China Agri-Products Exchange Limited

(Formerly known as China Velocity Group Limited)

Stock Code : 149

Annual Report 2007

Cultivate Quality

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Corporate Information

BOARD OF DIRECTORS

Executive directors

Fu Jie Pin *(Chairman)*
Yang Zong Lin *(Chief Executive Officer)*
Chen Hong Bo
Zhu Zhou
Yang Wei Yuan

Independent non-executive directors and audit committee members

Yan Feng Xian
James Yin
Jee Wengue

COMPANY SECRETARY

Sin Ka Man

AUDITORS

Deloitte Touche Tohmatsu

SOLICITORS

Hong Kong

Coudert Brothers

Bermuda

Appleby

PRINCIPAL BANKERS

Bank of China
Citic Ka Wah Bank

PRINCIPAL REGISTRAR AND TRANSFER AGENT

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudianna Road
Pembroke HM08
Bermuda

SUB-REGISTRAR AND TRANSFER AGENT IN HONG KONG

Computershare Hong Kong Investor Services Limited
46th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 901, 9th Floor
China Merchants Tower
Shun Tak Centre
Sheung Wan
Hong Kong
Tel: (852) 3527 3622
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STOCK CODE

Hong Kong Stock Exchange (Main Board) 149

Chairman's Statement

On behalf of the board of directors (the "Board"), I am pleased to present to our shareholders, the annual report of China Agri-Products Exchange Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31st December, 2007.

SUMMARY OF OPERATING RESULTS

With the acquisition of the agricultural products operations on 5th December 2007, almost a month's revenue and expenses from the Wuhan Baisazhou Agricultural By-product Grand Market Company Limited (the "Baisazhou") had been consolidated to the 2007's yearly financial statements of the Group, with such, the revenue of the Group increased by 44.8% from approximately HK$31.7 million for the year ended 31st December 2006 to approximately HK$45.9 million for the year ended 31st December 2007.

The loss attributable to the shareholders of the Group has also decreased by 36.2% from approximately HK$18.2 million, for the year ended 31st December 2006 to approximately HK$11.6 million for the year ended 31st December, 2007. With the exclusion of the impairment loss arose from the prepaid lease payments amounting of HK$33.2 million, the Group can have approximately HK$21.6 million profit for the year ended 31st December 2007.

DIVIDENDS AND OTHER DISTRIBUTION

No interim dividend was paid to the shareholders of the Company during the year. The Directors do not recommend any payment of final dividend for the year ended 31st December, 2007.

REVIEW OF OPERATIONS

During the year under review, the Group principally engaged in the business of agricultural products exchange and restaurant operations.

Acquisition of Baisazhou

On 2nd May 2007, the Group entered into the sale and purchase agreements for the acquisition of 90% interest in the Baisazhou at a total consideration of HK$1,156 million. With the approval obtained from the Ministry of Commerce of the PRC Government on 5th December 2007, the Group successfully acquired the Baisazhou as the subsidiary on the same date. Pursuant to the sale and purchase agreements, the Group had issued HK$360 million convertible notes; HK$376 million of promissory notes and HK$270 million cash to the vendors for the settlement of the transaction. As the vendor had guaranteed to the Group that the audited net profit of the Baisazhou for the year ended 31st December 2007 would not be less than HK$150 million, the balance of payment will be paid to the vendor upon such guarantee can be fully pursued.

Baisazhou Agricultural Products Exchange

The Baisazhou is principally engaged in the operation of the agricultural products exchange in the city of Wuhan, the PRC. The Baisazhou was situated at Hongshan District of Wuhan with a site area of approximately 270,000 sq.m. and a total gross floor area of approximately 160,000 sq.m. as at 31st December, 2007. It provides a platform and trading floors for trading of various agricultural products, including vegetables, fresh water products, cereal and oil, etc. Strategically located in Wuhan, Hubei province, it is a key gathering point for all buyers and sellers. The Baisazhou is located in the intersection of national highways, railroads and river trade linking northern, central and southern regions of China, making it a necessary pass-through and stopover for all participants in the trade.

Chairman's Statement

For the year ended 31st December 2007, the Baisazhou recorded total turnover of approximately HK$157.9 million, profit before taxation of approximately HK$156.6 million and profit after taxation of approximately HK$120.2 million.

Restaurant Operation

The business of both restaurants located in Shenzhen and Beijing was roughly the same as last year with the turnover of about HK$23 million. Although the significant increase in the percentage of inflation in the year affected the cost of running of the business, the managements still confident that the restaurant operations can have positive contribution to the Group in the forthcoming year.

MANAGEMENT TEAM

The Group has strengthened its management team by adding several new members to the board of directors. These new members include Mr. Yang Zong Lin, the Chief Executive Officer, Mr. Yang Wei Yuan, Chief Operating Officer, Dr. Zhu Zhou and Prof. Yan Feng Xian. They have in-depth knowledge and extensive experience in the agricultural industry. With their broad network, they can definitely benefit the future development of the Group's agri-products exchange business.

PROSPECTS

The spike in food prices over past few months is urging the Chinese government to step up support for agri-industry to modernize food production as well as supply chain and increase the productivity in the sector. Chinese Government recognizes that modern industrialized agricultural should not only focus on production but also to integrate production with food safety control, logistic service, modern management and distribution.

In 2008, we foresee strong government measures will continue to come up to stabilize food prices. However, regardless of whether agri-products price will stabilize, we believe that industry participants from upstream to downstream should all benefit.

If food price continue to rise, the Baisazhou will benefit from higher pricing and increase transaction levy income.

If government can successfully stabilize prices by aggressively boosting supply resulting in volume growth in agri-products. This will increase the demand for the Baisazhou trading space and services.

Thus in either scenario, the Baisazhou is a sure winner as it will benefit from stronger levy, stronger rental and services income, or both.

In addition, we are of the view that China's agri-product exchange industry is at the stage of development and consolidation. Chinese government will step up support in the development of agri-product exchanges to enhance the efficiency of the supply chain of foods and food safety control. To do that, Chinese government will support major industry players to lead the development and consolidation of the industry. As such, the fragmented industry operated by small operators will gradually develop into modernized agri-product exchanges. At the same time, efforts and supports will gradually shift from focusing on production to distribution. As such, we will be in an advantage position as consolidator to lead the development and consolidation of the industry.

Chairman's Statement

Looking ahead, given the strong growth momentum of the PRC economy, it is easy to appreciate that the demand for agri-products exchange services will rise in a relatively steady manner over the long term.

The rising consumer spending on food on a macro level will be a key driver to the future profitability of the Baisazhou. On a micro level organic expansion in terms of product diversification and selling area expansion will be the other key drivers to the future profitability.

The Baisazhou has a reasonable dominant position in its industry and a leading position in Central China region. On the whole, such dominance is very important as all sort of advantages come with it. The branding effect is one of such advantages. It's brand value is making buyers and sellers within the region to recognize the Baisazhou as the most efficient and effective trading platform for agri-products. The Group will continue to build and maintain a strong image and reputation.

As a national leading agri-product exchange operator, we will seize the opportunity to expand the Baisazhou and will prudently looking for geographic expansion opportunities as well as other business opportunities in the upstream of the food supply chain.

APPRECIATIONS

On behalf of the board, I would like to thank all our shareholders for their continual support and to all our staff their contributions during the year.

Fu Jie Pin
Chairman

Hong Kong, 28th April, 2008

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Fu Jie Pin, aged 40, joined the Group as an executive director of the Company in December 2003 and became the chairman of the Group in June 2007. Mr. Fu has over 14 years of experience in business administration and management, in particular China trade. He graduated from Sun Yat Sen University in 1989 and obtained a bachelor degree in wireless technology. He is also a director of Shenzhen Huayu Investment & Development Co., Ltd., which he joined in 1997, and became director in 2001.

Mr. Yang Zong Lin, aged 40, joined the Group as an executive director of the Company in April 2007 and became the chief executive officer in June 2007. Mr. Yang holds a Bachelor Degree from Wuhan Polytechnic University, the PRC. He has over 15 years experience in management. He was a deputy general manager of a Shenzhen listed company and a property investment company in Shanghai.

Mr. Chen Hong Bo, aged 33, joined the Group as an executive director in June 2007. Mr Chen is the nephew of the ex-chairman and one of the substantial shareholders of the Company, Mr Chan Yeung Nam. He holds a Bachelor Degree of Management and Administration from the European University College Ireland and a Master Degree of General Management from Dowling College of United States. Mr Chen is now the General Manager of a large construction and decoration engineering company in Beijing. He has over 5 years experience in management.

Mr. Zhu Zhou, aged 35, joined the Group as an executive director in July 2007. Mr. Zhu, holds a Bachelor Degree and a Doctor Degree of Economic Management of Agriculture and Forestry from the Huazhong Agricultural University; a Master Degree of Business and Administration from the University of Iowa of United States and a Doctor Degree of Business and Administration from the Renmin University of China. Mr. Zhu is currently the Deputy General Manager of Wuhan Baisazhou Agricultural By-product Grand Market Company Limited in the PRC. He has over 10 years experience in management.

Mr. Yang Wei Yuan, aged 40, joined the Group as an executive director in December 2007. He holds a Bachelor Degree of Chinese from the Auhui University. Mr. Yang is currently holding a senior management position in Wuhan Baisazhou Agricultural By-product Grand Market Company Limited in the PRC, a 90% owned subsidiary of the Company. He has over 10 years experience in management.

Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDIT COMMITTEE MEMBER

Mr. Yan Feng Xian, aged 43, joined the Group as an independent non-executive director and chairman of audit committee of the Company in April 07. Mr Yan holds a Bachelor Degree, a Master Degree and a Doctor Degree from Huazhong Agricultural University. Mr. Yan is now the Professor of the College of Economics and Trade and the College of Land Management of Huazhong Agricultural University. He has over 16 years experience in the research on the area of logistic and trading of agricultural products and the supply chain management in the PRC.

Mr. Jee Wengue, aged 41, was appointed as an independent non-executive Director and the member of the Audit Committee of the Company in September, 2004. Mr. Jee is a senior manager of an asset management and consulting company in PRC. Mr. Jee holds a Bachelor Degree in PRC from the Xi'An Jiaotong University. He is a member of The Association of Chartered Certified Accountants and The Chinese Institute of Certified Public Accountants. He has over 16 years of professional experience in accounting and financial management for both PRC private and listed corporations.

Mr. James Yin, aged 39, was appointed as an independent non-executive Director and the member of audit committee of the Company in December 2007. He holds a Master Degree of Business and Administration from the Tsinghua University; a Master degree of Electronics Engineering and a Bachelor Degree of Information Science and Technology from the Sun Yat Sen University. Mr. Yin is currently the Deputy General Manager of a PRC company. He has over 10 years experience in management.

SENIOR MANAGEMENT

Mr Sin Ka Man, Kenneth, aged 40, was appointed as the Company Secretary and Vice President of Finance of the Company in early 2004. Mr. Sin is responsible for the accounting and financial management of the Group. He holds a Bachelor Degree in Social Sciences from the University of Hong Kong, a Master of Sciences Degree in Finance from the University of Strathclyde, United Kingdom and Master Degree in Accounting from the Curtin University of Technology, Australia. Mr. Sin is a certified public accountant of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a member of the CPA Australia. He has over 18 years of experience in auditing, accounting and financial management.

Ms. Choi Mun Duen, Virginia, aged 39, joined the Group in July 2007 as the Chief Financial Officer. Ms Choi is responsible for the daily operation, finance and accounting of the Group. She holds a bachelor degree in accounting and finance from the University of Glamorgan in United Kingdom. She is a fellow member of the Association of Chartered Certified Accountants and a certified public accountant of Hong Kong Institute of Certified Public Accountants. Before joining the Group, she worked in other companies listed on The Stock Exchange of Hong Kong Limited. She has over 15 years experience in auditing, accounting and finance.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December 2007, the Group had cash and bank balances amounted to approximately HK$260.9 million (2006: HK$2.1 million) while the total assets and net assets were approximately HK$1,835.8 million (2006: HK$75.1 million) and HK$677.1 million (2006: HK$61.5 million) respectively. The Group's gearing ratio as at 31st December 2007 was 0.8 (2006: Nil), being a ratio of total bank and other borrowings and promissory notes of approximately HK$545.5 million (2006: HK$Nil) to shareholders' funds of approximately HK$677.1 million (2006: HK$61.5 million).

As at 31st December 2007, the Baisazhou pledged all of the land use rights in respect of the investment properties to secure the bank loan granted to the Company itself.

The Group did not enter into any foreign exchange contracts, interest or currency swaps or other financial derivatives.

Borrowing requirement are not seasonal as they tend to follow the pattern of capital expenditure and investment.

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 31st December 2007, the Group had approximately 544 employees in Hong Kong and the PRC. Remuneration policy is reviewed periodically and determined by reference to market terms, company performance, and individual qualifications and performance.

PLACING OF SHARES

The Company entered into a Placing Agreement with Cazenove Asia Limited, the placing agent, to place 300 million new shares to independent placees at HK$2.05 per share on 4th July, 2007. The placement was completed on 13th July, 2007 and approximately HK$591 million of net proceeds has been received by the Group, of which, HK$410 million has been used for the completion of the acquisition of the Baisazhou and the remaining approximately HK$181 million will be used as capital expenditure in the Baisazhou and the general working capital to the Group.

CHANGE OF COMPANY NAME

With effect from 7th December 2007, both the English and Chinese name of the Company changed from "China Velocity Group Limited" to "China Agri-Products Exchange Limited" and "中國高速集團有限公司" to "中國農產品交易有限公司" for identification purposes only. With effect on 11 January 2008, the share of the Company is traded on the Stock Exchange under its new name. At the same day, the stock short name for trading in the shares of the Company on the Stock Exchange also changed as "CH AGRI-PROD EX" and "中國農產品交易" to reflect the change of the name. It is considered that such change provides a better identification of the business operations of the Company.

CONVERSION OF CONVERTIBLE NOTES

On 7th January 2008, the Group received a notice from the Convertible Notes holder to convert the total amount of HK$360 million convertible notes into 180 million company's shares at HK$2 each. With the completion of the conversion, the Group do not have any outstanding Convertible Notes and the total number of the shares of the Group has been increased to 765,658,596 shares.

Corporate Governance Report

The board has adopted the code provisions set out in the Code of Corporate Governance Practices ("the Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"). The Company has applied the principles and complied with the requirements of the Code, except for certain deviations in respect of the service term with the independent non-executive director.

DIRECTORS' SECURITIES TRANSACTIONS

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 of all directors, that they have fully complied with the required standard set out in the Model Code throughout the year.

THE BOARD

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances.

During the year, four board meetings were held and the attendance of each director is set out as follows:—

Directors	Number of attendance
Mr. Chan Yeung Nam	2/4
Mr. Fu Jie Pin	4/4
Mr. Chen Hong Bo	2/4
Mr. Yang Zong Lin	3/4
Mr. Zhu Zhou	2/4
Mr. Yang Wei Yuan	0/4
Mr. Tang Cheung Fai	1/4
Mr. Jee Wengue	4/4
Mr. Tong Ka Ming	4/4
Mr. Yan Feng Xian	4/4
Mr. James Yin	0/4

Board Minutes are kept by the Company Secretary and are sent to the Directors for records. Each board member is entitled to have access to board papers and enable, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of the chairman of the board and the chief executive officer are held respectively by Mr. Fu Jie Pin and Mr Yang Zong Lin. These positions have clearly defined separate responsibilities.

Corporate Governance Report

The chairman is responsible for leading and supervising the operations of the board of directors, effective planning of board meetings, ensuring the board of directors is acting to the best interests of the Company.

The chief executive officer is responsible for the administration of the company business, as well as to formulate and implement company policies, and answerable to the board of directors in relation to the company overall operation.

BOARD COMPOSITION

The Board comprises five Executive Directors, being Mr. Fu Jie Pin (Chairman); Mr. Yang Zong Lin (Chief Executive Officer); Mr. Chen Hong Bo; Mr Zhu Zhou; Mr Yang Wei Yuan and three Independent Non-executive Directors, being Mr. Yan Feng Xian, Mr. Jee Wengue and Mr James Yin. The Independent Non-executive Directors of the Company are persons with academic and professional qualifications in the fields of accounting and business management. They provide strong support towards the effective discharge of the duties and responsibilities of the board. Each Independent Non-executive Director gives an annual confirmation of his independence to the Company and the Company considers these directors to be independent under Rule 3.13 of the Listing Rules.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The directors were not appointed for specific terms but subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Bye-Laws of the Company.

According to the provisions of the Bye-Laws of the Company, any director appointed by the Board either to fill a casual vacancy or as an addition to the Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election. Furthermore, at each annual meeting one-third of the directors for the time being (or, if their number is not a multiple of three (3), the number nearest to one-third) shall retire from office by rotation.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company comprises an Executive Director, Mr. Fu Jie Pin and three Independent Non-executive Directors, Mr. James Yin, Mr. Jee Wengue and Mr. Yan Feng Xian. Mr Fu Jie Pin is the Chairman of the Remuneration Committee.

During the year one meeting was held. The attendance of each member is set out as follows:

Directors	**Number of attendance**
Mr. Fu Jie Pin	1/1
Mr. James Yin	1/1
Mr. Jee Wengue	1/1
Mr. Yan Feng Xian	1/1

The major roles and functions of the Remuneration Committee are summarized as follows:

1. To make recommendations with respect to the remuneration of the Executive Directors and the senior management of the Company; and

2. To review the remuneration package and recommend salaries, bonuses, including the incentive awards for Directors and senior management.

During the year, the Remuneration Committee has reviewed and recommended to the board the overall remuneration policy for the directors and key senior management.

NOMINATION COMMITTEE

The Nomination Committee of the Company comprises an Executive Director, Mr. Fu Jie Pin and two Independent Non-executive Directors, Mr. Yan Feng Xian and Mr. Jee Wengue. Mr. Fu Jie Pin is the chairman of the Nomination Committee.

During the year, one meeting was held. The attendance of each member is set out as follows:

Directors	**Number of attendance**
Mr. Fu Jie Pin	1/1
Mr. Yan Feng Xian	1/1
Mr. Jee Wengue	1/1

The major roles and functions of the Nomination Committee are to review the structure, size and composition of the Board on a regular bases and makes recommendations to the Board regarding any proposed change, identifies individual suitably qualified to become Board members. It is also responsible for accessing the independence of independent non-executive directors and making recommendations to the Board on relevant matters relating to the appointment or reappointment of directors and succession planning for directors.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group. In preparing the accounts for the year ended 31st December, 2007, the directors have adopted suitable accounting policies which are pertinent to its operations and relevant to the financial statements, made judgements and estimates that are prudent and reasonable, and have prepared the accounts on the going concern basis.

Corporate Governance Report

AUDIT COMMITTEE

The Audit Committee of the Company comprises three Independent Non-executive Directors. Mr. Yan Feng Xian is the Chairman of the Audit Committee. The Audit Committee shall meet at least twice a year. The minutes of the Audit Committee meetings were kept by the Company Secretary. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group.

The attendance of each member of Audit Committee is set out as follows:

Director	Number of attendance
Mr. Tang Cheung Fai	1/2
Mr. Jee Wengue	2/2
Mr. Tong Ka Ming	2/2
Mr. Yan Feng Xian	1/2
Mr. James Yin	0/2

The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31st December, 2007.

AUDITORS' REMUNERATION

During the year under review, the remuneration paid to the Company's auditors, Messrs. Deloitte Touche Tohmatsu, is set out as follows:

Services rendered	Fees paid/payable
	HK$'000
Audit services	3,000
Review on 2007 interim results	210

COMMUNICATION WITH SHAREHOLDERS

The Company encourages shareholders to participate in shareholders' annual general meeting, in which the directors will be on hand to answer questions by shareholders on the business operations.

Directors' Report

The directors present their annual report and the audited consolidated financial statements for the year ended 31st December, 2007.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at a special general meeting on 12th September, 2007, the name of the Company was change from China Velocity Group Limited to China Agri-Products Exchange Limited with effect from 7th December, 2007. 中國農產品交易有限公司 was adopted as the new Chinese name of the Company in place of 中國高速(集團)有限公司 for identification purpose.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its subsidiaries are set out in note 41 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31st December, 2007 are set out in the consolidated income statement on page 22.

The directors do not recommend the payment of a dividend for the year ended 31st December, 2007.

ACQUISITION OF A SUBSIDIARY

On 2nd May, 2007 and 10th May, 2007, the Company entered into conditional sales and purchase agreements ("Sales and Purchase Agreements") with Ms. Wang Xiu Qun ("Ms. Wang") for her 70% interest in Wuhan Baisazhou Agricultural By-product Grand Market Co., Limited ("Baisazhou") for consideration of HK$900 million.

Of the consideration of HK$900 million, HK$420 million was satisfied by cash, HK$360 million was satisfied by the issue of convertible notes ("Convertible Notes") and HK$120 million was satisfied by the issue of promissory notes ("Promissory Notes").

On 2nd May, 2007 and 10th May, 2007, the Company entered into Sales and Purchase Agreements with Wuhan Tian Jiu Industrial and Commercial Development Co., Limited for their 20% interest in Baisazhou for consideration of HK$256 million, which was satisfied by the issue of Promissory Notes.

Baisazhou is engaged in leasing of properties for the operation of agricultural products exchange in Wuhan, Hubei Province, the PRC.

The Convertible Notes are non-interest bearing and will be matured in two years from the date of issue with an conversion price of $2.00 per share, subject to anti-dilutive adjustments ("Conversion Shares"). The Conversion Shares will be subjected to a lock up period of twelve months from date of issue of Convertible Notes.

The Promissory Notes are interest bearing at 5% per annum and will be matured after five years from the date of issue.

Directors' Report

The acquisition of Baisazhou and the issue of Convertible Notes and Promissory Notes were approved by the shareholders of the Company at the special general meeting on 27th June, 2007, details of which are set out in the circular of the Company dated 8th June, 2007 and announcements of the Company dated 10th May, 2007 and 22nd May, 2007.

The acquisition of Baisazhou was completed on 5th December, 2007, which is also the acquisition date for accounting purposes.

SHARE CAPITAL

During the year, the Company entered into placing agreements relating to its shares.

Details of these and other movements in the share capital of the Company are set out in note 27 to the consolidated financial statements.

CONVERTIBLE NOTES AND PROMISSORY NOTES

As disclosed above, the Company issued Convertible Notes and Promissory Notes for the acquisition of Baisazhou during the year.

Details of these and other movements in the convertible notes and promissory notes of the Company are set out in note 22 and note 25, respectively to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of the movements in the investment properties of the Group during the year are set out in note 15 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31st December, 2007, in the opinion of the directors, the Company has no distributable reserves.

Directors' Report

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Fu Jie Pin *(Chairman)*	
Yang Zong Lin *(Chief Executive Officer)*	(appointed on 26th April, 2007)
Chen Hong Bo	(appointed on 29th June, 2007)
Zhu Zhou	(appointed on 24th July, 2007)
Yang Wei Yuan	(appointed on 21st December, 2007)
Chan Yeung Nam	(resigned on 29th June, 2007)

Independent non-executive directors:

Jee Wengue	
Yan Feng Xian	(appointed on 26th April, 2007)
James Yin	(appointed on 21st December, 2007)
Tong Ka Ming	(resigned on 21st December, 2007)
Tang Cheung Fai	(resigned on 26th April, 2007)

In addition with Clause 98 of the Company's Bye-Laws, Messrs. Yang Zong Lin, Jee Wengue and Yan Feng Xian will retire at the forthcoming annual general meeting by rotation and being eligible, offers themselves for re-election.

In accordance with Clause 102B of the Company's Bye-Laws, Messrs. Yang Wei Yuan and James Yin, the newly appointed directors, also retire at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). The Company considers all of the independent non-executive directors are independent.

All of the independent non-executive directors are members of the Company's Audit Committee and Remuneration Committee.

DIRECTORS' SERVICE CONTRACTS

Mr. Fu Jie Pin have entered into a service contract with the Company which commence on 19th December, 2004 and with no fixed terms.

Save as disclosed above, none of the directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The term of office of each non-executive director is the period up to his retirement by rotation in accordance with the Company's Bye-Laws.

Directors' Report

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2007, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance ("SFO") showed that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

(a) Ordinary shares of US$0.02 each of the Company

Name of shareholder	Long position/ short position	Capacity	Number of shares held: Direct interest	Number of shares held: Deemed interest	Number of shares held: Total interest	Approximate percentage of issued share capital of the Company
Velocity International Limited ("Velocity")	Long position	Beneficial owner	207,765,080	—	207,765,080	35.5%
Chan Yeung Nam	Long position	Interest of a controlled corporation	—	207,765,080 (through 100% direct interest in Velocity)	207,765,080	35.5%

Mr. Chan Yeung Nam holds the entire beneficial interest in Velocity and Mr. Chan Yeung Nam is accordingly deemed to be interested in 207,765,080 shares in the Company.

(b) Convertible Notes issued by the Company

Name of holder	Long position/ short position	Capacity	No. of underlying shares held	Approximate percentage of issued share capital of the Company
Ms. Wang	Long position	Beneficial owner	180,000,000	30.7%

As disclosed above, the Company issued Convertible Notes to Ms Wang with an aggregate principal amount of HK$360 million. During the conversion period as specified under convertible note agreement, Ms Wang has an option to convert the notes into 180,000,000 ordinary shares at a conversion price of HK$2.00 per share. Upon full conversion of the Convertible Notes, Ms. Wang will hold interests in ordinary shares representing 23.5% of the enlarged issued share capital of the Company.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31st December, 2007.

Directors' Report

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

Other than as disclosed in the section headed "Substantial Shareholders", none of the directors, chief executives, and their associates had any interests or short positions in any shares or underlying shares of the Company or any of its associated corporation at 31st December, 2007, as 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 for Securities Transactions by Director of Listed Companies contained in the Listing Rules.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 28 to the consolidated financial statements.

The following table discloses movements in the Company's share options during the year:

				Number of Shares			
	Date of grant	**Exercisable period**	**Exercise price** HK$	**Outstanding at beginning of year**	**Granted during the year**	**Exercised during the year**	**Outstanding at end of year**
Employees	20.3.2007	20.3.2007 to 19.3.2012	0.72	—	5,500,000	(5,500,000)	—
Consultants	20.3.2007	20.3.2007 to 19.3.2012	0.72	—	2,750,000	(2,750,000)	—
Employees	4.6.2007	5.6.2007 to 4.6.2012	2.48	—	5,300,000	—	5,300,000
				—	13,550,000	(8,250,000)	5,300,000

The closing price of the Company's shares immediately before 4th June, 2007 and 20th March, 2007, the date of grant of the options, were HK$0.72 and HK$2.45, respectively.

The weighted average closing price of the Company's shares immediately before the dates on which the share options were exercised was HK$2.48.

Directors' Report

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed above, at no time during the year was the Company, its holding company, or any of its fellow subsidiaries and subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance subsisted to which the Company, its holding company or any of its fellow subsidiaries and subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly at the end of the year or at any time during the year.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2007, the percentage of sales or purchase attributable to the Group's five largest customers or suppliers was less than 30%.

EMOLUMENT POLICY

The emolument policies of the employees of the Group and directors of the Company are set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The Company has adopted a share option scheme as an incentive to directors and eligible employees. Details of the scheme is set out in note 28 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOATS

The Company has maintained a sufficient public float throughout the year ended 31st December, 2007.

POST BALANCE SHEET EVENT

Details of significant event occurring after the balance sheet date are set out in note 37 to the consolidated financial statements.

Directors' Report

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Fu Jie Pin
CHAIRMAN

28th April, 2008

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF CHINA AGRI-PRODUCTS EXCHANGE LIMITED
中國農產品交易有限公司
(FORMERLY KNOWN AS CHINA VELOCITY GROUP LIMITED
中國高速(集團)有限公司)
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Agri-Products Exchange Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 22 to 85, which comprise the consolidated balance sheet as at 31st December, 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

Independent Auditor's Report

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st December, 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
28th April, 2008

Consolidated Income Statement

For the year ended 31st December, 2007

	Notes	2007 HK$'000	2006 HK$'000
Revenue	6	**45,929**	31,740
Cost of operation		**(25,244)**	(30,192)
Gross profit		**20,685**	1,548
Other income		**10,510**	489
Administrative expenses		**(14,886)**	(6,792)
Other expenses		**(4,224)**	(2,002)
Impairment loss recognised in respect of prepaid lease payments	16	**(33,162)**	—
Fair value change on conversion options embedded in convertible notes	22	**24,566**	—
Impairment losses recognised in respect of goodwill	17	**(1,847)**	(1,300)
Finance costs	8	**(7,069)**	(10,104)
Loss before taxation		**(5,427)**	(18,161)
Income tax expense	9	**(6,195)**	(16)
Loss for the year	10	**(11,622)**	(18,177)
Attributable to:			
Equity holders of the Company		**(12,650)**	(18,169)
Minority interests		**1,028**	(8)
		(11,622)	(18,177)
Loss per share	13		
— Basic		**HK$(0.03)**	HK$(0.07)
— Diluted		**HK$(0.08)**	N/A

Consolidated Balance Sheet

At 31st December, 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	14	**37,654**	2,372
Investment properties	15	**604,210**	—
Prepaid lease payments	16	**—**	32,842
Goodwill	17	**900,712**	1,847
		1,542,576	37,061
Current assets			
Inventories, at cost	18	**1,172**	1,107
Trade and other receivables	19	**31,193**	33,870
Prepaid lease payments	16	**—**	959
Bank balances and cash	20	**260,894**	2,140
		293,259	38,076
Current liabilities			
Trade and other payables	21	**217,150**	6,927
Derivative financial instruments	22	**49,869**	—
Loan from former ultimate holding company	23	**—**	6,696
Tax payable		**52,684**	3
Bank and other borrowings	24	**71,628**	—
		391,331	13,626
Net current (liabilities) assets		**(98,072)**	24,450
Total assets less current liabilities		**1,444,504**	61,511
Non-current liabilities			
Convertible notes	22	**287,957**	—
Bank and other borrowings	24	**194,355**	—
Promissory notes	25	**279,575**	—
Deferred taxation	26	**5,510**	—
		767,397	—
		677,107	61,511

Consolidated Balance Sheet

At 31st December, 2007

	Notes	2007 HK$'000	2006 HK$'000
Capital and reserves			
Share capital	27	**91,363**	43,276
Share premium and reserves		**551,210**	4,388
Equity attributable to equity holders of the Company		**642,573**	47,664
Minority interests		**34,534**	13,847
Total equity		**677,107**	61,511

The consolidated financial statements on pages 22 to 85 were approved and authorised for issue by the Board of Directors on 28th April 2008 and are signed on its behalf by:

Fu Jie Pin
DIRECTOR

Yang Zong Lin
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2007

	Attributable to equity holders of the Company										
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 (Note a)	Shareholders' contribution HK$'000 (Note b)	Contributed surplus HK$'000 (Note c)	Share options reserve HK$'000	Translation reserve HK$'000	Accumulated loss HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
THE GROUP											
At 1st January, 2006	43,276	–	945	664	2,096,598	–	–	(2,075,759)	65,724	14,422	80,146
Exchange differences arising on translation of foreign operations recognised directly in equity	–	–	–	–	–	–	109	–	109	–	109
Loss for the year	–	–	–	–	–	–	–	(18,169)	(18,169)	(8)	(18,177)
Total recognised income and expenses for the year	–	–	–	–	–	–	109	(18,169)	(18,060)	(8)	(18,068)
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	(567)	(567)
At 31st December, 2006	43,276	–	945	664	2,096,598	–	109	(2,093,928)	47,664	13,847	61,511
Exchange differences arising on translation of foreign operations recognised directly in equity	–	–	–	–	–	–	2,701	–	2,701	285	2,986
Loss for the year	–	–	–	–	–	–	–	(12,650)	(12,650)	1,028	(11,622)
Total recognised income and expenses for the year	–	–	–	–	–	–	2,701	(12,650)	(9,949)	1,313	(8,636)
Recognition of equity settled share based payments	–	–	–	–	–	5,171	–	–	5,171	–	5,171
Exercise of share options	1,287	6,270	–	–	–	(1,617)	–	–	5,940	–	5,940
Issue of shares	46,800	568,200	–	–	–	–	–	–	615,000	–	615,000
Transaction costs attributable to issue of shares	–	(21,253)	–	–	–	–	–	–	(21,253)	–	(21,253)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	19,374	19,374
At 31st December, 2007	91,363	553,217	945	664	2,096,598	3,554	2,810	(2,106,578)	642,573	34,534	677,107

Note:

(a) The capital reserve of the Group represents capital redemption reserve.

(b) The shareholders' contribution represents deemed contribution arising from non-current interest-free loan granted by the former ultimate holding company.

(c) The contributed surplus of the Group represents (i) aggregate of the difference between the nominal amount of the share capital of the subsidiaries at the date on which they were acquired by the Group and the nominal amount of the share capital issued as consideration for the acquisition and (ii) contribution arising from capital reorganisation and group reorganisation in 1995.

Consolidated Cash Flow Statement

For the year ended 31st December, 2007

	Notes	2007 HK$'000	2006 HK$'000
OPERATING ACTIVITIES			
Loss before taxation		**(5,427)**	(18,161)
Adjustments for:			
Depreciation		**1,334**	1,061
Fair value change on conversion options in convertible notes		**(24,566)**	—
Finance costs		**7,069**	10,104
Gain on disposal of subsidiaries		**—**	(50)
Impairment losses recognised in respect of goodwill		**1,847**	1,300
Impairment loss recognised in respect of prepaid lease payments		**33,162**	—
Interest income		**(10,045)**	(11)
Loss on disposal of property, plant and equipment		**—**	77
Release of prepaid lease payments		**639**	959
Share based payments		**5,171**	—
Operating cash flow before movements in working capital		**9,184**	(4,721)
Increase (decrease) in inventories		**11**	(462)
Decrease in trade and other receivables		**85,326**	1,074
Decrease in trade and other payables		**(8,509)**	(4,194)
Decrease in properties held for sale		**—**	5,937
Cash generated from (used in) operations		**86,012**	(2,366)
Income tax paid		**(355)**	(30)
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES		**85,657**	(2,396)
INVESTING ACTIVITIES			
Acquisition of a subsidiary	29	**(422,056)**	—
Purchase of property, plant and equipment		**(4,673)**	(686)
Interest received		**10,045**	11
Disposal of a subsidiary	30	**—**	128,954
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(416,684)**	128,279
FINANCING ACTIVITIES			
Proceeds from issue of shares		**620,940**	—
Expenses on issue of shares		**(21,253)**	—
Repayment of other borrowings		**—**	(119,228)
Interest paid		**(3,549)**	(9,772)
(Repayment to) advance from former ultimate holding company		**(6,696)**	2,005
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**589,442**	(126,995)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**258,415**	(1,112)
CASH AND CASH EQUIVALENTS AT 1ST JANUARY		**2,140**	3,247
Effect of foreign exchange rate changes		**339**	5
CASH AND CASH EQUIVALENTS AT 31ST DECEMBER, represented by bank balances and cash		**260,894**	2,140

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the introduction to the annual report.

The functional currency of the Company is Renminbi ("RMB"). The consolidated financial statements are presented in Hong Kong dollars ("HK$") for the convenience of the shareholders, as the Company is listed in Hong Kong.

The Company is an investment holding company. The activities of its subsidiaries are set out in note 41.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the consolidated net current liabilities of approximately HK$98.1 million at 31st December, 2007 and loss for the year of approximately HK$11.6 million.

During the year ended 31st December, 2007, in order to take advantage of further growth opportunities, the Group explored the business opportunities in the leasing of properties for the operation of agricultural products exchange from the acquisition of 90% equity interests in Wuhan Baisazhou Agricultural By-product Grand Market Co., Limited ("Baisazhou"), see note 29 for details.

The principal activity of Baisazhou is the leasing of properties for the operation of agricultural products exchange in Wuhan, the Peoples' Republic of China (the "PRC"). The acquisition was approved by the shareholders of the Company at the special general meeting on 27th June, 2007 and completed on 5th December, 2007, details of which are set out in the circular of the Company dated 8th June, 2007 and announcements of the Company dated 10th May, 2007 and 22nd May, 2007 and 5th December, 2007.

In accordance with the Group's strategic plan, the directors of the Company have assessed and reviewed the performance of the Company's subsidiaries on a timely basis. In the opinion of the Directors, the acquisition of Baisazhou will enhance the operating results and working capital of the Group. Accordingly, assuming the performance of the business and sufficient working capital are in line with the Directors' expectations, the Directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1st January, 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) — Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) — Int 8	Scope of HKFRS 2
HK(IFRIC) — Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) — Int 10	Interim Financial Reporting and Impairment

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) — Int 11	HKFRS 2: Group and Treasury Share Transactions[3]
HK(IFRIC) — Int 12	Service Concession Arranagements[4]
HK(IFRIC) — Int 13	Customer Loyalty Programmes[5]
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

[1] Effective for annual periods beginning on or after 1st January, 2009
[2] Effective for annual periods beginning on or after 1st July, 2009
[3] Effective for annual periods beginning on or after 1st March, 2007
[4] Effective for annual periods beginning on or after 1st January, 2008
[5] Effective for annual periods beginning on or after 1st July, 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that the application of these new and revised standards or interpretations will have no material impact on the results and the financial position of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments which are measured at fair values, as explained in the accounting policies set out below.

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business Combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on acquisition of a business represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units ("CGUs"), or groups of CGUs, that are expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the CGUs to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGUs is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

Rental income from operating leases is recognised on a straight line basis over the terms of the relevant lease.

Services income are recognised when the services are rendered.

Commission income from operation of agricultural exchange market are recognised in accordance with the terms of the agreements signed.

Sales of food and beverages are recognised when payments were received.

Income from sale of completed properties is recognised on the execution of a binding sales agreement.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of financial asset to that asset's net carrying amount.

Property, plant and equipment

Property, plant and equipment, including buildings held for use in the production or supply of goods or services, or for administrative purposes, other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual value, using the straight line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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

Retirement benefit scheme

Payments to state-managed retirement benefit schemes and Mandatory Provident Fund Scheme which are defined contribution schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Leasing

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

The Group as lessor

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

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's entities are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the entity is disposed of.

Borrowing costs

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

Government grant

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as a deduction from the carrying amount of the relevant asset and are released to income over the useful lives of the assets. Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated income statement and are reported separately as "other income".

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Inventories

Inventories, comprising food and beverages, are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

The Group's financial assets comprise only as loans and receivables.

Effective interest method

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For all financial assets, objective evidence of impairment could include:

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

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

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

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

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit and loss and other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss has two subcategories, including financial liabilities held for trading and those designated at fair value through profit or loss on initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity (Continued)

Financial liabilities at fair value through profit or loss (Continued)

A financial liability is classified as held for trading if:

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

A financial liability other than a financial liability held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

At each balance sheet date subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities, including trade and other payables, bank and other borrowings, and loan from former ultimate holding company and promissory notes, are subsequently measured at amortised cost, using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity (Continued)

Convertible notes

Convertible notes issued by the Group that contain both liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. At the date of issue, both the liability and conversion option components are recognised at fair value.

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and conversion option components in proportion to their relative fair values. Transaction costs relating to the conversion option derivative is charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Share options granted to consultants

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses immediately, unless the goods or services qualify for recognition as assets. Corresponding adjustment has been made to equity (share options reserve).

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgements, estimates and assumption about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying the entity's accounting policies

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

Taxation

The Company's principal subsidiary, Baisazhou, is engaged in leasing of properties for the operation of agriculture products exchange in Wuhan, the PRC which may be able to obtain certain tax benefit subject to the approval of relevant authorities in PRC, while Baisazhou is in the process of obtaining the relevant approval, the relevant approvals have not yet obtained as of date of this report and the directors of the Company has recognised income taxation payable of approximately HK$52.7 million at 31st December, 2007 based on 33% and not concession rate. Should the concession rate be obtained in 2008, tax payable would be reduced.

Impairment loss on prepaid lease payments

As described in note 16, certain land use rights with carrying amount of HK$22.3 million was repossessed by the local PRC authority for city development purpose. The directors of the Company consulted with legal counsel and considered that there exists uncertainties concerning the possibility of compensation of the repossession under relevant regulations in the PRC because of absence of land use right certificates and the lands have been idled for several years. Accordingly, impairment loss of approximately HK$22.3 million has been made in respect of the land which has been repossessed. In addition, the Group has considered the remaining land use rights in respect of an adjourning land and believe that similar risks associated with the remaining land use rights exist and accordingly, impairment loss of approximately HK$10.8 million has been made. Total impairment loss of approximately HK$33.2 million has been made and recognised to the consolidated income statements for the year ended 31st December, 2007.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate and expected growth rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

During the year ended 31st December, 2007, after considering the increased competition in the market, the Group recognised an aggregate impairment loss of HK$1.8 million in relation to goodwill in connection to the restaurant operations in Shenzhen and Beijing, the PRC.

At 31st December, 2007 and 2006, the carrying amounts of goodwill (net of impairment loss) are HK$900.7 million and HK$1.8 million, respectively.

Fair value of derivatives embedded in convertible notes

The directors of the Company use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivatives embedded in convertible notes, the amount is estimated by using Black-Scholes option pricing model, which involves estimates on the Company's share price, exercise price, time to maturity, risk free rate, share price volatility and others and assumptions are made based on quoted market rates of the instrument. The carrying amount of the derivatives embedded in convertible instruments is HK$49.9 million (2006: nil). Details of the assumptions used are disclosed in note 22.

6. REVENUE

Revenue represents the fair value of the consideration received and receivable from outside customers during the year, net of sales taxes, and is analysed as follows:

	2007 HK$'000	2006 HK$'000
Sales of food and beverages	23,612	23,061
Property rental income and income from ancillary services	15,878	2,277
Commission income from operation of agricultural exchange market	6,439	—
Sales of properties	—	6,402
	45,929	31,740

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into three major operating divisions - (i) property sales and development; (ii) property rental; and (iii) restaurant operation. For the year ended 31st December, 2006, the principal activity of property rental division is leasing of properties in Guangzhou, PRC (the entity holding these properties was disposed of during 2006). For the year ended 31st December, 2007, the principal activities of property rental division are leasing of properties and operation of agricultural exchange market in Wuhan, the PRC.

These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Property investment	— property sales and development
Property rental	— leasing of properties
Restaurant operation	— sales of food and beverage

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

For the year ended 31st December, 2007

	Property sales and development HK$'000	Property rental HK$'000	Restaurant operation HK$'000	Consolidated HK$'000
REVENUE				
External sales	—	22,317	23,612	45,929
RESULT				
Segment result	(33,870)	16,357	(2,308)	(19,821)
Unallocated corporate expenses				(13,613)
Other income				10,510
Fair value change on derivative embedded in convertible notes				24,566
Finance costs				(7,069)
Loss before taxation				(5,427)
Income tax expense				(6,195)
Loss for the year				(11,622)

	Property sales and development HK$'000	Property rental HK$'000	Restaurant operation HK$'000	Consolidated HK$'000
ASSETS				
Segment assets	—	1,636,381	22,733	1,659,114
Unallocated corporate assets				176,721
Consolidated total assets				1,835,835
LIABILITIES				
Segment liabilities	26	202,868	8,766	211,660
Unallocated corporate liabilities				947,068
Consolidated total liabilities				1,158,728

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

For the year ended 31st December, 2007 *(Continued)*

OTHER INFORMATION

	Property sales and development HK$'000	Property rental HK$'000	Restaurant operation HK$'000	Unallocated HK$'000	Consolidated HK$'000
Capital additions	—	4,615	58	—	4,673
Depreciation	—	173	1,011	150	1,334
Release of prepaid lease payments	639	—	—	—	639
Share based payment expenses	—	—	—	5,171	5,171
Impairment loss recognised in respect of goodwill	—	—	1,847	—	1,847
Impairment loss recognised in respect of prepaid lease payments	33,162	—	—	—	33,162

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

For the year ended 31st December, 2006

	Property sales and development HK$'000	Property rental HK$'000	Restaurant operation HK$'000	Consolidated HK$'000
REVENUE				
External sales	6,402	2,277	23,061	31,740
RESULT				
Segment result	(1,856)	1,454	(1,763)	(2,165)
Unallocated corporate expenses				(6,381)
Other income				489
Finance costs				(10,104)
Loss before taxation				(18,161)
Income tax expense				(16)
Loss for the year				(18,177)

	Property sales and development HK$'000	Property rental HK$'000	Restaurant operation HK$'000	Consolidated HK$'000
ASSETS				
Segment assets	33,801	—	5,782	39,583
Unallocated corporate assets				35,554
Consolidated total assets				75,137
LIABILITIES				
Segment liabilities	—	—	3,568	3,568
Unallocated corporate liabilities				10,058
Consolidated total liabilities				13,626

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

For the year ended 31st December, 2006 *(Continued)*

OTHER INFORMATION

	Property sales and development HK$'000	Property rental HK$'000	Restaurant operation HK$'000	Unallocated HK$'000	Consolidated HK$'000
Capital additions	—	—	462	224	686
Depreciation	—	—	911	150	1,061
Loss on disposal of property, plant and equipment	—	—	77	—	77
Impairment loss recognised in respect of goodwill	—	—	1,300	—	1,300
Release of prepaid lease payments	959	—	—	—	959

Geographical segments

No analysis of the Group's turnover by geographical location of customers, carrying amount of segment assets and capital additions by geographical location of asset is presented as less than 10% are generated from or located outside PRC.

8. FINANCE COSTS

	2007 **HK$'000**	2006 HK$'000
Interest on:		
Bank and other borrowings wholly repayable within five years	**2,158**	4,772
Promissory notes	**1,391**	—
Effective interest on convertible notes	**2,392**	—
Effective interest on promissory notes	**1,128**	—
Penalty interest on default of other borrowing	**—**	5,000
Imputed interest expense on non-current interest-free loan from ultimate holding company	**—**	332
	7,069	10,104

9. INCOME TAX EXPENSE

	2007	2006
	HK$'000	HK$'000
PRC Enterprise Income Tax		
Current tax	**5,853**	16
Underprovision in prior years	**342**	—
	6,195	16

Taxation in the PRC is calculated at the rates prevailing in the jurisdiction.

On 16th March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6th December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 33% to 25% for the Group's subsidiaries established in the PRC from 1st January 2008.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Company and its subsidiaries had no assessable profit in both years.

The income tax expense for the year can be reconciled to the loss before taxation per the consolidated income statement as follows:

	2007	2006
	HK$'000	HK$'000
Loss before taxation	**(5,427)**	(18,161)
Tax at the domestic income tax rate of 33%	**(1,791)**	(5,993)
Tax effect of expenses not deductible for tax purpose	**19,115**	6,694
Tax effect of income not taxable for tax purposes	**(11,593)**	(189)
Tax effect of tax losses not recognised	**122**	—
Utilisation of tax losses not recognised in previous years	**—**	(496)
Underprovision in prior years	**342**	—
Income tax expense for the year	**6,195**	16

9. INCOME TAX EXPENSE *(Continued)*

At the balance sheet date, the Group has unutilised tax losses of approximately HK$3,109,000 (2006: HK$2,987,000) available to offset against future profits. No deferred tax asset has been recognised in respect of the unutilised tax losses due to the unpredictability of future profits stream. Included in unrecognised tax losses are losses of HK$3,109,000 (2006: HK$2,987,000) that will expire in 2008 to 2012 (2006: 2007 to 2011).

At the balance sheet date, the Group has deductible temporary differences of HK$1,662,000 (2006: HK$1,662,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

10. LOSS FOR THE YEAR

	2007	2006
	HK$'000	HK$'000
Loss for the year has been arrived at after charging:		
Directors' emoluments (note 11)	**2,618**	1,823
Other staff costs	**5,661**	4,827
Share based payments, excluding directors	**4,632**	—
Total staff costs	**12,911**	6,650
Auditors' remuneration	**3,000**	1,162
Cost of inventories recognised as expenses	**14,854**	14,910
Depreciation	**1,334**	1,061
Loss on disposal of property, plant and equipment	**—**	77
Rental expense	**2,904**	—
Release of prepaid lease payments	**639**	959
Share-based payments of consultants	**539**	—
and after crediting:		
Interest income included in other income	**10,045**	11
Net exchange gain	**226**	—
Net rental income in respect of premises after direct expenses of HK$146,000 (2006: HK$120,000)	**15,732**	2,157
Gain on disposal of subsidiaries	**—**	50

Included in total staff costs is an aggregate amount of approximately HK$204,000 (2006: HK$58,000) in respect of contribution to retirement benefit schemes paid or payable by the Group.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

11. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the eleven (2006: six) directors were as follows:

For the year ended 31st December, 2007

	Chan Yeung Nam HK$'000	Chen Hong Bo HK$'000	Fu Jie Pin HK$'000	Tang Cheung Fai HK$'000	Jee Wengue HK$'000	Tong Ka Ming HK$'000	Yan Feng Xian HK$'000	Yang Wei Yuan HK$'000	Yang Zong Lin HK$'000	James Yin HK$'000	Zhu Zhou HK$'000	Total 2007 HK$'000
Fees	—	242	—	32	50	73	34	11	595	1	158	1,196
Other emoluments:												
Salaries and other benefits	593	—	810	—	—	—	—	—	—	—	—	1,403
Contributions to retirement benefits schemes	7	—	12	—	—	—	—	—	—	—	—	19
Total emoluments	600	242	822	32	50	73	34	11	595	1	158	2,618

For the year ended 31st December, 2006

	Chan Yeung Nam HK$'000	Fu Jie Pin HK$'000	Tang Cheung Fai HK$'000	Lam Ping Cheung HK$'000	Tong Ka Ming HK$'000	Jee Wengue HK$'000	Total 2006 HK$'000
Fees	—	—	100	50	39	50	239
Other emoluments:							
Salaries and other benefits	1,200	360	—	—	—	—	1,560
Contributions to retirement benefits schemes	12	12	—	—	—	—	24
Total emoluments	1,212	372	100	50	39	50	1,823

No directors waived any emoluments during the year ended 31st December, 2006 and 2007.

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2006: two) were directors of the Company whose emoluments are included in the disclosures in note 11 above. The emoluments of the remaining two (2006: three) highest paid individuals were as follows:

	2007	2006
	HK$'000	HK$'000
Remuneration:		
Salaries and benefits	**1,820**	3,028
Retirement benefits schemes contribution	**24**	34
	1,844	3,062

Their emoluments were within the following bands:

	2007	2006
	Number of employees	Number of employees
HK$nil to HK$1,000,000	**1**	2
HK$1,000,001 to HK$1,500,000	**1**	1

13. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the ordinary equity holders of the Company is based on the following data:

	2007	2006
	HK$'000	HK$'000
Loss		
Loss for the year attributable to equity holders of the Company	**(12,650)**	(18,169)
Effect of dilutive potential ordinary shares:		
Interest on convertible notes	**2,392**	—
Fair value change on conversion options embedded in convertible notes	**(24,566)**	—
Loss for the purposes of diluted earnings per share	**(34,824)**	(18,169)

Number of shares

	2007	2006
	'000	'000
Weighted average number of ordinary shares for the purposes of basic loss per share	**425,098**	277,408
Effect of dilutive potential ordinary shares:		
Convertible notes	**13,315**	—
Weighted average number of ordinary shares for the purposes of diluted loss per share	**438,413**	277,408

No diluted loss per share has been presented for the year ended 31st December, 2006 as there is no potential ordinary share in issue during the year.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Furniture, equipment and motor vehicles	Leasehold improvement	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST					
At 1st January, 2006	—	1,151	1,746	—	2,897
Exchange adjustments	—	38	70	—	108
Additions	—	72	614	—	686
Disposals	—	(79)	—	—	(79)
At 31st December, 2006	—	1,182	2,430	—	3,612
Exchange adjustments	27	123	155	348	653
Acquisition of subsidiaries	1,998	3,895	232	25,273	31,398
Additions	—	30	27	4,616	4,673
At 31st December, 2007	2,025	5,230	2,844	30,237	40,336
DEPRECIATION					
At 1st January, 2006	—	100	77	—	177
Exchange adjustment	—	1	3	—	4
Charge for the year	—	199	862	—	1,061
Eliminated on disposals	—	(2)	—	—	(2)
At 31st December, 2006	—	298	942	—	1,240
Exchange adjustments	—	20	88	—	108
Charge for the year	98	305	931	—	1,334
At 31st December, 2007	98	623	1,961	—	2,682
CARRYING VALUES					
At 31st December, 2007	1,927	4,607	883	30,237	37,654
At 31st December, 2006	—	884	1,488	—	2,372

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Buildings	Over the shorter of the term of the lease or 30 years
Furniture, equipment and motor vehicles	10%-20%
Leasehold improvement	20% or over the lease term, whichever is shorter

The buildings are located in the PRC under medium term land use rights.

15. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1st January, 2006 and 31st December, 2006	—
Acquisition of a subsidiary	595,991
Exchange adjustments	8,219
At 31st December, 2007	604,210

The Group's investment properties are situated in PRC and held under medium term land use rights.

All of the Group's investment properties held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model.

The fair value of the Group's investment properties as at date of acquisition of the subsidiary and as at 31st December, 2007 have been arrived at based on a valuation carried out by Messrs. LCH (Asia-Pacific) Surveyors Limited ("LCH"), independent valuer not connected with the Group. LCH is a member of the Institute of Valuers, and have appropriate qualification and recent experiences in the valuation of similar properties in the relevant location. The valuation on the land use rights in respect of the investment properties was determined by reference to the governmental standard land price in the nearby area and taking into the account the market transaction price of similar properties in the nearby area after making adjustments based on the Wuhan City Composite Index. The buildings in respect of the investment properties were valued using the depreciated replacement cost method, taking into account the historical construction cost of the buildings.

15. INVESTMENT PROPERTIES *(Continued)*

All of the land use rights in respect of the investment properties have been pledged to secure the bank borrowings of the Group.

At 31st December 2007, building certificates in respect to the investment properties of approximately HK$357,749,000 owned by the Group had not been obtained. The directors of the Company believe that given full consideration of the necessary purchase consideration have substantially paid, the relevant building certificates will be granted in the due course and the absence of such certificates does not impair the value of the investment properties of the Group.

16. PREPAID LEASE PAYMENTS

	2007	2006
	HK$'000	HK$'000
The Group's prepaid lease payments comprise of medium term land use rights in the PRC	—	33,801
Analysed for reporting purposes as:		
Current asset	—	959
Non-current asset	—	32,842
	—	33,801

On 27th August 2007, certain land use rights with carrying amount of approximately HK$22,315,000 was repossessed by the local PRC authority for city development purpose. The directors of the Company consulted with legal counsel and considered that there exists uncertainties concerning the possibility of compensation for the repossession under relevant regulations in the PRC because of absence of land use right certificates and the lands have been idled for several years. Accordingly, impairment loss of approximately HK$22,315,000 has been made in respect of the land which has been repossessed. In addition, the Group has considered the remaining land use rights in respect of an adjourning land and believes that similar risks associated with the remaining land use rights exist and accordingly, impairment loss of approximately HK$10,847,000 has been made. Total impairment loss of approximately HK$33,162,000 has been made and recognised to the consolidated income statements for the year ended 31st December, 2007.

17. GOODWILL

	HK$'000
COST	
At 1st January, 2006 and 31st December, 2006	3,147
Arising on acquisition of a subsidiary	900,712
At 31st December, 2007	903,859
IMPAIRMENT	
At 1st January, 2006	—
Impairment loss recognised for the year and at 31st December, 2006	1,300
Impairment loss recognised for the year	1,847
At 31st December, 2007	3,147
CARRYING AMOUNTS	
At 31st December, 2007	900,712
At 31st December, 2006	1,847

As explained in note 7, the Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill have been allocated to the three individual CGUs, including two subsidiaries in restaurant operation segment, and one subsidiary operating in the leasing of properties for the agricultural products exchange. The carrying amounts of goodwill (net of impairment loss) as at 31st December 2007 are allocated to these units as follows:

	Goodwill	
	2007	2006
	HK$'000	HK$'000
Restaurant operation - Shenzhen (Unit A)	**—**	540
Restaurant operation - Beijing (Unit B)	**—**	1,307
Leasing of properties for the agricultural products exchange - Wuhan (Unit C)	**900,712**	—
	900,712	1,847

17. GOODWILL *(Continued)*

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Unit A and Unit B

The recoverable amounts of Units A and B have been determined on the basis of value in use calculations. Their recoverable amounts are based on certain similar key assumptions. Both value in use calculations use cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 10%. Cash flow projections during the budget period for both Units A and B are also based on the budgeted sales and expected gross margins during the budget period and the same raw materials price inflation during the budget period. Expected cash inflows/outflows, which include budgeted sales, gross margin and raw material price inflation have been determined based on past performance and management's expectations for the market development.

During the year ended 31st December, 2007, after considering the increased competition in the market, the Group recognised an aggregate impairment loss of HK$1,847,000 in relation to goodwill in connection to the restaurant operations in Shenzhen and Beijing, the PRC.

Unit C

The recoverable amount of Units C has been determined on the basis of value in use calculations. Its recoverable amounts is based on certain similar key assumptions. The value in use calculations use cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 16.5% (2006: nil). The set of cash flows beyond the 5-year period is extrapolated using a steady 5% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Cash flow projections during the budget period are also based on the expected property rental income, income from ancillary services and commission income from operation of agricultural exchange market during the budget period. Expected cash inflows/outflows, which include expected property rental income, income from ancillary services and commission income from operation of agricultural exchange market, have been determined based on past performance and management's expectations for the market development.

18. INVENTORIES, AT COST

	THE GROUP	
	2007	2006
	HK$'000	HK$'000
Food and beverages	**1,172**	1,107

19. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30 days to 180 days to its trade customers. Included in trade and other receivables at 31st December, 2007 are trade receivables of HK$20,492,000 (2006: HK$456,000), which are aged within 0 to 90 days.

	2007	2006
	HK$'000	HK$'000
Trade receivables:		
0-90 days	**5,756**	456
91-180 days	**4,912**	—
Above 180 days	**9,824**	—
	20,492	456
Consideration receivable	—	32,800
Other receivables	**10,701**	614
	31,193	33,870

Before accepting any new customer, the Group uses a credit system to assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed once a year. 90% of the trade receivables are neither past due nor impaired have good credit quality because of no default history and has good financial position.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$9,824,000 (2006: nil) which are past due at the reporting date for which the Group has not provided for impairment loss as majority of which is settled subsequent to 31st December 2007. The Group does not hold any collateral over these balances.

The Consideration receivable at 31st December, 2006 is the remaining consideration receivables of HK$32.8 million from the Group's disposal of its entire interests in, and shareholders' loan of certain subsidiaries to an independent third party, for a cash consideration of RMB50.0 million (equivalent to HK$46.8 million) in August 2004. The amounts were unsecured, interest free and repayment on demand and have been fully settled during the year.

The other receivables at 31st December, 2007 are unsecured, interest-free and repayable on demand.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

20. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and bank balances that are interest bearing at prevailing market rate range from 1.5% to 2.5% for both years and have original maturity of three months or less. The carrying amount of these assets approximates their fair value.

Included in the bank balances and cash as at 31st December, 2007 is an amount denominated in Renminbi ("RMB") of RMB69,665,802 (equivalent to approximately HK$74,477,000) (2006: RMB1,998,000, equivalent to approximately HK$1,998,000). Renminbi is not freely convertible into other currencies.

21. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$1,395,000 (2006: HK$1,033,000), and their aged analysis is as follows:

	2007	2006
	HK$'000	HK$'000
0 to 90 days	**—**	310
Over 90 days	**1,395**	723
	1,395	1,033
Construction payables	**71,178**	—
Rental receipt in advance	**49,881**	—
Other tax payables	**18,559**	—
Other payables and accruals (note)	**76,137**	5,894
	217,150	6,927

Note: The other payables are unsecured, interest free and repayable on demand.

22. CONVERTIBLE NOTES/DERIVATIVE FINANCIAL INSTRUMENTS

(a) Convertible Notes

On 5th December, 2007, the Company entered into a subscription agreement with Ms. Wang (the "subscriber"), an independent third party, for the issue of convertible notes with aggregate principal amount of HK$360,000,000 as part of the consideration for the acquisition of Baisazhou ("Convertible Notes"). The Convertible Notes are interest free and are due on the maturity date, which is the date falling on the second anniversary from the date of issue of the Convertible Notes (i.e. 5th December, 2009). The conversion price is HK$2.00 per share at the time of subscription and is subject to adjustments including consolidation or sub-division of shares, capitalisation of profits or reserves, capital distribution in cash or specie or subsequent issue of securities in the Company. A total of 180,000,000 shares will be allotted and issued upon the conversions in full of the Convertible Notes. The Convertible Notes entitle the holder to convert all or any part of the outstanding principal amount of the Convertible Notes into ordinary shares of the Company at any time between one month after the date of issue and the maturity date on 5th December, 2009. The Convertible Shares will be subject to a lock up period of twelve months from the date of issue of Convertible Notes.

Pursuant to the terms of the Convertible Notes, conversion of the Convertible Notes is subject to the terms and conditions therein, including, among others, a condition that the exercise of the conversion rights under the Convertible Notes would only be limited to the extent that (i) the aggregate shareholding of Ms. Wang, her associates and parties acting in concert with her in the Company will not be more than 29.90%; or (ii) the minimum public float of 25% of the Company will be maintained. Accordingly, the Company will not issue any Conversion Shares to Ms. Wang which will result in violation of the above principles.

At 31st December, 2007, Convertible Notes with a carrying amount of HK$287,957,000 (principal amount of HK$360,000,000) remained outstanding.

On initial recognition, the Convertible Notes issued by the Group contained liability of approximately HK$285,565,000 and conversion option embedded in the Convertible Notes of approximately HK$74,435,000 are classified separately into respective items on initial recognition.

At 31st December, 2007, the Convertible Notes with a principal amount of HK$360,000,000 remained outstanding.

The directors consider the carrying amount of the liability component of the Convertible Notes recorded at amortised cost approximate their fair values.

22. CONVERTIBLE NOTES/DERIVATIVE FINANCIAL INSTRUMENTS

(a) Convertible Notes *(Continued)*

The movement of the liability component of the Convertible Notes for the year ended 31st December, 2007 is set out below:

	2007 HK$'000	2006 HK$'000
At the beginning of the year	**—**	—
Issue of Convertible Notes	**285,565**	—
Effective interest expenses	**2,392**	—
At the end of the year	**287,957**	—

During the year ended 31st December, 2007, the effective interest rate of the Convertible Notes was 12.23% (2006: nil).

The outstanding principal amounts of HK$360,000,000 were converted into 180,000,000 shares of the Company on 8th January, 2008.

(b) Derivative financial instruments

	2007 HK$'000	2006 HK$'000
At the beginning of the year	**—**	—
Conversion option embedded in the Convertible Notes	**74,435**	—
Changes in fair value	**(24,566)**	—
At the end of the year	**49,869**	—

The conversion option embedded in Convertible Notes was fair valued by an independent valuer, LCH, on the issue date of 5th December, 2007 and the balance sheet date of 31st December, 2007 at approximately HK$74,435,000 and HK$49,869,000, respectively. The gain on change in fair value of approximately HK$24,566,000 has been credited to the consolidated income statement for the year ended 31st December, 2007.

22. CONVERTIBLE NOTES/DERIVATIVE FINANCIAL INSTRUMENTS

(b) Derivative financial instruments *(Continued)*

The fair values were calculated using the Black-Scholes option pricing model. The inputs used in the model in determining the fair values at the respective dates were as follows:

	5th December, 2007	31st December, 2007
Share price	**HK$1.79**	HK$1.49
Exercise price	**HK$2.00**	HK$2.00
Expected life	**2 years**	2 years
Risk-free rate	**1.65%**	2.58%
Expected dividend yield	**0%**	0%
Volatility	**59.85%**	59.85%

23. LOAN FROM FORMER ULTIMATE HOLDING COMPANY

The amount was unsecured, interest free and repaid during the year.

24. BANK AND OTHER BORROWINGS

	2007 HK$'000	2006 HK$'000
Secured bank loans	**247,809**	—
Unsecured other loans	**18,174**	—
	265,983	—
Carrying amount repayable:		
Within one year	**71,628**	—
More than one year, but not exceeding two years	**194,355**	—
	265,983	—
Less: Amounts due within one year shown under current liabilities	**(71,628)**	—
	194,355	—

Included in the above balances are bank loans with variable-rate borrowings of HK$247,809,000 which carry interest range from 5.6% to 6.6% (adjusted for changes of borrowing rate offered by The People's Bank of China). Interest is repricing every 30 days. The other loans of HK$18,174,000 from two independent third parties were carried with fixed rate at 6.4% and 12.0%, respectively.

24. BANK AND OTHER BORROWINGS *(Continued)*

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

	2007	2006
Effective interest rate:		
Fixed-rate borrowings	**6.4% to 12.0%**	—
Variable-rate borrowings	**5.6% to 6.8%**	—

25. PROMISSORY NOTES

On 5th December, 2007, the Company issued two unsecured promissory notes with an aggregate amount of HK$376,000,000 as part of the consideration for the acquisition of Baisazhou ("Promissory Notes"). The Promissory Notes are interest bearing at 5% per annum and are repayable in five years from the date of issue. The Company may, at its absolute discretion, pay all or any part of the outstanding principal amount of the Promissory Notes at any time before maturity.

The movement of the fair value of the Promissory Notes for the year ended 31st December, 2007 is set out below:

	2007	2006
	HK$'000	HK$'000
At the beginning of the year	**—**	—
Issue of Promissory Notes	**278,447**	—
Effective interest expenses	**1,128**	—
At the end of the year	**279,575**	—

During the year ended 31st December, 2007, the effective interest rate of the Promissory Notes was 12.23% (2006: nil).

26. DEFERRED TAXATION

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

	Revaluation of investment properties HK$'000
As at 1st January 2006 and 31st December 2006	—
Acquisition of a subsidiary	5,435
Exchange differences	75
As at 31st December 2007	5,510

27. SHARE CAPITAL

	Number of shares	**Value** '000
Authorised		
Ordinary shares of US$0.02 each:		
At 1st January, 2006, 31st December, 2006 and 2007	19,000,000,000	US$380,000

	Notes		US$'000
Issued and fully paid			
Ordinary shares at US$0.02 each:			
At 1st January, 2006, 31st December, 2006		277,408,596	5,548
Exercise of share options	a	8,250,000	165
Issue of shares	b	300,000,000	6,000
At 31st December, 2007		585,658,596	11,713

	HK$'000
Shown in the financial statements	
At 31st December, 2007	91,363
At 31st December, 2006	43,276

27. SHARE CAPITAL *(Continued)*

The movements in share capital of the Company during the year are as follows:

(a) During the year, the Company issued 8,250,000 ordinary shares of US$0.02 each at cash consideration of HK$0.72 per share pursuant to the exercise of the share options granted.

(b) On 4th July, 2007, the Company entered into a placing agreement with an independent placing agent for the placing of 300,000,000 new shares of US$0.02 each at a price of HK$2.05 per new share, representing a discount of approximately 29.55% to the closing price of HK$2.91 per share on 4th July, 2007. These shares were issued under the specific mandate granted to the directors of the Company on 27th June, 2007. The placing was completed on 13th July, 2007. The proceeds of HK$615 million were primarily used to finance the acquisition of Baisazhou and for general working capital purpose.

Details of the above are set out in the announcement of the Company dated 5th July, 2007.

28. SHARE OPTIONS

On 4th June, 2002, the Company adopted a share option scheme (the "Scheme") for the primary purpose of providing incentives and rewards to employees, executives or officers, directors of the Company or any of its subsidiaries and any business consultants, agents, legal or financial advisers of the Company or any of its subsidiaries (the "Participants") for their contribution to the Group. The Scheme will expire on 3rd June, 2012. Under the Scheme, the board of directors (the "Board") may grant options to the participants to subscribe for shares in the Company for a consideration of HK$1 for each lot of share options granted. The exercise price is to be determined by the Board and shall not be less than the highest of:

(a) the official closing price of the shares as stated in the daily quotation sheet of the Stock Exchange on the offer date which must be a business day (and for this purpose, shall be taken to be the date of the Board meeting at which the Board proposes to grant the options);

(b) the average of the official closing price of the shares as stated in the daily quotation sheet of the Stock Exchange for the 5 business days immediately preceding the offer date; and

(c) The nominal value of a share.

28. SHARE OPTIONS *(Continued)*

Pursuant to the Scheme, the maximum number of shares in the Company in respect of which options may be granted when aggregated with any other share option scheme of the Company is not permitted to exceed 13,624,193 shares, representing 10% of the issued share capital of the Company as at the date of adoption of the Scheme or approximately 4.9% of the issued share capital of the Company as at 31st December, 2007. Subject to the issue of a circular and the approval of the shareholders of the Company in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may refresh the limit at any time to 10% of the total number of shares in issue as at the date of approval by the shareholders of the Company in general meeting. Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares in issue from time to time.

No option may be granted to any person if the total number of shares of the Company already issued and issuable to him under all the options granted to him in any 12 month period up to and including the date of grant exceeding 1% of total number of shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the shareholders in general meeting. The participant and his associates (as defined in the Listing Rules) are abstained from voting and/or other requirements prescribed under the Listing Rules from time to time. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

There is no specific requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years from the date of grant.

28. SHARE OPTIONS *(Continued)*

The following table discloses movements of the Company's share options held by employees and consultants during the year:

				Number of Shares			
	Date of grant	Exercisable period	Exercise price	Outstanding at beginning of year	Granted during the year	Exercised during the year	Outstanding at end of year
			HK$				
Employees	20.3.2007	20.3.2007 to 19.3.2012	0.72	—	5,500,000	(5,500,000)	—
Consultants	20.3.2007	20.3.2007 to 19.3.2012	0.72	—	2,750,000	(2,750,000)	—
Employees	4.6.2007	5.6.2007 to 4.6.2012	2.48	—	5,300,000	—	5,300,000
				—	13,550,000	(8,250,000)	5,300,000
Exercisable at the end of the year							5,300,000
Weighted average exercise price							2.48

The weighted average closing price of the Company's shares immediately before the date on which the options were exercised was HK$2.48.

Share options issued to the consultants in exchange for services cannot be reliably measured, in which case the services are measured by reference to the fair value of the share options granted.

28. SHARE OPTIONS *(Continued)*

The following assumptions were used to calculate the fair values of share options.

	20th March, 2007	4th June, 2007
Grant date share price	HK$0.72	HK$2.45
Option exercisable period	21.3.2007 to 19.3.2012	5.6.2007 to 4.6.2012
Vesting date	20th March, 2007	4th June, 2007
Exercise price	HK$0.72	HK$2.48
Sub-optimal factor	140%	140%
Expected volatility	71.38%	82.49%
Dividend yield	0%	0%
Risk-free interest rate	4.209%	4.698%
Fair value of option per share	HK$0.20	HK$0.68

The Binomial option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the director's best estimate. The value of an option varies with different variables of certain objective assumptions.

Expected volatility was determined by using the historical volatility of the Company's share price over the previous four years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

The closing price of the Company's shares immediately before 20th March, 2007 and 4th June, 2007, the date of grant of options, were HK$0.72 and HK$2.45, respectively.

During the year, share options were granted on 20th March, 2007 and 4th June, 2007. The fair values of the options determined at the dates of grant using the Binomial option pricing model was approximately HK$1,617,000 and HK$3,554,000 respectively and recognised in the consolidated income statement for the year ended 31st December, 2007.

29. ACQUISITION OF A SUBSIDIARY

Acquisition of a subsidiary

In May 2007, the Company entered into conditional sales and purchase agreement with, independent third parties, Ms. Wang and Wuhan Tian Jiu Industrial and Commercial Development Co., Limited (collectively referred to as the "Vendor") for their respective 70% and 20% interest in Baisazhou for consideration of HK$900 million and HK$256 million, respectively. The completion date of the agreements was 5th December, 2007, which is also the acquisition date for accounting purposes.

Of the total consideration of HK$1,156 million, HK$420 million was satisfied by cash, HK$360 million was satisfied by the issue of the Convertible Notes (note 22) and HK$376 million was satisfied by the issue of Promissory Notes (note 25), with fair values of HK$420 million, HK$360 million and HK$278 million, respectively. Together with the cost directly attributable to the acquisition of HK$16 million, the fair value of the total consideration was HK$1,075 million.

Baisazhou is engaged in leasing of properties for the operation of agricultural products exchange in Wuhan, Hubei Province, the PRC.

The total consideration of HK$1,156 million is subject to adjustments based on the audited profit after taxation of Baisazhou for the year ended 31st December, 2007. Ms. Wang has guaranteed to the Company that the audited profit after taxation of Baisazhou for the year ended 31st December, 2007, will not be less than HK$150 million. Any shortfall will be compensated by Ms. Wang. In the opinion of the directors, such amounts cannot be measured reliably at 31st December, 2007 and accordingly, no provision is made.

29. ACQUISITION OF A SUBSIDIARY *(Continued)*

Acquisition of a subsidiary *(Continued)*

The net assets acquired in the transaction, and the goodwill arising, are as follows:

	Acquiree's carrying amount before combination HK$'000	**Provisional fair value adjustments** HK$'000	**Provisional Fair value** HK$'000
Net assets acquired:			
Property, plant and equipment	31,398	—	31,398
Investment properties	595,991	—	595,991
Trade and other receivables	81,480	—	81,480
Bank balances and cash	14,576	—	14,576
Trade and other payables	(215,741)	—	(215,741)
Tax payable	(46,164)	—	(46,164)
Bank and other borrowings	(262,364)	—	(262,364)
Deferred taxation	(5,435)	—	(5,435)
Net assets acquired	193,741	—	193,741
Minority interests			(19,374)
Goodwill			900,712
Total consideration			1,075,079
Total consideration satisfied by:			
Cash			420,000
Convertible Notes			360,000
Promissory Notes			278,447
			1,058,447
Costs directly attributable to the acquisition			16,632
			1,075,079
Net cash outflow of cash and cash equivalents in respect of acquisition of a subsidiary:			
Cash consideration paid			(436,632)
Bank balances and cash acquired			14,576
			(422,056)

29. ACQUISITION OF A SUBSIDIARY *(Continued)*

Acquisition of a subsidiary *(Continued)*

The acquired subsidiary contributed approximately HK$22,317,000 to the Group's turnover and profit of approximately HK$10,519,000 to the Group's loss before taxation for the period between the date of acquisition and the balance sheet date.

The initial accounting for the acquisition of Baisazhou involve identifying and then determining the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities and the cost of the business combination. The initial accounting for the acquisition has been determined provisionally by 31st December, 2007, awaiting for the finalization of identification of and fair values of identifiable assets and liabilities of Baisazhou. Hence, the goodwill may comprise certain identifiable intangible assets and may be subject to further changes upon finalisation of initial accounting.

If the acquisition had been completed on 1st January, 2007, total group revenue for the period would have been HK$181,535,000 and profit for the year would have been HK$98,057,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1st January, 2007, nor is it intended to be a projection of future results.

30. DISPOSAL OF A SUBSIDIARY

On 25th February, 2005 and 21st April, 2005, a wholly-owned subsidiary of the Company, entered into conditional sale and purchase agreements with a third party for the disposal of respective 40% and 60% interests in More Cash Limited ("More Cash"), a wholly-owned subsidiary of the Company, for a cash consideration of HK$40,000,000 and HK$90,000,000. More Cash, through its subsidiary, Guang Zhou Jiang Nan Property Co., Ltd., is engaged in property investment and development and property rental in Guangzhou, the PRC. Details of the disposal of 40% and 60% interest are set out in the circular of the Company dated 24th March, 2005 and 16th June, 2005, respectively. The disposal of More Cash was completed on 12th April, 2006. The net assets of More Cash at the date of disposal were as follows:

	2006 HK$'000
Net assets disposed of:	
Investment properties	140,000
Property, plant and equipment	2,702
Trade and other receivables	1,281
Bank balances and cash	1,046
Trade and other payables	(14,512)
	130,517
Minority interests	(567)
Gain on disposal	50
Total consideration	130,000
Total consideration satisfied by cash	130,000
Net cash inflow of cash and cash equivalents in respect of disposal of More Cash:	
Consideration received	130,000
Bank balances and cash disposed of	(1,046)
	128,954

The subsidiaries disposed of during the year ended 31st December, 2006 contributed HK$2,277,000 to the Group's turnover and profit of HK$1,454,000 to the Group's loss for the year.

31. CAPITAL COMMITMENTS

	2007 HK$'000	2006 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of:		
— property, plant and equipment	**54,308**	—
— construction in progress	**25,112**	—
	79,420	—

32. CONTINGENT LIABILITY

Prior to its acquisition by the Group, Baisazhou has granted guarantee to banks with respect to bank borrowings raised by a former shareholder of Baisazhou for the amount of RMB25 million (equivalent to HK$26.7 million) and such guarantee has not yet been released as of the balance sheet date.

33. OPERATING LEASE ARRANGEMENTS

The Group as lessee

The Group made minimum lease payments of approximately of HK$2,904,000 (2006: HK$2,710,000) under operating leases during the year in respect of office properties and restaurants. Operating lease payments represent rent payable by the Group for certain of its office premises and staff quarters. Leases are negotiated for an average term of 4 to 5 years and rentals are fixed for an average of 2 to 5 years.

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follow:

	2007 HK$'000	2006 HK$'000
Within one year	**3,185**	2,856
In the second year	**3,199**	2,577
In the third year	**1,152**	2,657
In the fourth year	**198**	1,117
In the fifth year	**—**	192
	7,734	9,399

33. OPERATING LEASE ARRANGEMENTS *(Continued)*

The Group as lessor

Property rental income earned during the year was HK$15,878,000 (2006: HK$2,277,000). The properties are expected to generate rental yields of 12% on an ongoing basis. Majority of the properties held have committed tenants for next year.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2007 HK$'000	2006 HK$'000
Within one year	**32,261**	—
In the second year	**9**	—
	32,270	—

In addition, the Group has arrangements with tenants and suppliers which entitled it to charge commission based on certain percentages of the transaction price of agricultural products delivered to the tenants in the market.

34. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of the relevant payroll costs to the MPF Scheme, which contribution is matched by employees.

The employees of the Group's subsidiary in PRC are members of the state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute certain percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

35. GOVERNMENT GRANT

During the year ended 31st December, 2007, the Group did not recognise any government grants (2006: Nil). At 31st December, 2007, the Group has unused government grants of approximately HK$1,289,000 in relation to the construction of qualifying assets.

36. RELATED PARTY DISCLOSURES

Compensation of key management personnel

The remuneration of directors as key management of the Group during the year was as follows:

	2007 HK$'000	2006 HK$'000
Short-term employee benefits	2,600	1,799
Post-employment benefits	18	24
	2,618	1,823

The remuneration of key management personnel, which were the directors of the Company, were decided by the Board of Directors, who are authorised by the shareholders, having regard to the performance of the individuals and market trends.

Other than as disclosed in note 23 to the consolidated financial statements and above, the Group had no other significant related party disclosures.

37. POST BALANCE SHEET EVENT

As disclosed in note 22, all the convertible notes, with an aggregate principal amount of HK$360,000,000 were converted into 180,000,000 ordinary shares of the Company on 8th January, 2008 ("Conversion Date"). Details are set out in the announcement of the Company dated 10th January, 2008.

For the period from 1st January, 2008 to the Conversion Date, a gain on change in fair value of conversion options embedded in convertible notes of approximately HK$9,945,000 will be credited to the consolidated income statements for the year ended 31st December, 2008.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

38. BALANCE SHEET OF THE COMPANY

	2007 HK$'000	2006 HK$'000
Total assets		
Interests in subsidiaries	**1,075,079**	—
Other receivables	**4,088**	—
Amount due from a subsidiary	**24,573**	32,451
Bank balances and cash	**166,427**	25
	1,270,167	32,476
Total liabilities		
Other payables	**4,919**	1,926
Derivative financial instruments	**49,869**	—
Loan from former ultimate holding company	**—**	6,696
Promissory notes	**279,575**	—
Convertible notes	**287,957**	—
	622,320	8,622
	647,847	23,854
Capital and reserves		
Share capital	**91,363**	43,276
Reserves (Note)	**556,484**	(19,422)
	647,847	23,854

38. BALANCE SHEET OF THE COMPANY *(Continued)*

Note:

Reserves

	Share premium HK$'000	Capital reserve HK$'000 (Note a)	Shareholders' contribution HK$'000 (Note b)	Contributed surplus HK$'000 (Note c)	Share option reserve HK$'000	Accumulated loss HK$'000	Total HK$'000
THE COMPANY							
At 1st January, 2006	—	945	664	470,001	—	(489,157)	(17,547)
Loss for the year and total expense recognised during the year	—	—	—	—	—	(1,875)	(1,875)
At 31st December, 2006	—	945	664	470,001	—	(491,032)	(19,422)
Exercise of share options	6,270	—	—	—	(1,617)	—	4,653
Issue of shares	568,200	—	—	—		—	568,200
Recognition of equity settled share based payments	—	—	—	—	5,171	—	5,171
Profit for the year and total expenses recognised during the year	—	—	—	—	—	19,135	19,135
Transaction costs attributable to issue of shares	(21,253)	—	—	—	—	—	(21,253)
At 31st December, 2007	553,217	945	664	470,001	3,554	(471,897)	556,484

Notes:

(a) The capital reserve of the Company represents capital redemption reserve fund.

(b) The shareholders' contribution represents imputed interest expense non-current interest free loan from the former ultimate holding company at 31st December, 2006.

(c) The contributed surplus of the Company represents (i) the aggregate of the difference between the underlying net assets of the subsidiaries which were acquired by the Company and the nominal amount of the share capital issued by the Company under a group reorganisation in 1995 and (ii) contribution arising from capital reorganisation and group reorganisation in prior years.

39. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the borrowings, promissory notes disclosed in notes 24 and 25, convertible notes disclosed in note 22, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained earnings.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt, debt restricting or the redemption of existing debt.

40. FINANCIAL INSTRUMENTS

40a. Categories of financial instruments

	2007	2006
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**291,824**	35,468
Financial liabilities		
Amortised cost	**961,103**	10,029
Financial liabilities at fair value through profit or loss	**49,869**	—

40b. Financial risk management objectives and policies

The Group's major financial instruments include bank balances and cash, borrowings, convertible notes, promissory notes, trade and other receivables and trade and other payables. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

40. FINANCIAL INSTRUMENTS *(Continued)*

40b. Financial risk management objectives and polices *(Continued)*

Market risk

(i) *Foreign currency risk*

The Group operates in the PRC with most of the transactions denominated and settled in Renminbi ("RMB").

The carrying amount of the monetary assets and monetary liabilities denominated in foreign currency, that is other than the functional currency of the Group, at the respective balance sheet dates are as follow:

	2007	2006
	HK$'000	HK$'000
Assets		
HK$	**176,566**	32,914
Liabilities		
HK$	**621,740**	6,696

Foreign currency sensitivity

The Group is mainly exposed to the currency of HK$.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates. The sensitivity analysis includes bank balances, Convertible Notes and Promissory Notes. If RMB against HK$ had been increased/decreased by 10%, the Group's loss for the year would decrease/increase by approximately HK$44,517,000 (2006: HK$2,622,000).

(ii) *Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings and Promissory Notes (see notes 24 and 25 for details).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings and bank balances (see note 24 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The Group currently does not have any interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant fixed rate bank borrowing should the need arises.

40. FINANCIAL INSTRUMENTS *(Continued)*

40b. Financial risk management objectives and polices *(Continued)*

Market risk *(Continued)*

(ii) Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date. For variable-rate bank borrowings and bank balances, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31st December 2007 would increase/decrease by HK$1,239,000 (2006: increase/decrease by HK$10,000). For the year ended 31st December, 2007, this is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings and bank balances. For the year ended 31st December, 2006, this is attributable to the Group's exposure to interest rates or its variable-rate bank balances.

The Group's sensitivity to interest rates has increased during the current year mainly due to the increase in variable rate debt instruments.

(iii) Other price risks

The Group is exposed to equity price risks arising from the Convertible Notes. The fair value of the Convertible Notes was calculated using the Black Scholes option pricing model (the "Valuation model"). Details of which are set out in note 22.

If share price had been 10% higher/lower while all other variables were held constant, the loss for the year would increase (decrease) as follows:

	2007	2006
	HK$'000	HK$'000
Higher by 10%		
Share price	**11,713**	—
Lower by 10%		
Share price	**(10,735)**	—

40. FINANCIAL INSTRUMENTS *(Continued)*

40b. Financial risk management objectives and polices *(Continued)*

Credit risk

As at 31 December 2007 and 2006, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group (see detail in note 32) is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

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

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

The Group has concentration of credit risk on certain individual customers. At the balance sheet date, the five largest receivable balances accounted for approximately 95% of the trade receivables and the largest trade receivable attributable to the Group's trade receivables was approximately 76% of the Group's total trade receivables. The Group seeks to minimise its risk by dealing with counterparties which have good credit history. Majority of the trade receivables that are neither past due nor impaired have no default payment history.

The Group's geographical concentration of credit risk is mainly in the PRC, which accounted for over 90% of the Group's total trade receivable as at 31st December, 2007 and 2006.

Liquidity risk

The Group has net current liabilities of approximately HK$98,072,000 as at 31 December 2007. As detailed in Note 2, the directors of the Company believe that the Group will have sufficient working capital for its future operational requirements.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on Convertible Notes, bank borrowings and Promissory Notes as a significant source of liquidity. Details of which are set out in note 22, 24 and 25.

40. FINANCIAL INSTRUMENTS *(Continued)*

40b. Financial risk management objectives and polices *(Continued)*

***Liquidity risk** (Continued)*

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity and interest risk tables

	Weighted average effective interest rate	Less than 3 months	3-6 months	6 months to 1 year	1-5 years	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2007							
Non-derivative financial liabilities							
Trade payables	–	1,395	–	–	–	1,395	1,395
Other payables	–	126,193	–	–	–	126,193	126,193
Bank and other borrowings							
— fixed rate	7%	–	–	19,446	–	19,446	18,174
— variable rate	6.36%	–	22,741	34,112	219,863	276,716	247,809
Promissory Notes	5%	–	–	–	479,882	479,882	279,575
Convertible Notes	–	–	–	–	360,000	360,000	287,957
		127,588	22,741	53,558	1,059,745	1,263,632	961,103
2006							
Non-derivative financial liabilities							
Trade payables	–	1,033	–	–	–	1,033	1,033
Other payables	–	2,300	–	–	–	2,300	2,300
Loan from former ultimate holding company	–	6,696	–	–	–	6,696	6,696
		10,029	–	–	–	10,029	10,029

The cash flow of variable interest rate instruments is based on the rate outstanding at the balance sheet date.

40. FINANCIAL INSTRUMENTS *(Continued)*

40c. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of other financial assets and financial liabilities (including derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input. For an option-based derivative, the fair value is estimated using option pricing model (for example, the Black-Scholes option pricing model).

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

41. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries of the Company at 31st December, 2007 and 2006 are as follows:

Name of subsidiary	Issued and fully paid ordinary share capital/ registered capital	Place of incorporation/ registration	Proportion of nominal value of issued share capital/registered capital held by the Company		Principal activities and place of operation
			Directly	Indirectly	
			%	%	
Alpha Sheen Development Limited	HK$100	Hong Kong	—	100	Property investment, (becomes inactive during 2006) PRC
Best Glory Limited	HK$2	Hong Kong	—	70	Investment holding, Hong Kong
Bremer Assets Limited	US$1	BVI	—	100	Investment holding, Hong Kong
China Land Group Limited	HK$2	Hong Kong	—	100	Management services, Hong Kong

41. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of subsidiary	Issued and fully paid ordinary share capital/ registered capital	Place of incorporation/ registration	Proportion of nominal value of issued share capital/registered capital held by the Company Directly %	Indirectly %	Principal activities and place of operation
China Land Holdings Limited	US$1	BVI	100	—	Investment holding, Hong Kong
China Land (HK) Limited	US$1	BVI	—	100	Investment holding, Hong Kong
China Land (PRC) Limited	US$1	BVI	—	100	Investment holding, Hong Kong
China Land Resources Limited	US$1	BVI	—	100	Inactive, Hong Kong
China Velocity Investments Limited	HK$6,000,000	Hong Kong	—	100	Investment holding, Hong Kong
Dionysus Investments Limited	US$10	BVI	—	70	Investment holding, Hong Kong
Exburg Ltd.	US$1	BVI	—	70	Investment holding, Hong Kong
Gladly Development Limited	HK$2	Hong Kong	—	70	Investment holding, Hong Kong
Goldsmith Assets Limited	US$1	BVI	—	70	Investment holding, Hong Kong
Holburn Property Limited	US$1	BVI	—	70	Investment holding, Hong Kong

41. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of subsidiary	Issued and fully paid ordinary share capital/ registered capital	Place of incorporation/ registration	Proportion of nominal value of issued share capital/registered capital held by the Company Directly %	Indirectly %	Principal activities and place of operation
Hongkong Macau (Nominees) Limited	HK$2	Hong Kong	—	100	Nominee services, Hong Kong
Hongkong Macau (International) Ltd.	US$1	BVI	100	—	Investment holding, Hong Kong
Hongkong Macau Secretarial Services Limited	HK$2	Hong Kong	—	100	Investment holding, Hong Kong
Pearlbound Properties Limited	US$1	BVI	—	100	Investment holding, Hong Kong
Renowned Holdings Limited	US$1	BVI	—	100	Investment holding, Hong Kong
Superwide Development Limited	US$10,000	BVI	—	100	Property investment, PRC
World Express Limited	HK$2	Hong Kong	—	70	Investment holding, Hong Kong
* Wuhan Baisazhou Agricultural By-Product Grand Market Co., Limited (“Baisazhou”)	RMB50,000,000	PRC	90	—	Property leasing, PRC
Zhong Hua Health Food Culture Research Limited	HK$2	Hong Kong	—	100	Investment holding, Hong Kong
Zhong Hua Jin Long Teng Health Food (Holdings) Limited	HK$2	Hong Kong	—	100	Investment holding, Hong Kong

* Baisazhou was newly acquired by the Company during the year.

41. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of subsidiary	Issued and fully paid ordinary share capital/ registered capital	Place of incorporation/ registration	Proportion of nominal value of issued share capital/registered capital held by the Company Directly %	Indirectly %	Principal activities and place of operation
北京金龍騰健康飲食(集團)有限公司 (i)	RMB500,000	PRC	—	100	Restaurant operation, PRC
深圳金龍騰海鮮酒樓(深圳)有限公司 (i)	RMB5,000,000	PRC	—	100	Restaurant operation, PRC

Note:

(i) The Company was established in the PRC as a sino-foreign equity joint venture company.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

Financial Summary

	Year ended 31st December,				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Revenue	**45,929**	31,740	15,481	12,605	132,583
Loss before taxation	**(5,427)**	(18,161)	(32,580)	(230,935)	(184,703)
Income tax (expense) credit	**(6,195)**	(16)	(17)	—	10,655
Loss for the year	**(11,622)**	(18,177)	(32,597)	(230,935)	(174,048)
Attributable to:					
Equity holders of the Company	**(12,650)**	(18,169)	(32,589)	(235,515)	(170,207)
Minority interests	**1,028**	(8)	(8)	4,580	(3,841)
	(11,622)	(18,177)	(32,597)	(230,935)	(174,048)

	At 31st December,				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	**1,835,835**	75,137	229,383	233,411	613,682
Total liabilities	**(1,158,728)**	(13,626)	(149,237)	(121,332)	(249,589)
	677,107	61,511	80,146	112,079	364,093
Attributable to:					
Equity holders of the Company	**642,573**	47,664	65,724	97,649	333,164
Minority interests	**34,534**	13,847	14,422	14,430	30,929
	677,107	61,511	80,146	112,079	364,093

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting (the "AGM") of China Agri-Products Exchange Limited, formerly known as China Velocity Group Limited, (the "Company") will be held at 1/F, Function Room, Macau Jockey Club, China Merchants Tower, Shun Tak Centre, Sheung Wan, Hong Kong on Friday, 23rd May, 2008 at 3:00 p.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors of the Company for the year ended 31st December, 2007.

2. To re-elect retiring directors and to authorise the board of directors of the Company to fix the remuneration of directors of the Company.

3. To re-appoint auditors and to authorise the board of directors of the Company to fix the remuneration of auditors of the Company.

4. As special business, to consider and, if thought fit, pass with or without amendments the following resolutions as ordinary resolutions:

   A. **"THAT:**

   (a) subject to sub-paragraph (c) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot and issue additional shares of US$0.02 each in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power, be and is hereby generally and unconditionally approved;

   (b) the approval in sub-paragraph (a) of this resolution shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;

   (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the approval in sub-paragraphs (a) and (b) of this resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); (ii) an issue of shares pursuant to the exercise of the subscription rights under any of the share option schemes of the Company; (iii) an issue of share upon the exercise of rights of conversion under the terms of any securities which are convertible into shares of the Company; or (iv) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares in accordance with the Bye-Laws of the Company in force from time to time shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this resolution and the said approval shall be limited accordingly; and

(d) for the purposes of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earlier of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-Laws of the Company or any applicable law to be held; and

(iii) the revocation or variation of the authority set out in this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

"Rights Issue" means an offer of shares open for a period fixed by the directors of the Company to holders of shares of the Company on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong)."

B. **"THAT:**

(a) subject to sub-paragraph (b) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to purchase its own shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange, be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of shares of the Company to be purchased by the Company pursuant to the approval in sub-paragraph (a) of this resolution during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution and the said approval shall be limited accordingly; and

(c) for the purposes of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earlier of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-Laws of the Company or any applicable law to be held; and

(iii) the revocation or variation of the authority set out in this resolution by an ordinary resolution of the shareholders of the Company in general meeting."

C. **"THAT** conditional upon resolutions numbered 4A and 4B in the notice convening this meeting being passed, the aggregate nominal amount of the issued shares in the share capital of the Company which are repurchased by the Company under the authority granted to the directors of the Company as mentioned in the said resolution numbered 4B above shall be added to the aggregate nominal amount of the share capital of the Company that may be allotted or agreed conditionally or unconditionally to be allotted and issued by the directors of the Company pursuant to the resolution numbered 4A in the notice convening this meeting."

5. To transact any other ordinary business of the Company.

By order of the Board
Sin Ka Man
Company Secretary

Hong Kong, 28th April, 2008

Registered Office:
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Principal place of business in Hong Kong:
Room 901, 9/F
China Merchants Tower
Shun Tak Centre
Sheung Wan
Hong Kong

Notice of Annual General Meeting

Notes:

1. Any member of the Company entitled to attend and vote at the AGM is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.

2. To be valid, a form of proxy must be deposited at the Company's principal place of business in Hong Kong at Room 901, 9/F China Merchants Tower, Shun Tak Centre, Sheung Wan, Hong Kong together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority, not less than 48 hours before the time for holding the meeting or any adjournment of such meeting.

3. An explanatory statement as required by the Rules Governing the Listing of Securities on the Stock Exchange in connection with the proposed repurchase mandate under resolution numbered 4B will be despatched to members together with the Annual Report 2007 of the Company.

The directors of the Company as at the date of this notice are as follows:

Executive Directors:
Fu Jie Pin
Yang Zong Lin
Chen Hong Bo
Yang Wei Yuan
Zhu Zhou

Independent Non-Executive Directors:
Yan Feng Xian
Jee Wengue
James Yin