of vibration for the Composite Index in the last 24 years. The sluggish performance of the stock market contributed negatively to the enthusiasm of stock investors and curtailed market demand for financial information services, posing challenge to the Company's market development and revenue. Amid such adversity, the Group adhered to its strategy of innovative development. Grasping control over its overall costs, we stepped up investments in research and development. Product innovation, sales innovation and market innovation were all means for stimulating new demand from users, creating new areas of profit growth, and fostering the ongoing and steady development of the Company.

For the market of software for US stocks, Qianlong US Stocks Software (錢龍美股通軟件), is gradually expanding its user base and winning increasingly better reputation among the users. The lately-developed supporting tools including WeChat services have also driven product promotion. Following successful promotion and pilot run, the products are generating sales among funds and high-end customers.

With the restart of IPO in China's A-share stock market, the functionality of Qianlong's IPO tools (錢龍新股王) is swiftly receiving positive responses from users. The strategic free-of-charge usage has won a large pool of users and has converged precious flow of potential users for more value-added products. Meanwhile, the lately-developed high-end products including fortune matrix (財富矩陣), position password top edition (席位密碼至尊版) etc. have exemplified the uniqueness of Qianlong in vast data analysis, attained sound result as a practical tools for users, and won the trust and confidence from the users. In addition, for the corporate user market, we continued to strengthen the promotion and sales of the Qianlong securities service platform in response to the demand arising from the needs for business transformation in a new landscape faced by securities firms. We are thereby helping increasingly more brokerage firms which have achieved successful applications in delivering high-quality services and precise sales and marketing by using the platform. The number of new signing of clients is on an exponential rising track.

The Company also grasped the opportunities presented by the imminent launch of option trading, by proactively responding to and organizing the research and development of "Qianlong Option Kit" (錢龍期權寶) software with industry-leading standard. This professional option platform with market information, strategy and trading enjoys the advantage of clear interface and easy-to-understand operation and can connect to the stock market, option market and futures market concurrently. Appointments have been made by a larger number of brokerage firms and funds, and swift and substantial growth in turnover of the Company is expected once option products are officially released.

In addition, the Group also made good progress in its market of Hong Kong Stock software. Apart from Qianlong Hong Kong Stock software for use by individual investors, which continued to win support of professional investors in Hong Kong stocks by riding on its continual uplifting of functions and vast number of practical and innovative functions, the Group also worked on upcoming businesses under the mutual stock market access between Hong Kong and Shanghai to be in place in the fourth quarter of the year and developed a series of products which offer revealing of market information, technical analysis, entrusted order taking, platform management etc. for the dealing of stocks by domestic or overseas investors. This is also expected to contribute remarkably to the Group's rise of revenue.

ADMINISTRATIVE EXPENSES

For the six months ended 30 June 2014, the Group's administrative expenses increased by nearly 19.40% to RMB18,607,000, primarily due to the increase in rental expenses and staff costs in respect of its office in Hong Kong.

WORKING CAPITAL AND FINANCIAL RESOURCES

As at 30 June 2014, the Group's cash and cash equivalents amounted to RMB184,209,000 (31 December 2013: RMB180,020,000), representing an increase of nearly 2.3%. It was attributable to the impact of net cash inflows from proceeds from bank borrowings and the consolidation of cash and cash equivalent to the Group upon acquisition of China Coop Mengda and loans advanced from third parties and deposit paid to an escrow agent.

MAJOR INVESTMENTS

On 4 June 2014, pursuant to a joint venture agreement dated 21 March 2014, Ever Harvest made its capital contribution to China Coop Mengda in the amount of RMB70 million in full, and became holder of approximately 41.2% equity interest of China Coop Mengda. China Coop Mengda's total registered capital amounted to RMB170 million. Further, as announced by the Company on 14 August 2014, it has conditionally agreed to make further capital contribution to China Coop Mengda within the range of RMB200 million to RMB391 million. Upon completion of the further capital contribution, on the assumption that all other shareholders will not make any further capital contribution to China Coop Mengda, the equity interests held by the Group in China Coop Mengda will be increased from approximately 41.18% to approximately 82.18%.

Pursuant to a joint venture agreement dated 21 March 2014, Ever Harvest will contribute RMB35.5 million to a joint venture focusing on the provision of agricultural financial services and will hold 71.0% equity interests in this joint venture.

GEARING RATIO

As at 30 June 2014, the Group's total gearing ratio (total borrowings divided by total equity) was 17.04% (31 December 2013: 41.84%). The Group's assets were not subject to any charges or mortgages.

EXPOSURE ON EXCHANGE RATE FLUCTUATION

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

EMPLOYMENT AND REMUNERATION POLICIES

The total number of staff of the Group as at 30 June 2014 was 401 (2013: 401). The Group offers a remuneration package by reference to prevailing market conditions and performance, qualifications and experience of individual employees. Other benefits for employees include retirement benefit, provident fund and medical insurance scheme. For the six months ended 30 June 2014, the total cost for staff (including salary, bonus and other welfare) was approximately RMB27,366,000 (2013: RMB22,816,000), representing an increase of 19.93% as compared to the same period of 2013.

Adoption of a share option scheme has been approved at the annual general meeting of the Company held on 12 June 2014. As at 30 June 2014, the Company had not granted any share options pursuant to the share option scheme.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2014.

IMPORTANT EVENTS AFTER 30 JUNE 2014

(i) **Possible acquisition of interests in Hebei Sinoagri Boyuan Agricultural Machinery Company Limited* (河北中農博遠農業裝備有限公司) ("Hebei Sinoagri Boyuan")**

On 1 August 2014, the Company entered into a memorandum of understanding ("MOU") with Sinoagri Agricultural Machinery Holdings Company Limited* (中農集團農機控股有限公司) in relation to the possible acquisition by the Company of not more than 51% equity interests in Hebei Sinoagri Boyuan. Hebei Sinoagri Boyuan is principally engaged in the manufacturing and sales of agricultural machinery and is based in Hebei Province of the PRC.

The parties to the MOU is currently negotiating with a view to finalizing a formal agreement with regard to the proposed transaction.

For further information, please refer to the announcement of the Company dated 4 August 2014.

(ii) Possible further capital contribution to China Coop Mengda

On 14 August 2014, Ever Harvest entered into a capital contribution agreement with China Coop Mengda, pursuant to which Ever Harvest has conditionally agreed to make further capital contribution to China Coop Mengda within the range of RMB200,000,000 to RMB391,124,000.

Upon completion of the further capital contribution, on the assumption that all other shareholders will not make any further capital contribution to China Coop Mengda, the equity interests held by Ever Harvest in China Coop Mengda will be increased from approximately 41.18% to approximately 82.18% (based on the maximum capital contribution of RMB391,124,000).

For further information, please refer to the announcement of the Company dated 14 August 2014.

(iii) Possible placing of new shares under specific mandate and possible subscription of new shares under specific mandate

On 14 August 2014, the Company entered into a placing agreement ("Placing Agreement") with certain placing agents in relation to a possible placing of up to a maximum of 243,900,000 shares within the placing price range of HK$2.80 to HK$3.28 per share.

In addition, on 14 August 2014, the Company has entered into a subscription agreement with Parko (Hong Kong) Limited ("Parko"), the controlling shareholder of the Company, pursuant to which Parko has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue shares in a number equivalent to 1.05 times of the number of placing shares actually placed under the Placing Agreement up to a maximum of 256,100,000 new shares at a price equivalent to the placing price.

For further information, please refer to the announcements of the Company dated 14 and 15 August 2014.

OUTLOOK

Going forward, the Group expects that the pace of the development of China's "agriculture sector, rural areas and farmers" will increase against the backdrop of the nation's economy being back on a rising track and the central government's strenuous support for such development. The expedited development of rural areas will bring forth sustainable upgrade of farmers' lives and in turn their consumption power. As the only overseas capital market platform for China's nationwide supply and marketing system, the Group will leverage on the full support from Hebei SMC and its own competitive strengths to grasp market opportunities amidst a favorable business environment. It will work pragmatically on its three business segments namely "rural finance services", "trading in agricultural means of production" and "urbanization development". By combining internal and external resources and taking advantage of cooperation in terms of uplifted efficiency, the Group will strive for a more favorable position to grasp the business opportunities presented in the area of "agriculture sector, rural areas and farmers".

On 1 August 2014, the Group entered into a memorandum of understanding (the "MOU") with Sinoagri Agricultural Machinery Holdings Company Limited* (中農集團農機控股) ("Sinoagri Machinery Holdings"). Pursuant to the MOU, it is proposed that the Company may acquire not more than 51% of the equity capital in Hebei Sinoagri Boyuan Agricultural Machinery Company Limited* (河北中農博遠農業裝備有限公司) ("Hebei Sinoagri Boyuan"), which is owned as to 55% by Sinoagri Machinery Holdings, through acquisition of existing shares and/or subscription of new shares. This represented the Group's further step in bringing forth diversity to the agricultural segment of Agri Exchange in terms of agricultural machinery transactions, following the Group's cooperation with UnionPay Network and Guangzhou Exchange in expanding payment businesses for agricultural finance and platform for the trading of agri-related products. On the one hand, it will generate further income for the Group in the interest of the shareholders. On the other hand, it will upgrade the existing mode of trading of the agricultural machinery market and provide farmers with services of better quality for trading of agricultural machinery at lower costs, in tandem with China's trend of more usage of machinery in agricultural production. Hebei Sinoagri Boyuan is one of the pioneers in the research and development and the manufacturing of corn harvesting machines in China. Its principal business activities include the manufacturing and sale of agricultural machinery, such as corn harvesting machines and wheat harvesting machines.

While the areas of rural finance and e-commerce for "agriculture sector, rural areas and farmers" are up and running, the Group will strive to become an industry leader and steer itself towards the strategic direction enshrined under the nation's strenuous support for the development of major agricultural firms and new-model urbanization. Adhering to the mission of "helping farmers, improving their living standards and strengthening the agricultural sector", National Agricultural Holdings will act in tandem with the upgrading initiatives of Supply and Marketing Cooperative. Apart from its own business growth, National Agricultural Holdings will work towards serving China's "agriculture sector, rural areas and farmers" and contribute to solving issues in those areas.

* *English name is for identification purpose only.*

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

As at 30 June 2014, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long Positions in the Shares of the Company

Name of Director	Capacity	Number of ordinary shares of the Company	Percentage of the Company's issued share capital as at 30 June 2014 (Approximate)
Ms. Wen Yuanyi	Personal interest	107,864 (Note)	0.00008

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

Long Position in the Shares of the Associated Corporation

Name of Director	Number of shares	Name of associated corporation	Nature of interest	Percentage of the issued share capital of the associated corporation (Approximate)
Mr. Chen Li-Jun	13,950,000	河北省農業生產資料有限公司	Corporate interest (Note)	15.50%

Note: 河北省農業生產資料有限公司 owned 51% of Million Rich Hong Kong Holdings Company Limited which in turn owned 100% issued share capital Parko (Hong Kong) Limited ("Parko"). Parko owned approximately 51.00% of the Company as at 30 June 2014. As such, 河北省農業生產資料有限公司 was a holding company of and therefore an associated corporation of the Company pursuant to section 308 of the SFO. Mr. Chen Li-Jun held 15.5% interest in 河北省農業生產資料有限公司.

Save as disclosed above, as at 30 June 2014, none of the Directors nor the chief executives of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were recorded in the register maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' OR OTHERS' INTERESTS IN THE SECURITIES OF THE COMPANY

As at 30 June 2014, so far as are known to any Director or chief executives of the Company, the following parties (other than the Directors or chief executives of the Company) had interests in the shares of the Company as recorded in the register required to be kept pursuant to section 336 of the SFO:

Name	Nature of interest and capacity	Long/short position	Number of shares held	Percentage of shareholding as at 30 June 2014 (Approximate)
Parko (Hong Kong) Limited	Beneficial owner	Long Short	677,438,392 47,368,421 (Note)	51.00 3.57
Million Rich Hong Kong Holdings Company Limited ("Million Rich")	Interest in controlled corporation	Long Short	677,438,392 47,368,421 (Note)	51.00 3.57
Hebei Agricultural Means of Production Company Limited* 河北省農業生產資料有限公司 ("Hebei AMP")	Interest in controlled corporation	Long Short	677,438,392 47,368,421 (Note)	51.00 3.57
Hebei New Cooperation Group Holdings Limited* 河北省新合作控股集團有限公司 ("Hebei New Cooperation")	Interest in controlled corporation	Long Short	677,438,392 47,368,421 (Note)	51.00 3.57
Mr. Chou Shih-Chung	Beneficial owner	Long	91,792,000	6.91

Note: Hebei AMP and Hebei New Cooperation owned 51% and 49% of Million Rich respectively. Million Rich in turn owned 100% issued share capital in Parko which owned approximately 51.00% of the issued share capital in the Company. Million Rich, Hebei AMP and Hebei New Cooperation are deemed to be interested in the Shares held by Parko for the purpose of Part XV of the SFO.

Save as disclosed above, as at 30 June 2014, so far as are known to any Directors or chief executives of the Company, no other substantial shareholder or person had an interest or short position in the shares or underlying shares in the Company which are required to record in the register kept by the Company under section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2014, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

The Company's deviations from the Corporate Governance Code during the six months ended 30 June 2014 are set out below:

Code	Deviation(s)	Explanation
A.6.4	No written guidelines have been established for relevant employees in respect of their dealings in company's securities.	According to paragraph A.6.4 of the Corporate Governance Code, 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.
C.1.2	Management accounts were not provided to all members of the Board on a monthly basis.	According to paragraph C.1.2 of the Corporate Governance Code, management should provide all members of the board with monthly updates giving a balanced and understandable assessment of listed company's performance, position and prospects. In view of the simplicity of the Company's business at this stage, consolidated financial statements prepared at quarterly intervals are provided to Board members. However, management shall continue to review the need for providing monthly updates to the Board.

Save the aforesaid, the Company has applied the principles and complied with all applicable code provisions of the Corporate Governance Code during the six months ended 30 June 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. All Directors have confirmed, following specific enquiry made by the Company, that they have complied with the Model Code throughout the six months ended 30 June 2014.

OTHER INFORMATION

AUDIT COMMITTEE

As at the date of this report, the Audit Committee of the Company consists of Ms. Chiu Kam Hing Kathy, Mr. Ting Tit Cheung, Mr. Shum Wan Lung and Mr. Law Yee Kwan Quinn.

The interim results of the Group for the six months ended 30 June 2014 are unaudited and have not been reviewed by the auditor of the Company. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the condensed consolidated financial statements for the six months ended 30 June 2014.

APPRECIATION

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

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

The interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the Company's website at www.natagri.com.hk. The interim report will be despatched to the shareholders and available on the website of the Stock Exchange and that of the Company in due course.

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