China Agri-Products Exchange Limited

(Incorporated in Bermuda with limited liability)

Stock Code:149

Dedicated to developing Agriculture

Sincere in serving Agriculture

2008 Annual Report

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chan Chun Hong, Thomas, *Chairman*
Mr. Zhu Zhou, *Chief Executive Officer*
Mr. Yang Zong Lin
Mr. Yang Wei Yuan
Mr. Ying Yat Man
Mr. Leong Weng Kin

Independent Non-executive Directors

Mr. Yan Feng Xian
Mr. Ng Yat Cheung
Mr. Lee Chun Ho
Ms. Lam Ka Jen, Katherine

AUDIT COMMITTEE

Mr. Yan Feng Xian, *Chairman*
Mr. Ng Yat Cheung
Mr. Lee Chun Ho
Ms. Lam Ka Jen, Katherine

REMUNERATION COMMITTEE

Mr. Chan Chun Hong, Thomas, *Chairman*
Mr. Yan Feng Xian
Mr. Ng Yat Cheung
Mr. Lee Chun Ho
Ms. Lam Ka Jen, Katherine
Mr. Leong Weng Kin

NOMINATION COMMITTEE

Mr. Chan Chun Hong, Thomas, *Chairman*
Mr. Yan Feng Xian
Mr. Ng Yat Cheung
Mr. Lee Chun Ho
Ms. Lam Ka Jen, Katherine
Mr. Ying Yat Man

COMPANY SECRETARY

Ms. Mak Yuen Ming, Anita

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China Construction Bank (Asia) Corporation Limited
Citic Ka Wah Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

LEGAL ADVISERS

Mallesons Stephen Jaques
K&L Gates

AUDITORS

CCIF CPA Limited

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1702, 17th Floor
Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

STOCK CODE

0149

HOMEPAGE

http://www.cnagri-products.com

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of China Agri-Products Exchange Limited (the "Company"), I am pleased to present the consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008.

The Group recorded a turnover of approximately HK$168.1 million, which was 266.2% higher than the previous year. Such increase was mainly due to the contribution of a full-year's turnover from Wuhan Baisazhou Agricultural By-product Grand Market Company Limited ("Baisazhou"), a 90% owned subsidiary of the Company, the acquisition of which was completed in December 2007.

At the same time, consolidated net loss attributable to equity shareholders of the Company for the year ended 31 December 2008 was approximately HK$613.4 million, as compared to the loss of approximately HK$15.1 million for the corresponding period in the previous year. The increase in net loss was mainly due to the impairment of intangible assets, expenses for demolition and relocation and impairment of investment properties of Baisazhou.

Baisazhou is principally engaged in the operation of an agricultural produce exchange in the major city of Wuhan, Hubei Province, the People's Republic of China ("PRC"). Strategically located in Wuhan, Baisazhou is a key gathering point for buyers and sellers of agricultural produce in this central location in the PRC. Baisazhou provides a modern marketplace for integrating production with food safety control, logistic services, modernised management and distribution channel.

Subsequent to the year end, the Group has expanded further its agricultural produce wholesale market business. On 25 March 2009, the Group completed the acquisition of a 65% equity interest in Yulin Hong-Jin Agricultural By-products Wholesale Marketplace Limited ("Yulin Hong-Jin") and a 51% equity interest in Xuzhou Yuan Yang Trading Development Company Limited ("Xuzhou Yuan Yang").

Yulin Hong-Jin is developing an agricultural wholesale market complex in Yulin, Guangxi Province, the PRC with a total site area of approximately 274,000 square metres. A total planned gross floor area of approximately 208,000 square metres is comprised of various two-storey market stalls and a multi-storey godown. Approximately 68,000 square metres had been built by the end of 2008. The market has strategically adopted an operating structure consisting of six zones, namely vegetables, fruit, grain & oil, auxiliary food, frozen food and integrated logistics, as well as a featured wholesale street and is expected to open by the end of this year.

Xuzhou Yuan Yang is engaged in the operation of an agricultural wholesale market in Xuzhou, Jiangsu Province, the PRC with a total site area of approximately 200,000 square metres. The agricultural wholesale market consists of various single-storey market stalls and a multi-storey godown with a total gross floor area of approximately 89,000 square metres. The market accommodates more than 850 operators serving 19 cities in the Huaihai Economic Zone and is the major marketplace for the supply of fruit and seafood in Xuzhou city. The market is well-equipped and handles a wide range of produce.

The Group will strive to build and expand its network of wholesale market platform by establishing partnership in the PRC and exploring business development in the management of agricultural by-products wholesale markets in different cities and provinces in the PRC.

The total turnover of the Group's two restaurants located in Shenzhen and Beijing was approximately HK$25.8 million (2007: HK$23.6 million).

Looking ahead, although the recent international financial turmoil has been slowing down the growth in the PRC economy, the various favourable measures implemented by the PRC government aimed at maintaining the long-term economic growth should stimulate consumption so as to boost the domestic demand effectively.

Finally, I would like to take this opportunity to thank our customers, business partners, institutional investors and other shareholders for the continued support they have given to the Group over the past year. I would also like to thank my fellow board members and all staff for their hard work and contribution to the Group.

Chan Chun Hong, Thomas
Chairman

Hong Kong, 27 April 2009

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY OF OPERATING RESULTS

Turnover and gross profits

For the year ended 31 December 2008, the Group recorded a turnover of approximately HK$168.1 million, a substantial increase of approximately HK$122.2 million or 266.2% increase from HK$45.9 million for the previous financial year.

The tremendous increase is attributable to the acquisition of an agricultural produce exchange business in Baisazhou, Wuhan, the PRC which was completed in December 2007 and a full year's turnover has been included in 2008.

The gross profit of the Group increased by 550.7% to approximately HK$134.7 million from HK$20.7 million for the previous year. The gross profit margin of the Group for the financial year was 80.1%, compared to 45.1% for the previous financial year.

Administrative expenses and finance costs

The substantial increase in administrative expenses to approximately HK$83.5 million (2007: HK$18.4 million) was mainly due to the inclusion of full year effect of the operation of Baisazhou.

Other operating expenses amounted to approximately HK$918.8 million which mainly represented the impairment of intangible assets due to the change of market conditions and preference of customers.

The substantial increase in finance costs to approximately HK$56.6 million (2007: HK$7.1 million) was mainly due to the inclusion of the full year's interest paid on the bank loans taken out by Baisazhou and the interest expenses arising from the promissory notes issued by the Company at the end of 2007 to pay for part of the consideration for the acquisition of Baisazhou.

Loss attributable to equity shareholders

The loss attributable to equity shareholders of the Company for the year was approximately HK$613.4 million compared to a loss of approximately HK$15.1 million for previous year. The increase in net loss was mainly due to the impairment of an intangible asset and substantial increase in interest expense.

DIVIDENDS AND OTHER DISTRIBUTION

No interim dividend was paid to the shareholders of the Company during the year under review (2007: Nil), but a distribution of contributed surplus of HK$0.02 per ordinary share was paid in October 2008. The Directors do not recommend any payment of final dividend for the year ended 31 December 2008 (2007: Nil).

REVIEW OF OPERATIONS

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

Agricultural produce exchange

The Group operates the Baisazhou agricultural produce exchange which acts as a distribution channel for a diversified customer base in the southern and central parts of the PRC. The Group provides its customers with a systematic logistics flow in order to maximise the throughput of the exchange.

Baisazhou is one of the largest agricultural produce exchange operators in terms of site area in the PRC. Baisazhou is situated at the Hongshan District of Wuhan with a site area of approximately 270,000 square metres and a total gross floor area of approximately 160,000 square metres as at 31 December 2008. There are about 1,200 anchor merchants serving the central and downstream areas of Yangtze River with a combined population of about 200 million.

Subsequent to the financial year end, the Group entered into an agreement to acquire the entire issued capital of Shiney Day Investments Limited which beneficially holds a 65% equity interest in Yulin agricultural wholesale market situated in Guangxi Province, the PRC and a 51% equity interest in Xuzhou agricultural wholesale market situated in Jiangsu Province, the PRC, as detailed in the Company's circular dated 6 March 2009.

Restaurant Operation

The total turnover of the Group's two restaurants located in Shenzhen and Beijing was approximately HK$25.8 million (2007: HK$23.6 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2008, the Group had total cash and cash equivalents amounting to approximately HK$239.2 million (2007: HK$260.9 million) whilst total assets and net assets were approximately HK$1,459.2 million (2007: HK$2,353.8 million) and approximately HK$463.5 million (2007: HK$780.4 million), respectively. The Group's gearing ratio as at 31 December 2008 was approximately 1.19 (2007: 0.70), being a ratio of total bank and other borrowings and promissory notes of approximately HK$551.5 million (2007: HK$545.6 million) to shareholders' funds of approximately HK$463.5 million (2007: HK$780.4 million).

On 7 January 2008, all of the HK$360 million convertible notes issued in December 2007 were exercised and converted into 180 million shares of the Company with a nominal value of US$0.02 each at a conversion price of HK$2.00 per share. Upon completion of this conversion, the Group did not have any outstanding convertible notes and the total number of shares of the Company in issue was increased to 765,658,596 shares as at 31 December 2008.

As at 31 December 2008, outstanding capital commitments, contracted but not provided for, amounted to approximately HK$60.8 million (2007: HK$79.4 million) in relation to the purchase of property, plant and equipment, and construction contracts.

As at 31 December 2008, Baisazhou had pledged the land use rights with carrying amount of HK$255.1 million (2007: HK$246.5 million) in respect of its investment properties to secure the bank loan taken out by Baisazhou.

The Group did not have any outstanding foreign exchange contracts, interest or currency swaps or other financial derivatives as at 31 December 2008.

PROSPECTS

The continued support for the agricultural sector from the PRC government sees nurturing the development of agriculture, increasing farmers' income and stabilising farm village living standards adopted as some of the major tasks of the PRC government as disclosed in the latest National People's Congress meeting.

Different favorable measures have been put in place that includes increasing budgetary support for the agricultural sector, strengthening agricultural support policies, providing a systematic mechanism to protect against the misuse of farmland as well as encouraging agricultural technology innovation to accelerate agricultural production cycles. The PRC government has also made pledges towards the development of rural operations, stabilising and improving land contract relationship and allowing diverse forms of farming operations so that they may develop to an appropriate scale to accommodate the 1.3 billion population needs.

All these measures give us indication that there will be a continuing growth in agricultural upstream, midstream and downstream businesses cycles in the years to come.

Completion of the acquisition of two more agricultural produce exchanges in Guangxi Province and Jiangsu Province in March 2009 enables the Group to create synergy through a centralised brand to operate agricultural produce exchanges across the PRC. The Group's current agricultural produce exchanges are strategically positioned in the key gathering points for buyers and sellers. In addition, they are located in the intersection of national highways which link up the northern, central and southern parts of the PRC, making it a necessary pass-through or stopover for all participants in the trade and relatively close to other major retail market places.

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2008, the Group had approximately 506 (2007: 544) employees, approximately 99% of whom were located in the PRC. The Group's remuneration policy is reviewed periodically and remuneration is determined by reference to market terms, company performance, and individual qualifications and performance.

FUND RAISING ACTIVITIES

Subsequent to financial year ended 31 December 2008, the Company placed and issued a total of 153 million shares of US$0.02 each at a price of HK$0.25 per share. An aggregate of net proceeds of approximately HK$37.0 million were raised for general working capital purpose. The directors continue to explore any opportunity with potential investors to raise further fund, to make available certain new borrowing and facilities in order to further strengthen the shareholders' base and further enhance the development of the Group.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTOR

Executive Directors

Mr. Chan Chun Hong, Thomas, aged 45, joined the Group as an executive Director in February 2009, and was also appointed as the chairman and authorised representative of the Company and the chairman of each of the remuneration and the nomination committee of the Company. He has extensive experience in strategic planning and day-to-day operation management. Mr. Chan graduated from the Hong Kong Polytechnic University with a degree in Accountancy and is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan is an executive director of Wang On Group Limited, Wai Yuen Tong Medicine Holdings Limited and LeRoi Holdings Limited and an independent non-executive director of Shanghai Prime Machinery Company Limited, all of which are companies listed on the main board of the Stock Exchange.

Mr. Zhu Zhou, aged 35, joined the Group as an executive Director in July 2007 and was redesignated as chief executive officer in November 2008. 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 Post-Doctorate Degree of Business and Administration from the Renmin University of China. Mr. Zhu had worked at the Ministry of Agriculture in the PRC. He has over 10 years experience in management.

Mr. Yang Zong Lin, aged 41, joined the Group as an executive Director of the Company in April 2007, he became the chief executive officer in June 2007 and was redesignated as executive Director in November 2008. 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. Yang Wei Yuan, aged 41, joined the Group as an executive Director in December 2007. He holds a Bachelor Degree of Chinese from the Auhui University. He has over 10 years experience in management.

Mr. Ying Yat Man, aged 49, joined the Group as an executive Director in February 2009 and was also appointed as a member of the nomination committee of the Company. Mr. Ying has over 25 years of experience in real estate development and general business management in Hong Kong and the PRC and has held senior positions in both the private and public sectors. Mr. Ying is a professional qualified real estate surveyor and holds a Bachelor degree in Laws from the University of London and a Master degree in Chinese Laws from the University of Hong Kong.

Mr. Leong Weng Kin, aged 43, joined the Group as an executive Director in February 2009 and was also appointed as the authorised representative and a member of the remuneration committee of the Company. He has over 11 years of experience in key financial positions in a number of Hong Kong listed companies and has more than 4 years of working experience in an international firm of Certified Public Accountants. Mr. Leong holds a Master degree in Business Administration from the Chinese University of Hong Kong.

Independent Non-executive Directors

Mr. Yan Feng Xian, aged 44, joined the Group as an independent non-executive Director and chairman of audit committee of the Company in April 2007. 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. Ng Yat Cheung, *JP*, aged 53, joined the Company as an independent non-executive Director in February 2009, and was also appointed as a member of each of the audit, remuneration and nomination committee of the Company on 12 February 2009. He holds an associate degree in arts in business data processing from Chabot College in the United States. He holds offices as a director with a number of private companies which are principally engaged in technology, property development, insurance, finance and property holding. Mr. Ng is an independent non-executive director of Tao Heung Holdings Limited, a company listed on the main board of the Stock Exchange, and Intelli-Media Group (Holdings) Limited, a company listed on the Growth Enterprise Market of the Stock Exchange, respectively. He then resigned as an independent non-executive director of Intelli-Media Group (Holdings) Limited on 1 March 2009.

Mr. Lee Chun Ho, aged 65, joined the Company as an independent non-executive Director in February 2009, and was also appointed as a member of each of the audit, remuneration and nomination committee of the Company on 12 February 2009. He joined the Urban Services Department on 1 October 1963 as a Student Health Inspector. He subsequently joined the Housing Department on 1 May 1965 as a Housing Assistant and retired on 19 June 1999 as an Assistant Director (Commercial Building — in charge of all non-domestic properties). Mr. Lee has over 30 years of experience in real estate and housing management and currently is a consultant to certain private corporations.

Ms. Lam Ka Jen, Katherine, aged 43, joined the Company as an independent non-executive Director in February 2009, and was also appointed as a member of each of the audit, remuneration and nomination committee of the Company on 12 February 2009. She has over 9 years of experience in the finance and investment banking industry. Ms. Lam has worked in an international public accounting firm for over 7 years and is a qualified chartered accountant in Canada and a member of the Hong Kong Institute of Certified Public Accountants.

SENIOR MANAGEMENT

Mr. Ho Wai Lin, joined the Group as Business Manager. Mr. Ho holds a Postgraduate Certificate in Project Management from Shanghai Tongji University and Higher Certificate in Marketing and Sales Management from Hong Kong Polytechnic University. He is a member of Chartered Institute of Marketing and had awarded a diploma in marketing from the Chartered Institute of Marketing (United Kingdom). Mr. Ho is currently the General Manager of Yulin Hong-Jin Agricultural By-products Wholesale Marketplace Limited. He has over 19 years of experience in marketing and project management. Prior to joining the Group, Mr. Ho worked in various Hong Kong listed groups.

Mr. Ng Cheuk Wing, joined the Group as the Senior Business Development Manager. Mr. Ng holds a Bachelor (Hons.) Degree in Building Surveying from City University of Hong Kong. He is responsible for the business development in agricultural products wholesale markets and the overall construction progress, budgeting and cost control of the projects. Prior to joining the Group, Mr. Ng has over 14 years of project management experience in building and construction industry both in Hong Kong and the PRC.

Mr. Hui Tze Mo, Danny, joined the Group as the Senior Project Manager. Mr. Hui holds a Bachelor of Architecture Degree from California Polytechnic State University and an Associate Science Degree in Engineering from Contra Costa College, U.S.A. He is a member of American Concrete Institute, America Institute of Architect and Real Estate Agent of Hong Kong. Prior to joining the Group, Mr. Hui has over 20 years of international project architecture experience in U.S., Hong Kong and the PRC.

Ms. Mak Yuen Ming, Anita, was appointed as the Company Secretary of the Company in February 2009. Ms. Mak is an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries and holds a Master degree in Business Administration from University of Lincolnshire and Humberside. Ms. Mak has over 15 years of experience in company secretarial field. Prior to joining the Group, she served in a few Hong Kong listed groups.

CORPORATE GOVERNANCE REPORT

The Board has adopted the code provisions set out in the Code of Corporate Governance Practice (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 terms with the independent non-executive directors during the year under review.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. All directors of the Company (the "Directors") have confirmed, following specific enquiry by the Company, that they have fully complied with the required standard set out in the Model Code throughout the year.

BOARD COMPOSITION

The Board comprises the following Directors during the year and up to the date of this annual report and the brief biographical details of the Directors are set out on pages 12 to 14 of this annual report.

Executive Directors

Mr. Chan Chun Hong, Thomas *(Chairman)*
(appointed on 10 February 2009)
Mr. Zhu Zhou *(Chief Executive Officer)*
(re-designated as the Chief Executive Officer on 3 November 2008)
Mr. Yang Zong Lin
(formerly act as the Chief Executive Officer and was re-designated as an executive Director on 3 November 2008)
Mr. Chen Hong Bo
(resigned on 14 April 2009)
Mr. Yang Wei Yuan
Mr. Ying Yat Man
(appointed on 10 February 2009)
Mr. Leong Weng Kin
(appointed on 10 February 2009)
Mr. Fu Jie Pin
(resigned on 12 February 2009)

Independent Non-executive Directors (the "INEDs")

Mr. Yan Feng Xian
Mr. Ng Yat Cheung
(appointed on 10 February 2009)
Mr. Lee Chun Ho
(appointed on 10 February 2009)
Ms. Lam Ka Jen, Katherine
(appointed on 10 February 2009)
Mr. James Yin
(resigned on 12 February 2009)
Mr. Jee Wengue
(resigned on 12 February 2009)

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance. During the year under review, the Board comprises five executive Directors and three INEDs. Subsequent to the balance sheet date, Messrs. Chan Chun Hong, Thomas, Ying Yat Man and Leong Weng Kin were appointed as executive Directors and Mr. Ng Yat Cheung, Mr. Lee Chun Ho and Ms. Lam Ka Jen, Katherine were appointed as INEDs on 10 February 2009. On 12 February 2009, Mr. Fu Jie Pin resigned as executive Directors and Messrs. James Yin and Jee Wengue resigned as INEDs.

The newly appointed Directors have extensive experience in agricultural wholesale market management, strategic planning and with academic and professional qualifications as required by the Rules 3.10(1) and (2) of the Listing Rules. It is believed that the Board members have valuable knowledge and experience in various aspects to discharge the responsibility of the Board and can enhance the growth and further development of the Group's businesses.

All existing INEDs have given an annual confirmation of their independence to the Company and the Board considers these INEDs to be independent under Rule 3.13 of the Listing Rules. The Company will from time to time review the composition of the Board in consideration of the board size.

During the year, five board meetings were held and the attendance of each director is set out below:

Executive Directors	Number of attendance
Mr. Fu Jie Pin *(resigned on 12 February 2009)*	5/5
Mr. Zhu Zhou	4/5
Mr. Yang Zong Lin	2/5
Mr. Chen Hong Bo *(resigned on 14 April 2009)*	5/5
Mr. Yang Wei Yuan	5/5

INEDs	Number of attendance
Mr. Yan Feng Xian	5/5
Mr. James Yin *(resigned on 12 February 2009)*	5/5
Mr. Jee Wengue *(resigned on 12 February 2009)*	5/5

Board minutes are kept by the company secretary of the Company 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

During the year under review, the role of the chairman of the Board was held by Mr. Fu Jie Pin and the role of the chief executive officer was held by Mr. Yang Zong Lin, who was re-designated as an executive Director, till 3 November 2008 and such role was thereafter taken up by Mr. Zhu Zhou commencing from 3 November 2008. These positions have clearly defined separate responsibilities.

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

The chief executive officer is responsible for the administration of the Company's business as well as to formulate and implement the Company's policies and answerable to the Board in relation to the Company's overall operation.

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

During the year, the INEDs, namely Messrs. Yan Feng Xian, James Yin and Jee Wengue were not appointed for specific terms but they are subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the bye-laws of the Company.

According to bye-law 102(B) 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 general meeting of the Company and shall then be eligible for re-election. Furthermore, at each annual general meeting one-third of the directors for the time being (or, it their number is not a multiple of three (3), the number nearest to one-third) shall retire from office by rotation.

On 10 February 2009, Mr. Chan Chun Hong, Thomas, Mr. Ying Yat Man and Mr. Leong Weng Kin were appointed as executive Directors and Mr. Ng Yat Cheung, Mr. Lee Chun Ho and Ms. Lam Ka Jen, Katherine were appointed as INEDs. All of them were retired pursuant to bye-law 102(B) and were re-elected as Directors at the special general meeting of the Company held on 18 March 2009. All the three newly appointed INEDs were appointed for a specific terms of not more than three years and are subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the bye-laws of the Company.

REMUNERATION COMMITTEE

During the year, the remuneration committee of the Company (the "Remuneration Committee") comprises an executive Director, Mr. Fu Jie Pin, and three INEDs, namely Mr. James Yin, Mr. Jee Wengue and Mr. Yan Feng Xian. Mr. Fu Jie Pin was the chairman of the Remuneration Committee. No Remuneration Committee meeting was held during the financial year ended 31 December 2008.

Upon the resignations of Mr. Fu Jie Pin, Mr. James Yin and Mr. Jee Wengue on 12 February 2009, they also ceased to act as members of Remuneration Committee. On the even date, Mr. Chan Chun Hong, Thomas was appointed as the chairman of the Remuneration Committee and Mr. Leong Weng Kin, Mr. Ng Yat Cheung, Mr. Lee Chun Ho and Ms. Lam Ka Jen, Katherine were appointed as members of the Remuneration Committee. Mr. Yan Feng Xian shall continue to act as the member of the Remuneration Committee and thus the current Remuneration Committee comprises six members.

The Remuneration Committee shall continue to discharge its major roles and functions as summarised below:

1. to make recommendations with respect to the remuneration of the Directors and 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.

NOMINATION COMMITTEE

During the year, the nomination committee of the Company (the "Nomination Committee") comprises an executive Director, Mr. Fu Jie Pin, and two INEDs, namely Mr. Yan Feng Xian and Mr. Jee Wengue. Mr. Fu Jie Pin was the chairman of the Nomination Committee. No Nomination Committee meeting was held during the financial year ended 31 December 2008.

Upon the resignations of Mr. Fu Jie Pin and Mr. Jee Wengue on 12 February 2009, they also ceased to act as members of Nomination Committee. On the even date, Mr. Chan Chun Hong, Thomas was appointed as the chairman of the Nomination Committee and Mr. Ying Yat Man, Mr. Ng Yat Cheung, Mr. Lee Chun Ho and Ms. Lam Ka Jen, Katherine were appointed as members of the Nomination Committee. Mr. Yan Feng Xian shall continue to act as the member of the Nomination Committee and thus the current Nomination Committee comprises six members.

The Nomination Committee shall continue to discharge its major roles and functions as summarised below:

1. to review the structure, size and composition of the Board on a regular basis;

2. to make recommendations to the Board regarding any proposed change and to identify individual suitably qualified to become the Board members; and

3. to access the independence of INEDs and to make recommendations to the Board on relevant matters relating to the appointment or re-appointment 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 31 December 2008, 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.

AUDIT COMMITTEE

During the financial year ended 31 December 2008, the audit committee of the Company (the "Audit Committee") comprises three INEDs, namely Mr. Yan Feng Xian, Mr. James Yin and Mr. Jee Wengue. Mr. Yan Feng Xian is the chairman of the Audit Committee.

During the year, the Audit Committee met twice and the attendance of each member of Audit Committee is set out below:

Audit Committee members	Number of attendance
Mr. Yan Feng Xian	2/2
Mr. James Yin	1/2
Mr. Jee Wengue	2/2

The minutes of the Audit Committee meetings were kept by the company secretary of the Company. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group.

Upon the resignations of Mr. James Yin and Mr. Jee Wengue as INEDs on 12 February 2009, both of them also ceased to act as the members of the Audit Committee, On 12 February 2009, Mr. Ng Yat Cheung, Mr. Lee Chun Ho and Ms. Lam Ka Jen, Katherine were appointed as members of the Audit Committee. Mr. Yan Feng Xian shall continue to act as the chairman of the Audit Committee. The current Audit Committee has reviewed with the management and the external auditors the audited financial statements of the Group for the year ended 31 December 2008.

AUDITORS' REMUNERATION

Messrs. Deloitte Touche Tohmatsu ("Deloitte"), resigned as the auditors of the Company with effect from 14 January 2009 and CCIF CPA Limited was appointed as the auditors of the Company with effect from 14 January 2009 to fill the causal vacancy following the resignation of Deloitte. The reason for their resignation is that Deloitte cannot reach a consensus about the auditors' remuneration.

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

Services rendered	Fees paid/payable HK$'000
Audit Services	3,213
Non-audit Services	411

COMMUNICATION WITH SHAREHOLDERS

The Company encourages shareholders to participate in shareholders' annual general meeting and/or any other general meetings, in which the Directors will be on hand to answer questions raised by shareholders on the business operations.

DIRECTORS' REPORT

The Directors of the Company present their annual report and audited consolidated financial statements of the Company and of the Group for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Details of the activities of its principal subsidiaries are set out in note 22 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS, DIVIDEND AND OTHER DISTRIBUTION

The results of the Group for the year ended 31 December 2008 and the state of affairs of the Company and of the Group are set out in the consolidated financial statements on pages 35 to 127.

The Board does not recommend any payment of a final dividend for the year ended 31 December 2008 (2007: Nil). No interim dividend was paid to the shareholders of the Company during the year under review (2007: Nil), but a distribution out of contributed surplus of HK$0.02 per ordinary share was paid in October 2008.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 128.

RESERVES

At 31 December 2008, in the opinion of the Directors, the Company has no distributable reserves.

CONVERTIBLE NOTES, PROMISSORY NOTES AND SHARE CAPITAL

Details of the movements in the convertible notes, promissory notes and share capital of the Company are set out in notes 28, 30 and 32, 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 17 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 18 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

Wuhan Baisazhou Agricultural By-product Market in Wuhan, Hubei Province

Xuzhou Agricultural By-product Market in Xuzhon, Jiangsu Province

Yulin Hong-Jin Agricultural By-product Market in Yulin, Guangxi Province

DIRECTORS

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

Executive Directors	
Chan Chun Hong, Thomas *(Chairman)*	*(appointed on 10 February 2009)*
Zhu Zhou *(Chief Executive Officer)*	*(re-designated as the Chief Executive Officer on 3 November 2008)*
Yang Zong Lin *(ex-Chief Executive Officer)*	*(re-designated as an executive Director on 3 November 2008)*
Yang Wei Yuan	
Ying Yat Man	*(appointed on 10 February 2009)*
Leong Weng Kin	*(appointed on 10 February 2009)*
Fu Jie Pin	*(resigned on 12 February 2009)*
Chen Hong Bo	*(resigned on 14 April 2009)*
INEDs	
Yan Feng Xian	
Ng Yat Cheung	*(appointed on 10 February 2009)*
Lee Chun Ho	*(appointed on 10 February 2009)*
Lam Ka Jen, Katherine	*(appointed on 10 February 2009)*
James Yin	*(resigned on 12 February 2009)*
Jee Wengue	*(resigned on 12 February 2009)*

In accordance with bye-law 99 of the bye-laws of the Company, Messrs. Zhu Zhou, Yang Zong Lin, Yang Wei Yuan and Yan Feng Xian will retire at the forthcoming annual general meeting by rotation and being eligible, offer themselves for re-election.

The Company has received, from each of the INEDs, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the existing INEDs are still independent.

DIRECTORS' SERVICE CONTRACTS

No Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2008, to the best knowledge of the Directors, 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 or short position in the shares and underlying shares of the Company:

Long position in the ordinary shares of US$0.02 each of the Company

Name of shareholder	Notes	Capacity	Total no. of shares held	Approximate percentage of the Company's total issued share capital (Note d)
Velocity International Limited ("Velocity")	(a) & (b)	Beneficial owner	207,765,080	27.14%
Chan Yeung Nam	(a) & (b)	Interest of a controlled corporation	207,765,080	27.14%
LeRoi Holdings Limited ("LeRoi Holdings")	(b)	Interest of a controlled corporation	207,765,080	27.14%
Wang Xiu Qun	(c)	Beneficial owner	180,000,000	23.51%
Zhou Jiu Ming	(c)	Interest of the spouse	180,000,000	23.51%
Montpelier Asset Management Limited		Investment Manager	42,755,000	5.58%

Notes:

(a) Mr. Chan Yeung Nam held the entire beneficial interest in Velocity and Mr. Chan Yeung Nam was accordingly deemed to be interested in 207,765,080 shares of the Company.

(b) LeRoi Holdings through Onger Investments Limited ("Onger"), its wholly-owned subsidiary, was taken to be interested in 207,765,080 shares of the Company which would be transferred from Velocity upon completion of the sale and purchase of 27.14% interest in the Company pursuant to the sale and purchase agreement dated 30 October 2008 entered into between Velocity, Mr. Chan Yeung Nam and Onger.

(c) Mr. Zhou Jiu Ming, as the spouse of Ms. Wang Xiu Qun, is deemed to be interested in 180,000,000 shares of the Company.

(d) The percentage represented the number of shares over the total issued share capital of the Company as at 31 December 2008 of 765,658,596 shares.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the shares and underlying shares of the Company as at 31 December 2008.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2008, none of the Directors, chief executive of the Company or any of their respective associates, had any interests or short positions in any shares or debenture of the Company or any of its associated corporation (within the meaning of Part XV of the SFO), 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 Divisions 7 and 8 of Part XV of the SFO, or pursuant to the Model Code contained in the Listing Rules.

Share Option Scheme

On 4 June 2002, the Company adopted a share option scheme (the "Scheme") for the primary purpose of providing incentive to selected eligible persons for their contribution to the Group.

No share options under the Scheme was granted during the year. Details of the movements of the share options under the Scheme during the year were as follows:

				Number of share options		
Capacity	Date of grant	Exercise period	Exercise Price (HK$)	Outstanding as at 1 January 2008	Lapsed during the year	Outstanding as at 31 December 2008
Employees	4.6.2007	5.6.2007-4.6.2012	2.48	5,300,000	–	5,300,000

Other details of the Scheme are set out in note 33 to the consolidated financial statements.

Save as disclosed above, none of the Directors, chief executive of the Company or their associates had any right to subscribe for securities of the Company, or had exercised any such right during the year under review, and at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company or any of their spouses or children under the age of 18 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 had a material interest, whether directly or indirectly at the end of the year or at any time during the year.

CORPORATE GOVERNANCE

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 16 to 21 of this annual report.

AUDIT COMMITTEE

The Company has the Audit Committee which was established in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The current Audit Committee, comprising all existing INEDs, namely Mr. Yan Feng Xian, Mr. Ng Yat Cheung, Mr. Lee Chun Ho and Ms. Lam Ka Jen, Katherine, has reviewed the audited consolidated financial statements for the year ended 31 December 2008 of the Company and of the Group.

EMOLUMENT POLICY

The emolument policies of the employees of the Group and the Directors 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 are set out in note 33 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2008, the percentage of sales or purchases attributable to the Group's five largest customers or suppliers was less than 30%.

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 FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float of not less than 25% of the total issued share capital of the Company as required under the Listing Rules throughout the year ended 31 December 2008 and up to the date of this annual report.

POST BALANCE SHEET EVENT

Details of significant event occurring after the balance sheet date are set out in note 41 to the consolidated financial statements.

AUDITORS

CCIF CPA Limited were appointed as auditors of the Company on 14 January 2009 to fill the casual vacancy left by the resignation of Deloitte, who resigned on 14 January 2009.

The consolidated financial statements for the year ended 31 December 2008 have been audited by CCIF CPA Limited, who retire and, being eligible, offer themselves for re-appointment. A resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

Chan Chun Hong, Thomas
Chairman

27 April 2009

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

CCIF CPA LIMITED
20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay Hong Kong

TO THE SHAREHOLDERS OF
CHINA AGRI-PRODUCTS EXCHANGE LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Agri-Products Exchange Limited (the "Company") set out on pages 35 to 127, which comprise the consolidated and company balance sheets as at 31 December 2008, 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 FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these 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 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 financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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

AUDITOR'S RESPONSIBILITY *(Continued)*

of the 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 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 Company and of the Group as at 31 December 2008 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.

Without qualifying our opinion, we draw attention to note 2(b)(i) to the consolidated financial statements which indicates that the Group incurred a net consolidated loss attributable to equity shareholders of the Company of approximately HK$613,387,000 for the year ended 31 December 2008 and, as of that date, the Group's consolidated current liabilities exceeded its consolidated current assets by approximately HK$310,526,000. Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the Group's ability to extend its short-term borrowings upon maturity, obtain long-term financing facilities to re-finance its short-term borrowings, and derive adequate operating cash flows from its existing operations in order for the Group to meet its financial obligations as they fall due and to finance its future working capital and financial requirements. These conditions, along with other matters as set forth in note 2(b)(i), indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 27 April 2009

Kwok Cheuk Yuen
Practising Certificate Number P02412

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000 (restated)
Continuing operations			
Turnover	5 & 16	**168,050**	45,929
Cost of operation		**(33,313)**	(25,244)
Gross profit		**134,737**	20,685
Other revenue	6	**6,256**	10,284
Other net income	6	**17,904**	24,792
General and administrative expenses		**(83,472)**	(18,402)
Other operating expenses		**(918,752)**	(5,473)
(Loss)/profit from operations		**(843,327)**	31,886
Finance costs	7(a)	**(56,610)**	(7,069)
(Loss)/profit before taxation	7	**(899,937)**	24,817
Income tax	8(a)	**216,604**	(5,289)
(Loss)/profit for the year from continuing operations		**(683,333)**	19,528
Discontinued operations			
Profit/(loss) for the year from discontinued operations	12	**5,000**	(33,870)
Loss for the year		**(678,333)**	(14,342)
Attributable to:			
Equity shareholders of the Company	13	**(613,387)**	(15,098)
Minority interests		**(64,946)**	756
Loss for the year		**(678,333)**	(14,342)
Distribution of contributed surplus to equity shareholders of the Company	14	**15,313**	—
(Loss)/earnings per share			
From continuing and discontinued operations			
— Basic	15(a)	**HK$(0.80)**	HK$(0.04)
— Diluted	15(b)	**HK$(0.81)**	HK$(0.09)
From continuing operations			
— Basic	15(a)	**HK$(0.81)**	HK$0.04
— Diluted	15(b)	**HK$(0.82)**	HK$(0.01)
From discontinued operations			
— Basic	15(a)	**HK$0.01**	HK$(0.08)
— Diluted	15(b)	**HK$0.01**	HK$(0.08)

The notes on pages 42 to 127 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	Note	2008 HK$'000	2007 HK$'000 (restated)
Non-current assets			
Property, plant and equipment	17	**15,398**	37,654
Investment properties	18	**713,450**	604,210
Prepaid lease payments	19	**—**	—
Intangible assets	20	**484,036**	1,349,032
Goodwill	21	**—**	—
		1,212,884	1,990,896
Current assets			
Inventories	23	**807**	1,172
Trade and other receivables	24	**6,355**	100,839
Cash and cash equivalents	25	**239,185**	260,894
		246,347	362,905
Current liabilities			
Trade and other payables	26	**247,220**	293,245
Bank and other borrowings	27	**239,455**	71,628
Derivative financial instruments	28	**—**	49,869
Government grants	29	**1,369**	1,289
Income tax payable	31(a)	**68,829**	52,684
		556,873	468,715
Net current liabilities		**(310,526)**	(105,810)
Total assets less current liabilities		**902,358**	1,885,086
Non-current liabilities			
Bank and other borrowings	27	**17,039**	194,355
Promissory notes	30	**294,967**	279,575
Convertible notes	28	**—**	287,957
Deferred tax liabilities	31(b)	**126,864**	342,769
		438,870	1,104,656
NET ASSETS		**463,488**	780,430

(Continued)

	Note	2008 HK$'000	2007 HK$'000 (restated)
CAPITAL AND RESERVES	32		
Share capital		**119,443**	91,363
Reserves		**273,522**	562,463
Total equity attributable to equity shareholders of the Company		**392,965**	653,826
Minority interests		**70,523**	126,604
TOTAL EQUITY		**463,488**	780,430

Approved and authorised for issue by the board of directors on 27 April 2009.

Chan Chun Hong, Thomas
Director

Leong Weng Kin
Director

The notes on pages 42 to 127 form part of these financial statements.

BALANCE SHEET

At 31 December 2008

	Note	2008 HK$'000	2007 HK$'000 (restated)
Non-current assets			
Investments in subsidiaries	22	**564,000**	1,005,433
Current assets			
Other receivables	24	**162,625**	98,307
Cash and cash equivalents	25	**54,922**	166,427
		217,547	264,734
Current liabilities			
Other payables	26	**24,787**	4,919
Derivative financial instruments	28	**–**	49,869
		24,787	54,788
Net current assets		**192,760**	209,946
Total assets less current liabilities		**756,760**	1,215,379
Non-current liabilities			
Promissory notes	30	**294,967**	279,575
Convertible notes	28	**–**	287,957
		294,967	567,532
NET ASSETS		**461,793**	647,847
CAPITAL AND RESERVES	32		
Share capital		**119,443**	91,363
Reserves		**342,350**	556,484
TOTAL EQUITY		**461,793**	647,847

Approved and authorised for issue by the board of directors on 27 April 2009.

Chan Chun Hong, Thomas
Director

Leong Weng Kin
Director

The notes on pages 42 to 127 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Attributable to equity shareholders of the Company										
	Share capital	Share premium	Capital redemption reserve	Contributed surplus	Shareholders' contribution	Share options reserve	Exchange reserve	Accumulated losses	Total	Minority interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (restated)
At 1 January 2007	43,276	–	945	2,096,598	664	–	109	(2,093,928)	47,664	13,847	61,511
Exchange differences on translation into presentation currency	–	–	–	–	–	–	16,402	–	16,402	286	16,688
Equity settled share-based transactions	–	–	–	–	–	5,171	–	–	5,171	–	5,171
Shares issued upon 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	–	–	–	–	–	–	–	–	–	111,715	111,715
Loss for the year	–	–	–	–	–	–	–	(15,098)	(15,098)	756	(14,342)
At 31 December 2007	91,363	553,217	945	2,096,598	664	3,554	16,511	(2,109,026)	653,826	126,604	780,430
At 1 January 2008	91,363	553,217	945	2,096,598	664	3,554	16,511	(2,109,026)	653,826	126,604	780,430
Exchange differences on translation into presentation currency	–	–	–	–	–	–	39,282	–	39,282	8,865	48,147
Distribution to shareholders	–	–	–	(15,313)	–	–	–	–	(15,313)	–	(15,313)
Shares issued upon conversion of convertible notes	28,080	300,477	–	–	–	–	–	–	328,557	–	328,557
Loss for the year	–	–	–	–	–	–	–	(613,387)	(613,387)	(64,946)	(678,333)
At 31 December 2008	119,443	853,694	945	2,081,285	664	3,554	55,793	(2,722,413)	392,965	70,523	463,488

The notes on pages 42 to 127 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000 (restated)
Operating activities			
(Loss)/profit before taxation			
From continuing operations		**(899,937)**	24,817
From discontinued operations		**5,000**	(33,870)
		(894,937)	(9,053)
Adjustments for:			
Depreciation	7(c)	**2,554**	1,334
Amortisation of prepaid lease payments	7(c)	**—**	639
Amortisation of intangible assets	7(c)	**46,367**	3,626
Impairment loss on goodwill	7(c)	**—**	1,847
Impairment loss on prepaid lease payments	7(c)	**—**	33,162
Impairment loss on intangible assets	7(c)	**872,385**	—
Fair value change on conversion options in convertible notes	6	**(9,945)**	(24,566)
Gain on disposal of subsidiaries	36	**(5,000)**	—
Finance costs	7(a)	**56,610**	7,069
Interest income	6	**(4,813)**	(10,045)
Loss on sale of property, plant and equipment	6	**88**	—
Equity settled share-based payment expenses		**—**	5,171
Foreign exchange gain		**(52,468)**	—
Operating profit before changes in working capital		**10,841**	9,184
Decrease in inventories		**438**	11
Decrease in trade and other receivables		**90,061**	85,326
Decrease in trade and other payables		**(96,124)**	(8,509)
Cash generated from operations		**5,216**	86,012
Tax paid			
PRC enterprise income tax paid		**(625)**	(355)
Net cash generated from operating activities		**4,591**	85,657
Investing activities			
Payments for acquisition of a subsidiary, net of cash acquired	35	**—**	(422,056)
Receipts from profit guarantee	22(a)	**69,646**	—
Net cash inflow from disposal of subsidiaries	36	**5,000**	—
Payments for purchases of property, plant and equipment		**(16,141)**	(4,673)
Payments for investment properties		**(33,405)**	—
Interest received		**4,813**	10,045
Net cash generated from/(used in) investing activities		**29,913**	(416,684)

	Note	2008 HK$'000	2007 HK$'000 (restated)
Financing activities			
Proceeds from new bank borrowings		**31,806**	—
Repayments of bank borrowings		**(46,574)**	—
Repayment of other borrowings		**(11,359)**	—
Advance from a director		**227**	—
Repayment to a director		**(57)**	—
Proceeds from issue of shares		**—**	620,940
Expenses on issue of shares		**—**	(21,253)
Repayment to ultimate holding company		**—**	(6,696)
Interest paid		**(20,452)**	(3,549)
Distribution out of contributed surplus		**(15,313)**	—
Net cash (used in)/generated from financing activities		**(61,722)**	589,442
Net (decrease)/increase in cash and cash equivalents		**(27,218)**	258,415
Cash and cash equivalents at 1 January	25	**260,894**	2,140
Effect of foreign exchange rate changes		**5,509**	339
Cash and cash equivalents at 31 December	25	**239,185**	260,894

The notes on pages 42 to 127 form part of these financial statements.

1. GENERAL

China Agri-Products Exchange Limited (the "Company", together with its subsidiaries the "Group") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of 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 corporate information section of the annual report.

The Company is an investment holding company. Its subsidiaries are principally engaged in the business of property rental, restaurant operation and property investment. During the year, the property investment business was discontinued as set out in note 12.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain amendments and interpretations which are or have become effective. It has also issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

b) Basis of preparation of financial statements

i) Going concern basis

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group notwithstanding that:

— the Group had consolidated loss attributable to equity shareholders of HK$613,387,000 for the year ended 31 December 2008;

— the Group had consolidated net current liabilities of approximately HK$310,526,000 as at 31 December 2008;

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

b) Basis of preparation of financial statements *(Continued)*

i) **Going concern basis** *(Continued)*

— the Group had outstanding bank and other borrowings of approximately HK$256,494,000 (note 27), out of which an aggregate of approximately HK$239,455,000 is due for repayment within the next twelve months after 31 December 2008;

— the Group defaulted the repayment of other borrowings of approximately HK$1,136,000 during the year ended 31 December 2008. The amount was subsequently settled in January 2009; and

— the Group defaulted the repayment of certain debts for construction payables of approximately HK$1,965,000 during the year ended 31 December 2008 under litigations brought against the Group by certain contractors (note 38). As at 31 December 2008, the construction payables of approximately HK$1,246,000 and penalty interest thereon of approximately HK$1,291,000 are immediately due for repayment.

The directors adopted the going concern basis in the preparation of the financial statements and implemented the following measures in order to improve the working capital and liquidity and cash flow position of the Group:

(i) *Alternative sources of external funding*

The Group is actively exploring the availability of alternative sources of external funding to strengthen the working capital position of the Group.

Subsequent to 31 December 2008, the Group raised an aggregate of approximately HK$37,000,000 from placing of the Company's shares as set out in note 41(a).

(ii) *Attainment of profitable and positive cash flow operations*

The Group is taking measures to tighten cost controls over various costs and expenses and to seek new investment and business opportunities with an aim to attain profitable and positive cash flow operations. The Group is expected to derive sufficient cash flow in 2009.

Subsequent to 31 December 2008, the Group acquired the entire equity interest in Shiney Day Investments Limited as set out in note 41(b).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

b) Basis of preparation of financial statements *(Continued)*

i) Going concern basis *(Continued)*

(iii) Necessary facilities

The Group will negotiate with its bankers to secure necessary facilities to meet the Group's working capital and financial requirements in the near future.

In the opinion of the directors, in light of the various measures/arrangements implemented after the balance sheet date together with the expected results of other measures, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to remain a commercially viable concern. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effect of these adjustments has not been reflected in the financial statements.

ii) Basis of measurement

The measurement basis used in the preparation of the financial statements is the historical cost convention except that the following assets and liabilities are stated at their fair value as explained in the accounting polices set out below:

— investment property (see note 2(e)); and

— derivative financial instruments (see note 2(d)).

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell (see note 2(w)).

iii) Functional and presentation currency

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is Renminbi ("RMB"). For the purposes of presenting the consolidated financial statements, the Group adopted Hong Kong dollars as its presentation currency for the convenience of the readers. The directors consider Hong Kong dollars, being an internationally well-recognised currency, can provide more meaningful information to the Company's investors.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

b) Basis of preparation of financial statements *(Continued)*

iv) Use of estimates and judgements

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 43.

c) Basis of consolidation

The consolidated financial statements for the year ended 31 December 2008 comprise the Company and its subsidiaries.

i) 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 the 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.

ii) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

c) Basis of consolidation *(Continued)*

ii) **Subsidiaries and minority interests** *(Continued)*

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

Loans from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet depending on the nature of the liability.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(i)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 2(w)).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

c) Basis of consolidation *(Continued)*

iii) Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 2(i)).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate is recognised immediately in profit or loss.

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

d) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is charged immediately to profit or loss.

e) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(h)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

Investment properties are stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(t)(i).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(h)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(h).

Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified as an investment property at fair value. Any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

f) Property, plant and equipment

Items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 2(i)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of overheads and borrowing costs (see note 2(v)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

— Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 30 years after the date of completion.

— Leasehold improvements are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 5 years after the date of completion.

— Furniture, equipment and motor vehicles 5 — 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress comprises direct costs of construction during the period of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the relevant class of property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided in respect of construction in progress until it is completed and substantially ready for its intended use.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

g) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and accumulated impairment losses (see note 2(i)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

— Operating right	30 years

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases with the following exception:

— property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2(e)).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

h) Leased assets *(Continued)*

ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 2(e)).

i) Impairment of assets

i) Impairment of receivables

Current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

i) Impairment of assets *(Continued)*

i) **Impairment of receivables** *(Continued)*

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For trade and other receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

i) Impairment of assets *(Continued)*

ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— prepaid lease payments classified as being held under an operating lease;

— intangible assets;

— investments in subsidiaries (except for those classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 2(w)); and

— goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair amount less costs to sell, or value-in-use, if determinable.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

i) Impairment of assets *(Continued)*

ii) **Impairment of other assets** *(Continued)*

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

iii) **Interim financial reporting and impairment**

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim Financial Reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition and reversal criteria as it would at the end of the financial year (see notes 2(i)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unlisted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

j) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 2(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

l) Convertible notes

i) Convertible notes that contain an equity component

Convertible notes that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible notes is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the note is converted or redeemed.

If the note is converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the capital reserve is released directly to accumulated losses.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

l) Convertible notes *(Continued)*

ii) Other convertible notes

Convertible notes which do not contain an equity component are accounted for as follows:

At initial recognition the derivative component of the convertible notes is measured at fair value and presented as part of derivative financial instruments. (see note 2(d)). Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of the convertible note are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently remeasured in accordance with note 2(d). The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

If the note is converted, the carrying amounts of the derivative and liability components are transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

n) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(s)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

p) Employee benefits

i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in share options reserve within equity. The fair value is measured at grant date using the binomial option pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share options reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share options reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share options reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to accumulated losses).

iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

q) 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).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

r) Income tax *(Continued)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

s) Financial guarantees issued, provisions and contingent liabilities

i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e., the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(s)(iii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee, that is, the amount initially recognised, less accumulated amortisation.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

s) Financial guarantees issued, provisions and contingent liabilities *(Continued)*

ii) Contingent liabilities acquired in business combinations

Contingent liabilities acquired as part of a business combination are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 2(s)(iii). Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note 2(s)(iii).

iii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

t) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

i) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

ii) Revenue from property ancillary services

Revenue from property ancillary services are recognised when the services are rendered.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

t) Revenue recognition *(Continued)*

iii) Commission income from agricultural exchange market

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

iv) Sales of food and beverages

Sales of food and beverages are recognised at the point of sale to customers.

v) Interest income

Interest income is recognised as it accrues using the effective interest method.

vi) Government grants

Government grants are recognised in the balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted in arriving at the carrying amount of the asset and consequently are recognised in profit or loss over the useful life of the asset.

u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

For the purpose of presenting the consolidated financial statements, the results of the Group's operations not denominated in Hong Kong dollars are translated into Hong Kong dollars, i.e., the presentation currency of the Group, at the average rates for the year. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

v) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

w) Non-current assets held for sale and discontinued operations

i) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

w) Non-current assets held for sale and discontinued operations *(Continued)*

ii) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale (see (i) above), if earlier. It also occurs when the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

— the post-tax profit or loss of the discontinued operation; and

— the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

x) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

ii) the Group and the party are subject to common control;

iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

y) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2008.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) — Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) — Int 12	Service Concession Arrangements
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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

4. RESTATEMENT OF PRIOR PERIODS AND OPENING BALANCES

In December 2007, the Group acquired a subsidiary and the fair value of the assets and liabilities acquired was determined provisionally as the acquisition was completed near the year-end date. Therefore, adjustments on the provisional fair value were made in this year after the finalisation of the identification and valuation of the assets and liabilities acquired. Details are disclosed in note 35.

The consolidated balance sheet as at 31 December 2007 has been restated to reflect the finalised fair value of acquiree's assets and liabilities. The effects of the restatement on the 2007 financial statements are summarised below:

Effect on the consolidated financial statements

Consolidated income statement for the year ended 31 December 2007

	2007	Effect of restatement	2007
	HK$'000 (as previously reported)	HK$'000	HK$'000 (as restated)
Continuing operations			
Turnover	45,929	—	45,929
Cost of operation	(25,244)	—	(25,244)
Gross profit	20,685	—	20,685
Other revenue	10,284	—	10,284
Other net income	24,792	—	24,792
General and administrative expenses	(18,402)	—	(18,402)
Other operating expenses	(1,847)	(3,626)	(5,473)
Profit from operations	35,512	(3,626)	31,886
Finance costs	(7,069)	—	(7,069)
Profit before taxation	28,443	(3,626)	24,817
Income tax	(6,195)	906	(5,289)
Profit for the year from continuing operations	22,248	(2,720)	19,528
Discontinued operations			
Loss for the year from discontinued operations	(33,870)	—	(33,870)
Loss for the year	(11,622)	(2,720)	(14,342)
Attributable to:			
Equity shareholders of the Company	(12,650)	(2,448)	(15,098)
Minority interests	1,028	(272)	756
Loss for the year	(11,622)	(2,720)	(14,342)

4. RESTATEMENT OF PRIOR PERIODS AND OPENING BALANCES *(Continued)*

Effect on the consolidated financial statements *(Continued)*

Consolidated balance sheet as at 31 December 2007

	2007	Effect of restatement	2007
	HK$'000 (as previously reported)	HK$'000	HK$'000 (as restated)
Non-current assets			
Property, plant and equipment	37,654	—	37,654
Investment properties	604,210	—	604,210
Prepaid lease payments	—	—	—
Intangible assets	—	1,349,032	1,349,032
Goodwill	900,712	(900,712)	—
	1,542,576	448,320	1,990,896
Current assets			
Inventories	1,172	—	1,172
Trade and other receivables	31,193	69,646	100,839
Cash and cash equivalents	260,894	—	260,894
	293,259	69,646	362,905
Current liabilities			
Trade and other payables	215,861	77,384	293,245
Bank and other borrowings	71,628	—	71,628
Derivative financial instruments	49,869	—	49,869
Government grants	1,289	—	1,289
Income tax payable	52,684	—	52,684
	391,331	77,384	468,715
Net current liabilities	(98,072)	(7,738)	(105,810)
Total assets less current liabilities	1,444,504	440,582	1,885,086
Non-current liabilities			
Bank and other borrowings	194,355	—	194,355
Promissory notes	279,575	—	279,575
Convertible notes	287,957	—	287,957
Deferred tax liabilities	5,510	337,259	342,769
	767,397	337,259	1,104,656
NET ASSETS	677,107	103,323	780,430

4. RESTATEMENT OF PRIOR PERIODS AND OPENING BALANCES *(Continued)*

Effect on the consolidated financial statements *(Continued)*

Consolidated balance sheet as at 31 December 2007 (Continued)

	2007	Effect of restatement	2007
	HK$'000 (as previously reported)	HK$'000	HK$'000 (as restated)
CAPITAL AND RESERVES			
Share capital	91,363	—	91,363
Reserves	551,210	11,253	562,463
Total equity attributable to equity shareholder of the Company	642,573	11,253	653,826
Minority interests	34,534	92,070	126,604
TOTAL EQUITY	677,107	103,323	780,430

5. TURNOVER

Turnover represents revenue from (i) property rental income and property ancillary services, (ii) commission income from agricultural exchange market, and (iii) sale of food and beverages. The amount of each significant category of revenue recognised during the year, net of discount and sales related tax, is analysed as follows:

	2008	2007
	HK$'000	HK$'000
Continuing operations:		
Gross rental income	**47,060**	6,813
Revenue from property ancillary services	**52,507**	9,065
Commission income from agricultural exchange market	**42,730**	6,439
Sales of food and beverages	**25,753**	23,612
	168,050	45,929
Discontinued operations:	**—**	—
	168,050	45,929

6. OTHER REVENUE AND OTHER NET INCOME

	2008	2007
	HK$'000	HK$'000 (restated)
Other revenue		
Continuing operations:		
Interest income on financial assets not at fair value through profit or loss		
— Interest income from bank deposits	**4,813**	10,045
PRC government subsidies (note 6(a))	**520**	16
Forfeiture of customers' deposits	**551**	—
Others	**372**	223
	6,256	10,284
Discontinued operations:	**—**	—
	6,256	10,284
Other net income		
Continuing operations:		
Changes in fair value of conversion options embedded in convertible notes (note 28(b))	**9,945**	24,566
Net exchange gain	**8,047**	226
Net loss on disposal of property, plant and equipment	**(88)**	—
	17,904	24,792
Discontinued operations:	**—**	—
	17,904	24,792

6. OTHER REVENUE AND OTHER NET INCOME *(Continued)*

a) PRC government subsidies

PRC government subsidies represent various forms of subsidies granted to the Group by the local governmental authorities in the PRC for compensation of expenses incurred by the Group. These grants are generally made for business support and awarded to enterprises on a discretionary basis. The Group received these government grants in respect of its investments in the agricultural products exchange market in the PRC.

7. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging/(crediting):

a) Finance costs

	2008	2007
	HK$'000	HK$'000
Continuing operations:		
Interest on bank advances and other borrowings wholly repayable within five years	**20,452**	2,158
Interest on convertible notes	**675**	2,392
Interest on promissory notes	**34,192**	2,519
Penalty interest on default of construction payables (note 38)	**1,291**	—
Total interest expense on financial liabilities not at fair value through profit or loss	**56,610**	7,069
Discontinued operations:	**—**	—
	56,610	7,069

7. (LOSS)/PROFIT BEFORE TAXATION *(Continued)*

b) Staff costs (including directors' emoluments)

	2008 HK$'000	2007 HK$'000
Continuing operations:		
Contributions to defined contribution retirement plans	**323**	138
Equity-settled share-based payment expenses	**—**	4,632
Salaries, wages and other benefits	**19,569**	8,141
	19,892	12,911
Discontinued operations:	**—**	—
	19,892	12,911

c) Other items

	2008 HK$'000	2007 HK$'000 (restated)
Continuing operations:		
Amortisation of intangible assets *	46,367	3,626
Depreciation	2,554	1,334
Impairment loss on goodwill *	—	1,847
Impairment loss on intangible assets *	872,385	—
Auditor's remuneration		
— audit services	800	2,974
— other services	130	400
Operating lease charges: minimum lease payments		
— property rental	3,535	2,904
Share-based payments of consultants	—	539
Rental receivable from investment properties less direct outgoings of HK$1,354,000 (2007: HK$146,000)	(45,706)	(6,667)
Cost of inventories	16,613	14,854
Discontinued operations:		
Amortisation of prepaid lease payments	**—**	639
Impairment loss on prepaid lease payments	**—**	33,162
Auditor's remuneration	**—**	26

* Included in "other operating expenses" as disclosed in the consolidated income statement.

8. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

a) Continuing operations

i) Taxation in the consolidated income statement represents:

	2008	2007
	HK$'000	HK$'000 (restated)
Current tax — PRC enterprise income tax		
Current tax	**13,084**	5,853
Under-provision in respect of prior years	**—**	342
	13,084	6,195
Deferred tax		
Origination and reversal of temporary differences	**(229,688)**	(906)
	(216,604)	5,289

No provision for Hong Kong Profits Tax has been made as the Group had no estimated assessable profits arising in Hong Kong for the years ended 31 December 2008 and 2007. PRC Enterprise Income Tax is computed according to the relevant legislation interpretations and practices in respect thereof during the year. PRC Enterprise Income Tax rate is 25% (2007: 33%).

ii) Reconciliation between tax expense and accounting (loss)/profit at applicable tax rates:

	2008	2007
	HK$'000	HK$'000 (restated)
(Loss)/profit before taxation	**(899,937)**	24,817
Notional tax on (loss)/profit before taxation, calculated at the rates applicable to (losses)/profits in the jurisdictions concerned	**(224,984)**	8,190
Effect of different tax rates in other tax jurisdiction	**7,378**	3,256
Tax effect non-deductible expenses	**13,175**	4,972
Tax effect of non-taxable income	**(12,173)**	(11,593)
Tax effect of unused tax losses not recognised	**—**	122
Under-provision in prior years	**—**	342
Actual tax (credit)/expense	**(216,604)**	5,289

8. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

b) Discontinued operations

i) No provision for Hong Kong Profits Tax has been made by the entities comprising the discontinued operations as these entities either have no assessable profit during the period or have unrelieved tax losses brought forward which are not likely to be crystallised in the future.

ii) Reconciliation between tax expense and accounting loss at applicable tax rates:

	2008	2007
	HK$'000	HK$'000
Loss before taxation	**–**	(33,870)
Notional tax on loss before taxation, calculated at the applicable rate	**–**	(5,927)
Tax effect non-deductible expenses	**–**	5,927
Actual tax expense	**–**	—

9. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 161 of the Hong Kong Companies Ordinance are as follows:

	Directors' fees	**Salaries, allowances and benefits in kind**	**Retirement scheme contributions**	**Total 2008**
	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors:				
Fu Jie Pin *(Chairman)*	—	1,440	12	1,452
Chen Hong Bo	480	—	—	480
Yang Wei Yuan	360	—	—	360
Yang Zong Lin	—	1,548	—	1,548
Zhu Zhou	500	—	—	500
Independent non-executive directors:				
Jee Wenque	50	—	—	50
James Yin	50	—	—	50
Yan Feng Xian	50	—	—	50
	1,490	2,988	12	4,490

9. DIRECTORS' EMOLUMENTS *(Continued)*

	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Total 2007
	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors:				
Fu Jie Pin *(Chairman)*	—	810	12	822
Chan Yeung Nam *(resigned on 20 June 2007)*	—	593	7	600
Chen Hong Bo *(appointed on 29 June 2007)*	242	—	—	242
Yang Wei Yuan *(appointed on 21 December 2007)*	11	—	—	11
Yang Zong Lin *(appointed on 26 April 2007)*	595	—	—	595
Zhu Zhou *(appointed on 24 July 2007)*	158	—	—	158
Independent non-executive directors:				
Jee Wenque	50	—	—	50
James Yin *(appointed on 21 December 2007)*	1	—	—	1
Yan Feng Xian *(appointed on 24 July 2007)*	34	—	—	34
Tang Cheung Fai *(resigned on 26 April 2007)*	32	—	—	32
Tong Ka Ming *(resigned on 21 December 2007)*	73	—	—	73
	1,196	1,403	19	2,618

During the year, no emoluments were paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. No directors of the Company waived or agreed to waive any emoluments during the year.

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2007: three) are directors whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other three (2007: two) individuals are as follows:

	2008	2007
	HK$'000	HK$'000
Salaries and other benefits	**2,600**	1,820
Retirement schemes contributions	**36**	24
	2,636	1,844

The emoluments of three (2007: two) individuals with the highest emoluments are within the following bands:

	2008	2007
	Number of individuals	Number of individuals
Nil to HK$1,000,000	**2**	1
HK$1,000,001 to HK$1,500,000	**1**	1

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

11. EMPLOYEE RETIREMENTS BENEFITS

The Group participates in defined contribution retirement schemes (the "Schemes") organized by the relevant local government authorities whereby the Group is required to make contributions to the Schemes at certain percentage of the eligible employees' salaries, pursuant to the relevant labour rules and regulations in the PRC. The local government authorities are responsible for the entire pension obligations payable to retired employees.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the plan vest immediately.

The Group has no other obligation for the payment of post-retirement benefits beyond the contributions described above.

12. DISCONTINUED OPERATIONS

On 18 November 2008, the Group's property sales and development operations were discontinued following the disposal of two wholly-owned subsidiaries, namely Renowned Holdings Limited and Superwide Development Limited (collectively known as the "Renowned Group").

The profit/(loss) for the year from the discontinued operations is analysed as follows:

	2008	2007
	HK$'000	HK$'000
Gain on disposal of Renowned Group (note 36)	**5,000**	–
Loss for the period/year on property sales and development operations	**–**	(33,870)
	5,000	(33,870)

a) The results of the discontinued operations for the period from 1 January 2008 to 18 November 2008 and the year ended 31 December 2007 are as follows:

		2008	2007
	Note	**HK$'000**	HK$'000
Turnover	5 & 16	**–**	–
Cost of sales		**–**	–
Gross profit		**–**	–
Other revenue and other net income	6	**–**	–
Administrative expenses		**–**	(708)
Impairment loss on prepaid lease payments	19	**–**	(33,162)
Loss from operations		**–**	(33,870)
Finance costs	7(a)	**–**	–
Loss before taxation	7	**–**	(33,870)
Income tax	8(b)	**–**	–
Loss for the period/year		**–**	(33,870)
Attributable to:			
The Group		**–**	(33,870)
Minority interests		**–**	–
		–	(33,870)

12. DISCONTINUED OPERATIONS *(Continued)*

b) There are no cash flows generated from/used in the activities of the discontinued operations for the period from 1 January 2008 to 18 November 2008 and for the year ended 31 December 2007.

c) The carrying amounts of the assets and liabilities of Renowned Group as at 31 December 2008 are disclosed in note 36.

13. LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated loss attributable to equity shareholders of the Company includes a loss of HK$499,298,000 (2007: a profit of HK$19,135,000) which has been dealt with in the financial statements of the Company.

14. DISTRIBUTION OF CONTRIBUTED SURPLUS TO EQUITY SHAREHOLDERS OF THE COMPANY

During the year ended 31 December 2008, the directors resolved to declare and paid distribution of the contributed surplus of HK$0.02 (2007: Nil) per ordinary share to equity shareholders of the Company whose names appear in the register of members on 8 October 2008.

15. (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per share attributable to ordinary equity shareholders of the Company for the year is based on the following data:

a) Basic (loss)/earnings per share

For continuing and discontinued operations

The calculation of basic (loss)/earnings per share is based on the loss for the year attributable to ordinary equity shareholders of the Company of HK$613,387,000 (2007: HK$15,098,000) and the weighted average number of 762,216,000 ordinary shares (2007: 425,098,000 ordinary shares) in issue during the year, calculated as follows:

i) (Loss)/profit attributable to ordinary equity shareholders of the Company

	2008	2007
	HK$'000	HK$'000 (restated)
Continuing operations	**(618,387)**	18,772
Discontinued operations	**5,000**	(33,870)
	(613,387)	(15,098)

15. (LOSS)/EARNINGS PER SHARE *(Continued)*

a) Basic (loss)/earnings per share *(Continued)*

For continuing and discontinued operations *(Continued)*

ii) Weighted average number of ordinary shares

	2008	2007
	'000	'000
Issued ordinary shares at 1 January	**585,659**	277,409
Effect of conversion of convertible notes	**176,557**	—
Effect of share options exercised	**—**	6,319
Effect of shares issued under a placement	**—**	141,370
Weighted average number of ordinary shares at 31 December	**762,216**	425,098

For continuing operations

The calculation of basic (loss)/earnings per share is based on the loss for the year attributable to ordinary equity shareholders of the Company of HK$618,387,000 (2007: a profit of HK$18,772,000) and the weighted average number of 762,216,000 ordinary shares (2007: 425,098,000 ordinary shares) in issue during the year.

For discontinued operations

The calculation of basic (loss)/earnings per share is based on the profit for the year attributable to ordinary equity shareholders of the Company of HK$5,000,000 (2007: a loss of HK$33,870,000) and the weighted average number of 762,216,000 ordinary shares (2007: 425,098,000 ordinary shares) in issue during the year.

15. (LOSS)/EARNINGS PER SHARE *(Continued)*

b) Diluted (loss)/earnings per share

For continuing and discontinued operations

The calculation of diluted (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of HK$622,657,000 (2007: HK$37,272,000) and the weighted average number of ordinary shares of 765,659,000 ordinary shares (2007: 438,413,000 ordinary shares), calculated as follows:

i) *Loss attributable to ordinary equity shareholders of the Company (diluted)*

	2008	2007
	HK$'000	HK$'000 (restated)
Loss attributable to ordinary equity shareholders	**(613,387)**	(15,098)
After tax effect of effective interest on liability component of convertible notes	**675**	2,392
After tax effect of gains recognised on the derivative component of convertible notes	**(9,945)**	(24,566)
Loss attributable to ordinary equity shareholders (diluted)	**(622,657)**	(37,272)

ii) *Weighted average number of ordinary shares (diluted)*

	2008	2007
	'000	'000
Weighted average number of ordinary shares at 31 December	**762,216**	425,098
Effect of conversion of convertible notes	**3,443**	13,315
Weighted average number of ordinary shares (diluted) at 31 December	**765,659**	438,413

The computation of diluted (loss)/earnings per share did not assume the exercise of the Company's outstanding share options since the exercise price of the share options was higher than the average market price for shares.

15. (LOSS)/EARNINGS PER SHARE *(Continued)*

b) Diluted (loss)/earnings per share *(Continued)*

For continuing operations

The calculation of diluted (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of HK$627,657,000 (2007: HK$3,402,000) and the weighted average number of ordinary shares of 765,659,000 ordinary shares (2007: 438,413,000 ordinary shares), calculated as follows:

Loss attributable to ordinary equity shareholders of the Company (diluted)

	2008	2007
	HK$'000	HK$'000 (restated)
(Loss)/profit attributable to ordinary equity shareholders	**(618,387)**	18,772
After tax effect of effective interest on liability component of convertible notes	**675**	2,392
After tax effect of gains recognised on the derivative component of convertible notes	**(9,945)**	(24,566)
Loss attributable to ordinary equity shareholders (diluted)	**(627,657)**	(3,402)

For discontinued operations

The calculation of diluted (loss)/earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$5,000,000 (2007: a loss of HK$33,870,000) and the weighted average number of ordinary shares of 765,659,000 ordinary shares (2007: 438,413,000 ordinary shares).

16. SEGMENT REPORTING

Segment information is presented in respect of the Group's business segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

As the operations of the Group are all in the PRC, no geographical segment information is presented.

Business segments

The Group comprises the following main business segments:

Continuing operations

Property rental:	the leasing of properties
Restaurant operation:	the sales of food and beverage

16. SEGMENT REPORTING *(Continued)*

Business segments (Continued)

Discontinued operations

Property investment: the property sales and development

	Continuing operations				Discontinued operations					
	Property rental		Restaurant operation		Property investment		Unallocated		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000 (restated)
Turnover										
External sales	**142,297**	22,317	**25,753**	23,612	**–**	–	**–**	–	**168,050**	45,929
Result										
Segment result	**(841,398)**	12,731	**(7,771)**	(2,308)	**–**	(33,870)	**–**	–	**(849,169)**	(23,447)
Unallocated corporate expenses, net									**(4,103)**	(3,103)
Fair value change on derivative embedded in convertible notes									**9,945**	24,566
Loss from operations									**(843,327)**	(1,984)
Finance costs									**(56,610)**	(7,069)
Gain on disposal of subsidiaries					5,000	–			**5,000**	–
Loss before taxation									**(894,937)**	(9,053)
Income tax									**216,604**	(5,289)
Loss for the year									**(678,333)**	(14,342)
Other information										
Capital expenditure										
– acquisition of a subsidiary	**–**	1,961,777	**–**	–	**–**	–	**–**	–	**–**	1,961,777
– others	**46,032**	4,615	**1,340**	58	**–**	–	**2,174**	–	**49,546**	4,673
Depreciation and amortisation	**47,927**	3,799	**610**	1,011	**–**	639	**384**	150	**48,921**	5,599
Impairment loss										
– prepaid lease payments	**–**	–	**–**	–	**–**	33,162	**–**	–	**–**	33,162
– intangible assets	**872,385**	–	**–**	–	**–**	–	**–**	–	**872,385**	–
– goodwill	**–**	–	**–**	1,847	**–**	–	**–**	–	**–**	1,847
Share based payment expenses	**–**	–	**–**	–	**–**	–	**–**	5,171	**–**	5,171

	Continuing operations				Discontinued operations			
	Property rental		Restaurant operation		Property investment		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000 (restated)
ASSETS								
Segment assets	**1,225,051**	2,154,347	**7,598**	22,733	**–**	–	**1,232,649**	2,177,080
Unallocated corporate assets							**226,582**	176,721
Consolidated total assets							**1,459,231**	2,353,801
LIABILITIES								
Segment liabilities	**213,943**	280,252	**5,302**	8,766	**–**	26	**219,245**	289,044
Unallocated corporate liabilities							**776,498**	1,284,327
Consolidated total liabilities							**995,743**	1,573,371

17. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings HK$'000	Furniture, equipment and motor vehicles HK$'000	Leasehold improvements HK$'000	Construction in progress HK$'000	Total HK$'000
Cost:					
At 1 January 2007	—	1,182	2,430	—	3,612
Exchange adjustments	27	123	155	348	653
Additions					
— through acquisition of a subsidiary	1,998	3,895	232	25,273	31,398
— others	—	30	27	4,616	4,673
At 31 December 2007 and 1 January 2008	2,025	5,230	2,844	30,237	40,336
Exchange adjustments	127	315	164	1,891	2,497
Additions	—	7,229	2,181	6,731	16,141
Disposals	—	(98)	(19)	—	(117)
Transfer to investment properties (note 18)	—	—	—	(38,041)	(38,041)
At 31 December 2008	2,152	12,676	5,170	818	20,816
Accumulated depreciation:					
At 1 January 2007	—	298	942	—	1,240
Exchange adjustments	—	20	88	—	108
Charge for the year	98	305	931	—	1,334
At 31 December 2007 and 1 January 2008	98	623	1,961	—	2,682
Exchange adjustments	9	78	124	—	211
Charge for the year	99	1,951	504	—	2,554
Disposals	—	(28)	(1)	—	(29)
At 31 December 2008	206	2,624	2,588	—	5,418
Carrying amount:					
At 31 December 2008	1,946	10,052	2,582	818	15,398
At 31 December 2007	1,927	4,607	883	30,237	37,654

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

At 31 December 2008, the Group has not applied for the relevant building certificates in respect of the buildings of approximately HK$1,946,000 (2007: HK$1,927,000) owned by the Group.

18. INVESTMENT PROPERTIES

The Group

	HK$'000
At 1 January 2007	—
Additions through acquisition of a subsidiary	595,991
Exchange adjustments	8,219
At 31 December 2007 and 1 January 2008	604,210
Exchange adjustments	37,794
Additions	33,405
Transfer from construction in progress (note 17)	38,041
At 31 December 2008	713,450

a) Valuation of investment properties

All the investment properties of the Group were stated at fair value as at 31 December 2008. The fair values were arrived at based on the valuations carried out by an independent firm of qualified professional valuers, (Asia-Pacific) Surveyors Limited ("LCH"), who have among their staff members of the Hong Kong Institute of Surveyors with recent experience in the location and category of the properties being valued. The valuations conform to the Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors. The valuation on the land use rights in respect of the investment properties was determined by reference to the governmental standard land prices in the nearby area and taking into the account the market transaction prices of similar properties in the nearby area after making time factor 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. The carrying amount of investment properties did not differ materially from their fair value at 31 December 2008 and 2007.

b) The analysis of the carrying amount of investment properties is as follows:

	2008	2007
	HK$'000	HK$'000
In the PRC		
— medium-term leases	**713,450**	604,210

18. INVESTMENT PROPERTIES *(Continued)*

c) Investment properties leased out under operating leases

The Group leases out its investment properties which is an agricultural exchange market to various tenants. The leases typically run for an initial period of 1 year, at the end of which period all terms are renegotiated. None of the leases includes contingent rentals.

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2008	2007
	HK$'000	HK$'000
Within 1 year	**42,288**	32,261
After 1 year but within 5 years	**–**	9
	42,288	32,270

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

d) Pledge of investment properties

As at 31 December 2008, the land use rights in respect of investment properties with a total carrying amount of HK$255,140,000 (2007: HK$246,461,000) were pledged to banks for the Group's bank borrowings, details of which are set out in note 27.

e) At 31 December 2008, the Group has not applied for the relevant certificates in respect of the buildings erected on the land included under investment properties owned by the Group.

19. PREPAID LEASE PAYMENTS

The Group's land use rights are analysed as follows:

	The Group	
	2008	2007
	HK$'000	HK$'000
Outside Hong Kong, held on:		
— Leases of between 10 to 50 years		
Carrying amount at 1 January	**–**	33,801
Amortisation	**–**	(639)
Impairment	**–**	(33,162)
Carrying amount at 31 December	**–**	–
Analysed for reporting purposes as:		
Current asset	**–**	–
Non-current asset	**–**	–
	–	–

On 27 August 2007, certain land use rights amounting to approximately HK$22,315,000 were repossessed by the PRC government for city development purpose without compensation as the Group had failed to commence redevelopment within the time limit specified in the original land grant. The directors had consulted with its legal counsel and concluded that no compensation could be demanded. Accordingly, impairment loss of approximately HK$22,315,000 has been made in respect of the land which had been repossessed. In addition, the Group had also considered the remaining land use rights in respect of an adjourning land and believed that similar risks associated with the remaining land use rights also exist and accordingly, impairment loss of approximately HK$10,847,000 was made. Total impairment loss of approximately HK$33,162,000 had been made for the year ended 31 December 2007 (see note 12(a)).

The prepaid lease payments were disposed of through the disposal of subsidiaries in 2008 as set out in notes 12 and 36.

20. INTANGIBLE ASSETS

The Group

	Operating right HK$'000 (restated)
Cost:	
At 1 January 2007	—
Additions through acquisition of a subsidiary	1,334,388
Exchange adjustments	18,402
At 31 December 2007	1,352,790
At 1 January 2008	1,352,790
Exchange adjustments	84,675
At 31 December 2008	1,437,465
Accumulated amortisation:	
At 1 January 2007	—
Charge for the year	3,626
Exchange adjustments	132
At 31 December 2007	3,758
At 1 January 2008	3,758
Exchange adjustments	1,783
Charge for the year	46,367
At 31 December 2008	51,908
Accumulated impairment losses:	
At 1 January 2007, 31 December 2007 and 1 January 2008	—
Impairment loss	872,385
Exchange adjustments	29,136
At 31 December 2008	901,521
Carrying amount:	
At 31 December 2008	484,036
At 31 December 2007	1,349,032

20. INTANGIBLE ASSETS *(Continued)*

a) Operating right represents the Group's right to operate an agricultural exchange market related business in Wuhan, the PRC. The operating right was acquired as part of a business combination of Baisazhou during the year ended 31 December 2007 and was initially recognised at the aggregate of the total consideration and direct costs attributable to the business combination paid by the Group less the net assets and goodwill of Baisazhou acquired at the date of the completion of acquisition, details of which are set out in note 35.

b) The recoverable amount of operating right is determined based on value-in-use calculations. The impairment review of the operating right is based on the expected future cash flows and based on the financial budgets approved by management covering a 5-year period. Cash flows beyond 5-year period is extrapolated using an estimated growth rate of 2% (2007: 3%). Discount rate of 16% (2007: 16%) is applied on the value-in-use calculations.

   Due to change in market conditions, the value-in-use at 31 December 2008 is calculated to be lower than the carrying amount of the operating right and accordingly an impairment loss of approximately HK$872,385,000 (2007: Nil) was recognised in 2008. The impairment loss is included in "other operating expenses" in the consolidated income statement.

c) The amortisation charge for the year is included in "other operating expenses" in the consolidated income statement.

21. GOODWILL

	The Group	
	2008	2007
	HK$'000	HK$'000 (restated)
Cost:		
At 1 January	3,147	3,147
At 31 December	3,147	3,147
Accumulated impairment losses:		
At 1 January	3,147	1,300
Impairment loss	—	1,847
At 31 December	3,147	3,147
Carrying amount:		
At 31 December	—	—

21. GOODWILL *(Continued)*

Impairment tests for cash generating units containing goodwill

Goodwill is allocated to Group's cash-generating units ("CGU") identified according to the place of operation and business segment as follows:

	2008			2007		
	Cost	Accumulated impairment losses	Carrying amount	Cost	Accumulated impairment losses	Carrying amount
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
Restaurant operation in Shenzhen	**920**	**920**	**–**	920	920	–
Restaurant operation in Beijing	**2,227**	**2,227**	**–**	2,227	2,227	–
	3,147	**3,147**	**–**	3,147	3,147	–

In 2007, the recoverable amounts of these CGUs were determined on the basis of value-in-use calculations, using 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 CGUs were also based on the budgeted sales and expected gross margins during the budget period and the same raw materials price inflation rates during the budget period. Expected cash inflows/outflows were determined based on past performance and management's expectations for the market development.

Due to increased competition in the market and the unsatisfactory operating performance, the value-in-use as at 31 December 2007 was calculated to be lower than the carrying amount of the CGUs and accordingly the Group recognised an aggregate impairment loss of HK$1,847,000 in relation to goodwill in connection with the restaurant operation in Shenzhen of approximately HK$540,000 and that in Beijing of approximately HK$1,307,000 in 2007.

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year, adjusted for expected efficiency and expected market development.

Discount rates — The discount rates used are before tax and reflect specific risks relating to the relevant units.

Raw materials price inflation — The basis used to determine the value assigned to raw materials price inflation is the forecast price indices during the budget year for currencies from which raw materials are sourced. The values assigned to key assumptions are consistent with external information sources.

22. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2008	2007
	HK$'000	HK$'000
Unlisted, at cost	**1,005,433**	1,075,079
Adjustment to the cost of an acquisition effected in prior year (note 22(a))	**–**	(69,646)
	1,005,433	1,005,433
Less: Impairment loss (note 22(b))	**(441,433)**	–
	564,000	1,005,433

a) As detailed in note 35, in May 2007, the Company entered into conditional sales and purchase agreements with independent third parties, Ms. Wang Xiu Qun ("Ms. Wang") and Wuhan Tian Jiu Industrial and Commercial Development Co., Limited (collectively referred to as the "Vendor") for the acquisition of their respective 70% and 20% interest in Wuhan Baisazhou Agricultural By-product Grand Market Co., Limited ("Baisazhou"). The acquisition was completed on 5 December 2007.

According to the sales and purchase agreements, 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 31 December 2007. Ms. Wang has guaranteed to the Company that the audited profit after taxation of Baisazhou for the year ended 31 December 2007, will not be less than HK$150 million ("Profit Guarantee") subject to further adjustments on the measurement basis as mutually agreed. In the opinion of the directors, such amounts cannot be measured reliably at 31 December 2007 and accordingly no provision was made in 2007.

During the year ended 31 December 2008, the Group received cash of approximately HK$69,646,000 from Ms. Wang with respect to the Profit Guarantee. The cost of acquisition has been adjusted for the same amount accordingly.

b) Due to unsatisfactory operating performance of a subsidiary operating in property rental business, the directors concluded to make an impairment of approximately HK$441,433,000 (2007: Nil) on the investments costs in subsidiaries. The recoverable amount of investments in subsidiaries based upon which impairment loss is arrived at its value-in-use and is determined using discounted cash flows at discount rate of 16%.

c) The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

22. INVESTMENTS IN SUBSIDIARIES *(Continued)*

c) *(Continued)*

Name of company	Place of incorporation/ registration and operation	Particulars of issued and fully paid ordinary share capital/ registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Alpha Sheen Development Limited	Hong Kong	HK$100	100%	–	100%	Investment holding
Best Glory Limited	Hong Kong	HK$2	70%	–	100%	Investment holding
Bremer Assets Limited	British Virgin Islands/ Hong Kong	US$1	100%	–	100%	Investment holding
China Land Group Limited	Hong Kong	HK$2	100%	–	100%	Management services
China Land Holdings Limited	British Virgin Islands/ Hong Kong	US$1	100%	100%	–	Investment holding
China Land (HK) Limited	British Virgin Islands/ Hong Kong	US$1	100%	–	100%	Investment holding
China Land (PRC) Limited	British Virgin Islands/ Hong Kong	US$1	100%	–	100%	Investment holding
China Land Resources Limited	British Virgin Islands/ Hong Kong	US$1	100%	–	100%	Inactive
Dionysus Investments Limited	British Virgin Islands/ Hong Kong	US$10	70%	–	70%	Investment holding
Exburg Limited	British Virgin Islands/ Hong Kong	US$1	70%	–	100%	Investment holding
Gladly Development Limited	Hong Kong	HK$2	70%	–	100%	Investment holding
Goldsmith Assets Limited	British Virgin Islands/ Hong Kong	US$1	70%	–	100%	Investment holding
Holburn Property Limited	British Virgin Islands/ Hong Kong	US$1	70%	–	100%	Investment holding

22. INVESTMENTS IN SUBSIDIARIES *(Continued)*

c) *(Continued)*

Name of company	Place of incorporation/ registration and operation	Particulars of issued and fully paid ordinary share capital/ registered capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
Hongkong Macau (Nominees) Limited	Hong Kong	HK$2	100%	–	100%	Nominee services
Hongkong Macau (International) Limited	British Virgin Islands/ Hong Kong	US$1	100%	100%	–	Investment holding
Hongkong Macau Secretarial Services Limited	Hong Kong	HK$2	100%	–	100%	Investment holding
Moral Wealth International Investment Limited	Hong Kong	HK$1	100%	–	100%	Inactive
Pearlbound Properties Limited	British Virgin Islands/ Hong Kong	US$1	100%	–	100%	Investment holding
Renowned Holdings Limited (note (i))	British Virgin Islands/ Hong Kong	US$1	100%	–	100%	Investment holding
Superwide Development Limited (note (i))	British Virgin Islands/ Hong Kong	US$10,000	100%	–	100%	Property investment
Upper Speed Investments Limited	British Virgin Islands/ Hong Kong	US$1	100%	–	100%	Inactive
World Express Limited	Hong Kong	HK$2	70%	–	100%	Investment holding
Wuhan Baisazhou Agricultural By-product Grand Market Company Limited (note (ii))	The PRC	RMB50,000,000	90%	90%	–	Property leasing
Zhong Hua Health Food Culture Research Limited	Hong Kong	HK$2	100%	–	100%	Investment holding
Zhong Hua Jin Long Teng Health Food (Holdings) Limited	Hong Kong	HK$2	100%	–	100%	Investment holding
武漢白沙洲雅潤農產品有限公司 (note (ii) and (iv))	The PRC	RMB5,000,000	90%	–	100%	Inactive
北京金龍騰健康飲食(集團)有限公司 (note (iii))	The PRC	RMB500,000	100%	–	100%	Restaurant operation
深圳金龍騰海鮮酒樓(深圳)有限公司 (note (iii))	The PRC	RMB5,000,000	100%	–	100%	Restaurant operation

22. INVESTMENTS IN SUBSIDIARIES *(Continued)*

c) *(Continued)*

Note:

(i) Disposed of during the year.

(ii) Registered as a sino-foreign equity joint venture under the laws of the PRC.

(iii) Registered as a wholly-owned foreign enterprise under the laws of the PRC.

(iv) During the year, the Group set up a new subsidiary, namely 武漢白沙洲雅潤農產品有限公司, with registered capital of RMB30,000,000, of which RMB5,000,000 has been paid by the Group and the remaining unpaid registered capital of RMB25,000,000 will be paid up before June 2010.

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

23. INVENTORIES

	The Group	
	2008	2007
	HK$'000	HK$'000
Raw materials — restaurant food and beverage	**807**	1,172

24. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade debtors	**1,598**	20,492	**—**	—
Amounts due from subsidiaries (note 24(d))	**—**	—	**162,625**	24,573
Profit guarantee receivable (note 22(a))	**—**	69,646	**—**	69,646
Loans and receivables	**1,598**	90,138	**162,625**	94,219
Deposits paid for an investment project (note 24(e))	**2,272**	2,138	**—**	—
Other deposits	**298**	430	**—**	—
Advances to suppliers	**387**	2,180	**—**	—
Advances to staff	**747**	1,637	**—**	—
Prepayments	**826**	228	**—**	—
Others	**227**	4,088	**—**	4,088
	6,355	100,839	**162,625**	98,307

24. TRADE AND OTHER RECEIVABLES *(Continued)*

a) Ageing analysis

Included in trade and other receivables are trade debtors with the following ageing analysis as of the balance sheet date:

	The Group	
	2008	2007
	HK$'000	HK$'000
Less than 90 days	**689**	609
More than 90 days but less than 180 days	**108**	167
More than 180 days	**801**	19,716
	1,598	20,492

The Group generally allows an average credit period of 30 days to 180 days to its trade customers. The Group may, on a case by case basis, and after evaluation of the business relationship and creditworthiness of its customers, extend the credit period upon customers' request.

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 annually. Further details on the Group's credit policy are set out in note 34(a).

b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 2(i)(i)).

c) Trade debtors that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	2008	2007
	HK$'000	HK$'000
Neither past due nor impaired	**797**	776
Less than 3 months past due	**768**	4,184
More than 3 months past due	**33**	15,532
	801	19,716
	1,598	20,492

24. TRADE AND OTHER RECEIVABLES *(Continued)*

c) Trade debtors that are not impaired *(Continued)*

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

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

d) Amounts due from subsidiaries

An analysis of the amounts due from subsidiaries is listed below:

	The Company	
	2008	2007
	HK$'000	HK$'000
Due from subsidiaries	**1,171,949**	983,897
Less: Provision for impairment	**(1,009,324)**	(959,324)
	162,625	24,573

The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

The movement in the provision for impairment during the year is as follows:

	The Company	
	2008	2007
	HK$'000	HK$'000
At 1 January	**959,324**	959,324
Impairment loss recognised	**50,000**	—
At 31 December	**1,009,324**	959,324

Due to unsatisfactory operating performance of certain subsidiaries, which are engaged in the business of restaurant operation and after considering their profitability, cash flow and financial position and forecast business development and future prospects of the subsidiaries, the directors concluded that it is appropriate to recognise an impairment of approximately HK$50,000,000 (2007: Nil) on amount due from subsidiaries during the year.

24. TRADE AND OTHER RECEIVABLES *(Continued)*

e) Deposits paid for an investment project

A deposit of RMB2,000,000 equivalent to approximately HK$2,272,000 (2007: HK$2,138,000) was paid to an independent third party in September 2007 for a potential investment project. In February 2009, the project was aborted and the deposit was refunded to the Group.

25. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and cash equivalents				
— Cash at banks and in hand	**239,185**	260,894	**54,922**	166,427

Cash at bank and in hand comprise cash held by the Group and bank balances that bear interest at prevailing market rates ranging from 0.36% to 0.72% (2007: 1.5% to 2.5%) per annum and have original maturity of three months or less. The carrying amount of these assets approximates their fair value.

Included in cash at banks and in hand as at 31 December 2008 is an amount denominated in Renminbi ("RMB") of RMB15,100,000 (equivalent to approximately HK$13,293,000) (2007: RMB69,665,802, equivalent to approximately HK$74,477,000). Renminbi is not freely convertible into other currencies.

26. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade creditors (note 26(a))	**1,340**	1,395	**—**	—
Accrued charges	**19,771**	110,774	**981**	3,528
Construction payables (note 26(b))	**88,335**	73,595	**—**	—
Penalty interest payables for default of construction payables (note 26(b))	**1,291**	—	**—**	—
Interest payables	**20,191**	1,391	**20,191**	1,391
Amounts due to former shareholders of the Company's subsidiaries (note 26(c))	**26,645**	31,195	**—**	—
Amount due to a director (note 26(d))	**170**	—	**—**	—
Others	**3,615**	—	**3,615**	—
Financial liabilities measured at amortised cost	**161,358**	218,350	**24,787**	4,919
Deposits				
— deposits received from tenants	**20,826**	7,357	**—**	—
— others	**123**	104	**—**	—
Receipts in advance (note 26(e))	**48,639**	49,881	**—**	—
Other taxes payables (note 26(f))	**16,274**	17,553	**—**	—
	247,220	293,245	**24,787**	4,919

26. TRADE AND OTHER PAYABLES *(Continued)*

a) Ageing analysis

The ageing analysis of trade creditors as of the balance sheet date is as follows:

	The Group	
	2008	2007
	HK$'000	HK$'000
Within 90 days	**1,317**	—
After 90 days but within 180 days	**23**	1,395
	1,340	1,395

b) Construction payables mainly represent construction costs payable to constructors of investment properties. Included in construction payables as at 31 December 2008 was an amount of approximately HK$1,246,000 which was defaulted and unsettled, and penalty interest thereon of approximately HK$1,291,000 was charged during the year ended 31 December 2008. Further details are set out in note 38.

c) The amounts due to former shareholders of the Company's subsidiaries are unsecured, interest-free, and repayable on demand.

d) The amount due to Mr. Fu Jie Pin, a director of the Company, is unsecured, interest-free and repayable on demand.

e) The amount includes rental received from tenants in advance.

f) Other taxes payables include real estate tax payable and sales tax payable.

27. BANK AND OTHER BORROWINGS

	The Group	
	2008	2007
	HK$'000	HK$'000
Secured bank borrowings	**238,319**	247,809
Unsecured other borrowings	**18,175**	18,174
	256,494	265,983
Carrying amount repayable:		
Within one year	**239,455**	71,628
More than one year, but not exceeding two years	**17,039**	194,355
	256,494	265,983
Less: Amounts due within one year shown under current liabilities	**(239,455)**	(71,628)
	17,039	194,355

a) Included in the above balances are bank borrowings with variable-rate borrowings of approximately HK$238,319,000 (2007: HK$247,809,000) which carry interest adjustable for changes of borrowing rate offered by The People's Bank of China. The average rate charged by the banks during the year ranged from 5.4% to 9.0% (2007: 5.6% to 6.6%) per annum. Interest is repriced every 30 days. The other borrowings of approximately HK$18,175,000 (2007: HK$18,174,000) were obtained from two independent third parties and carry interest fixed at 6.4% (2007: 6.4%) per annum and 12.0% (2007: 12.0%) per annum, respectively.

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

	2008	2007
Effective interest rate:		
Fixed-rate borrowings	**6.4% to 12.0%**	6.4% to 12.0%
Variable-rate borrowings	**5.4% to 9.0%**	5.6% to 6.6%

c) The secured bank borrowings are secured by the land use rights included in investment properties with a carrying amount of HK$255,140,000 (2007: HK$246,461,000) as set out in note 18(d).

28. CONVERTIBLE NOTES/DERIVATIVE FINANCIAL INSTRUMENTS

The Group and the Company

a) Convertible Notes

On 5 December 2007, the Company entered into a subscription agreement with Ms. Wang Xiu Qun ("Ms. Wang"), an independent third party, for the issue of convertible notes with an aggregate principal amount of HK$360,000,000 ("Convertible Notes") as part of the consideration for the acquisition of Baisazhou. The Convertible Notes are interest-free and is due on 5 December 2009. The conversion price is HK$2.00 per share at the time of subscription and is subject to anti-dilutive adjustments, capital distribution in cash or specie or subsequent issue of securities by the Company. A total of 180,000,000 ordinary shares of the Company ("Conversion Shares") will be allotted and issued upon the conversion in full of the Convertible Notes. The holder is entitled 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 5 December 2009. The Convertible Notes are converted at the option of the holder. The Conversion Shares will be subject to a lock up period of twelve months from the date of issue of Convertible Notes.

Pursuant to terms of the Convertible Notes, conversion of the Convertible Note is subject to the terms and conditions including 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 in the Company of Ms. Wang, her associates and parties acting in concert with her will not be more than 29.90%; or (ii) the minimum public float of 25% of the Company will be maintained.

As the functional currency of the Company is Renminbi, the conversion option of the Convertible Bonds denominated in Hong Kong dollar will not result in settlement by the exchange of a fixed amount of cash for a fixed number of equity instrument. The conversion option embedded in the Convertible Notes is therefore separated from the host contract and accounted for as a derivative financial instrument carried at fair value through profit or loss. On initial recognition, the Convertible Notes issued by the Company contained a liability of approximately HK$285,565,000 and a conversion option embedded in the Convertible Notes of approximately HK$74,435,000 were therefore classified separately into respective items.

All the Convertible Notes were converted into 180,000,000 ordinary shares of the Company on 8 January 2008. The new shares issued rank pari passu in all respects with the Company's then existing shares in issue at the date of conversion.

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

28. CONVERTIBLE NOTES/DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

The Group and the Company *(Continued)*

a) Convertible Notes (Continued)

The movement of the liability component of the Convertible Notes for the year ended 31 December 2008 is set out below:

	2008	2007
	HK$'000	HK$'000
At 1 January	**287,957**	—
Issue of Convertible Notes	**—**	285,565
Effective interest expenses	**675**	2,392
Conversion during the year	**(288,632)**	—
At 31 December	**—**	287,957

The effective interest rate of the Convertible Notes is 12.23% (2007: 12.23%).

b) Derivative financial instruments

	2008	2007
	HK$'000	HK$'000
At 1 January	**49,869**	—
Conversion option embedded in the Convertible Notes	**—**	74,435
Changes in fair value (note 6)	**(9,945)**	(24,566)
Derecognised upon conversion of Convertible Notes	**(39,924)**	—
At 31 December	**—**	49,869

The fair value of conversion option embedded in Convertible Notes was valued by an independent valuer, LCH, on the issue date of 5 December 2007, 31 December 2007 and the conversion date of 8 January 2008 at approximately HK$74,435,000, HK$49,869,000 and HK$39,924,000, respectively. The gain on change in fair value of approximately HK$9,945,000 (2007: HK$24,566,000) have been credited to "other net income" in the consolidated income statement for the year.

28. CONVERTIBLE NOTES/DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

The Group and the Company *(Continued)*

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:

	5/12/2007	31/12/2007	8/1/2008
Share price	HK$1.79	HK$1.49	HK$0.215
Exercise price	HK$2.00	HK$2.00	HK$2.00
Expected life	2 years	2 years	2 years
Risk-free rate	1.65%	2.58%	2.58%
Expected dividend yield	0%	0%	0%
Volatility	59.85%	59.85%	59.85%

29. GOVERNMENT GRANTS

During the year ended 31 December 2008, the Group did not recognise any government grants (2007: Nil). At 31 December 2008, the Group has unused government grants of approximately HK$1,369,000 (2007: HK$1,289,000) in relation to the construction of qualifying assets. The government grants will be recognised upon construction of qualifying assets. The government grants are not repayable.

30. PROMISSORY NOTES

The Group and the Company

On 5 December 2007, the Company issued two Promissory Notes with an aggregate amount of HK$376,000,000 as part of the consideration for the acquisition of Baisazhou (the "Promissory Notes"). The Promissory Notes bear interest 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 and interest of the Promissory Notes.

The movement of the carrying amount of the Promissory Notes during the year ended 31 December 2008 is set out below:

	2008	2007
	HK$'000	HK$'000
At 1 January	**279,575**	—
Issue of Promissory Notes	**—**	278,447
Interest charged	**34,192**	2,519
Interest payable	**(18,800)**	(1,391)
At 31 December	**294,967**	279,575

The effective interest rate of the Promissory Notes is 12.23%.

31. INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

a) Income tax in the consolidated balance sheet represents provision for PRC enterprise income tax.

b) Deferred taxation recognised:

The Group

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the year ended 31 December 2008 are as follows:

	Fair value adjustments of intangible assets	Fair value adjustments of investment properties	Total
	HK$'000	HK$'000	HK$'000 (restated)
Deferred tax arising from:			
At 1 January 2007	—	—	—
Acquisition of a subsidiary	333,597	5,435	339,032
Exchange adjustments	4,568	75	4,643
Credited to profit or loss	(906)	—	(906)
At 31 December 2007	337,259	5,510	342,769
At 1 January 2008	337,259	5,510	342,769
Exchange adjustments	13,438	345	13,783
Credited to profit or loss	(229,688)	—	(229,688)
At 31 December 2008	121,009	5,855	126,864

	2008	2007
	HK$'000	HK$'000 (restated)
Net deferred tax assets recognised in the consolidated balance sheet	**—**	—
Net deferred tax liabilities recognised in the consolidated balance sheet	**126,864**	342,769
	126,864	342,769

c) Deferred taxation not recognised

The Group had no significant deferred tax assets/liabilities not recognised as at the balance sheet date.

32. CAPITAL AND RESERVES

a) The Group

Details of movements in capital and reserves of the Group are set out in the consolidated statement of changes in equity on page 39.

b) The Company

	Share capital	Share premium	Capital redemption reserve	Contributed surplus	Shareholders contribution	Share options reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2007	43,276	–	945	470,001	664	–	(491,032)	23,854
Shares issued upon exercise of share options (note 32(c)(ii))	1,287	6,270	–	–	–	(1,617)	–	5,940
Issue of shares (note 32(c)(iii))	46,800	568,200	–	–	–	–	–	615,000
Equity settled share-based transactions	–	–	–	–	–	5,171	–	5,171
Transaction costs attributable to issue of shares	–	(21,253)	–	–	–	–	–	(21,253)
Profit for the year	–	–	–	–	–	–	19,135	19,135
At 31 December 2007 and 1 January 2008	91,363	553,217	945	470,001	664	3,554	(471,897)	647,847
Shares issued upon conversion of convertible notes (note 32(c)(i))	28,080	300,477	–	–	–	–	–	328,557
Distribution to shareholders	–	–	–	(15,313)	–	–	–	(15,313)
Loss for the year	–	–	–	–	–	–	(499,298)	(499,298)
	119,443	853,694	945	454,688	664	3,554	(971,195)	461,793

32. CAPITAL AND RESERVES *(Continued)*

c) Authorised and issued share capital

	Notes	2008		2007	
		Number of shares	**Nominal value**	Number of shares	Nominal value
			HK$'000		HK$'000
Authorised:					
Ordinary shares of US$0.02 each		**19,000,000,000**	**2,964,000**	19,000,000,000	2,964,000
Ordinary shares, issued and fully paid:					
At 1 January		**585,658,596**	**91,363**	277,408,596	43,276
Issue of shares upon conversion of convertible notes	(i)	**180,000,000**	**28,080**	–	–
Issue of shares upon exercise of share options	(ii)	**–**	**–**	8,250,000	1,287
Issue of shares upon placement	(iii)	**–**	–	300,000,000	46,800
At 31 December		**765,658,596**	**119,443**	585,658,596	91,363

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally regard to the Company's residual assets.

i) On 8 January 2008, all the outstanding convertible notes with a total principal amount of HK$360,000,000 were converted into 180,000,000 shares of the Company as set out in note 28.

ii) During the year ended 31 December 2007, the Company issued 8,250,000 ordinary shares of US$0.02 each for a cash consideration of HK$0.72 per share pursuant to the exercise of the share options granted.

iii) On 4 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 4 July 2007. These shares were issued under the specific mandate granted by the shareholders of the Company on 27 June 2007. The placing was completed on 13 July 2007. The proceeds of HK$615 million were primarily used to finance the acquisition of Baisazhou and for general working capital purpose.

32. CAPITAL AND RESERVES *(Continued)*

d) Nature and purpose of reserves

i) Share premium

The application of the share premium account is governed by section 40 of the Bermuda Companies Act 1981 of Bermuda.

ii) Capital redemption reserve

The capital redemption reserve represents the nominal value of the Company's shares repurchased which has been paid out of the distributable reserves of the Company.

iii) Contributed surplus

The contributed surplus represents (i) the difference between the underlying net asset value of the subsidiaries acquired over the nominal value of the shares of the Company issued pursuant to group reorganisation in 1995, and (ii) contribution arising from capital reorganisation in 2003.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make distributions out of contributed surplus if:

— it is, or would after the payment be, unable to pay its liabilities as they become due; or

— the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

iv) Shareholders' contribution

The shareholders' contribution represents imputed interest expense on the non-current interest-free loan from ultimate holding company in 2005.

32. CAPITAL AND RESERVES *(Continued)*

d) Nature and purpose of reserves *(Continued)*

v) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements into presentation currency of the Group which is dealt with in accordance with the accounting policy set out in note 2(u).

vi) Share options reserve

The share options reserve comprises the fair value of the actual or estimated number of unexercised share options granted to employees of the Group and consultants recognised in accordance with the accounting policy adopted for share based payments set out in notes 2(p)(ii) and 2(q).

e) Distributability of reserves

At 31 December 2008, the aggregate amount of reserves available for distribution to equity shareholders of the Company was nil (2007: Nil).

f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to strictly control the debt level. The Group maintains a strategy on acquiring land only if the project development can commence within a short period of time so as to minimise the time period between acquisition and development of the acquired land, thus the Group's capital can be efficiently deployed.

The Group monitors its capital structure on the basis of a net debt-to-capital ratio. For this purpose, the Group defines net debt as total debt (which includes interest-bearing loans and borrowings, convertible notes and promissory notes) less cash and cash equivalents. Capital comprises total equity attributable to equity shareholders of the Company.

During the year, the Group's strategy, which was unchanged from last year, was to maintain a net debt-to-capital ratio of no more than 100%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, raise new debt financing or sell assets to reduce debt.

32. CAPITAL AND RESERVES *(Continued)*

f) Capital management *(Continued)*

The adjusted net debt-to-capital ratio at 31 December 2008 and 2007 was as follows:

	Note	2008 HK$'000	2007 HK$'000 (restated)
Current liabilities			
— Bank and other borrowings	27	**239,455**	71,628
Non-current liabilities			
— Bank and other borrowings	27	**17,039**	194,355
— Convertible notes	28	**—**	287,957
— Promissory notes	30	**294,967**	279,575
Total debt		**551,461**	833,515
Less: Cash and cash equivalents	25	**(239,185)**	(260,894)
Net debt		**312,276**	572,621
Capital		**392,965**	653,826
Net debt-to-capital ratio		**79.5%**	87.6%

Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

33. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company adopted a share option scheme (the "Scheme") which was adopted on 4 June 2002 whereby the directors the Company are authorised, at their discretion, to invite 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") to take up options for their contribution to the Group. The Scheme will expire on 3 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 quotations sheets 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 quotations sheets of the Stock Exchange for the five business days immediately preceding the offer date; and

(c) the nominal value of a share.

33. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(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. 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 ten years from the date of grant.

a) The terms and conditions of the grants that existed during the two years ended 31 December 2008 and 2007 are as follows, whereby all options are settled by physical delivery of shares:

	Exercise price HK$	**Number of shares issuable under options**	**Shares issued**	**Vesting conditions**	**Contractual life of options**
Options granted to employees					
– on 20 March 2007	0.72	5,500,000	5,500,000	Immediately from the date of grant	5 years
– on 4 June 2007	2.48	5,300,000	–	Immediately from the date of grant	5 years
Options granted to consultants					
– 20 March 2007	0.72	2,750,000	2,750,000	Immediately from the date of grant	5 years
Total share options		13,550,000	8,250,000		

33. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

b) The number and weighted average exercise prices of share options are as follows:

	2008		2007	
	Weighted average exercise price	**Number of shares issuable under options**	Weighted average exercise price	Number of shares issuable under options
Outstanding at the beginning of the year	HK$2.48	5,300,000	—	—
Granted during the year	—	—	HK$1.41	13,550,000
Exercised during the year	—	—	HK$0.72	(8,250,000)
Outstanding at the end of the year	HK$2.48	5,300,000	HK$2.48	5,300,000
Exercisable at the end of the year	HK$2.48	5,300,000	HK$2.48	5,300,000

In 2007, the weighted average share price at the date of exercise for shares options exercised during the year was HK$2.48.

The options outstanding at 31 December 2008 had an exercise price of HK$2.48 (2007: HK$2.48) and weighted average remaining contractual life of 3.4 years (2007: 4.4 years).

c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted, which is measured based on the binomial option pricing model. The contractual life of the share option is used as an input into this model.

	20 March 2007	**4 June 2007**
Fair value at measurement date	HK$0.20	HK$0.68
Grant date share price	HK$0.72	HK$2.45
Option exercisable period	20/3/2007 to 19/3/2012	5/6/2007 to 4/6/2012
Vesting date	20 March 2008	4 June 2008
Exercise price	HK$0.72	HK$2.48
Sub-optimal factor	140%	140%
Expected volatility (expressed as weighted average volatility used in the modelling)	71.38%	82.49%
Expected dividend yield	0%	0%
Risk-free interest rate	4.209%	4.698%

33. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

c) Fair value of share options and assumptions *(Continued)*

Expected volatility is based on the historical volatility of the share prices over the most recent period, adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain objective assumptions.

Share options issued to employees of the Group were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

As the share options issued to the consultants in exchange for services cannot be reliably measured, the services are measured by reference to the fair value of the share options granted, i.e. approximately HK$539,000.

For the options grants on 20 March 2007 and 4 June 2007, the fair values of share options determined at the date of grant was approximately HK$1,617,000 and HK$3,554,000 respectively.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Exposure to credit, liquidity and market risks (including interest rate, currency risk and equity price risk) arises in the normal course of the Group's business.

These risks are limited by the Group's financial management policies and practices described below.

a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation, and arises principally from the carrying amount of the respective financial assets as stated in the consolidated balance sheet after deducting any impairment allowance.

In order to minimise the credit risk in relation to each class of recognised financial assets as stated in the financial statements, 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 and non-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 Group has a concentration of credit risk in certain individual customers. At the balance sheet date, the five largest receivable balances accounted for approximately 84% (2007: 95%) of the trade receivables and the largest trade receivable was approximately 47% (2007: 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.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

a) Credit risk *(Continued)*

The Group's concentration of credit risk by geographical location is mainly in the PRC.

In relation to the Group's deposits with bank, the Group limits its exposure to credit risk by placing deposits with financial institutions with high credit rating and no recent history of default. The directors consider that the Group's credit risk on the bank deposits is low. Management continues to monitor the position and will take appropriate action if their ratings should change. As at 31 December 2008, the Group has certain concentration of credit risk as 67% of total bank deposits were deposited with one financial institution in Singapore. As at 31 December 2007, the Group has no significant concentration of credit risk in relation to deposits with bank.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 24.

b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. As at 31 December 2008 and 2007, there were no utilised banking facilities.

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

b) Liquidity risk *(Continued)*

The Group

2008

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Trade and other payables	**161,358**	**161,358**	**161,358**	**–**	**–**
Bank and other borrowings	**256,494**	**286,458**	**268,449**	**18,009**	**–**
Promissory notes	**294,967**	**449,809**	**18,800**	**18,800**	**412,209**
	712,819	**897,625**	**448,607**	**36,809**	**412,209**

2007

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Trade and other payables	218,350	218,350	218,350	–	–
Bank and other borrowings	265,983	296,162	76,299	219,863	–
Convertible notes	287,957	360,000	–	360,000	–
Promissory notes	279,575	468,609	18,800	18,800	431,009
	1,051,865	1,343,121	313,449	598,663	431,009

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

b) Liquidity risk *(Continued)*

The Company

			2008		
	Carrying amount	**Total contractual undiscounted cash flow**	**Within 1 year or on demand**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Other payables	**24,787**	**24,787**	**24,787**	**–**	**–**
Promissory notes	**294,967**	**449,809**	**18,800**	**18,800**	**412,209**
	319,754	**474,596**	**43,587**	**18,800**	**412,209**

			2007		
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Other payables	4,919	4,919	4,919	–	–
Convertible notes	287,957	360,000	–	360,000	–
Promissory notes	279,575	468,609	18,800	18,800	431,009
	572,451	833,528	23,719	378,800	431,009

c) Interest rate risk

The Group's interest rate risk arises primarily from bank and other borrowings, convertible notes, promissory notes, and cash and cash equivalents.

Cash and cash equivalents comprise mainly cash at banks, with the annual interest rates ranging from 0.30% to 0.72% as at 31 December 2008 (2007: 1.5% to 2.5%).

The interest rates of the Group's bank and other borrowings, convertible notes and promissory notes are disclosed in notes 27, 28 and 30, respectively.

The Group is exposed to fair value interest rate risk in relation to fixed-rate other borrowings and promissory notes (see notes 27 and 30 for details).

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

c) Interest rate risk *(Continued)*

The Group is exposed to cash flow interest rate risk in respect of its variable-rate bank and other borrowings (see note 27) and bank balances (see note 25) due to changes of interest rates. It is the Group's present 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 and other borrowings should the need arise.

Sensitivity analysis

At 31 December 2008, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's loss after tax and accumulated losses by approximately HK$566,000 (2007: HK$688,000). Other components of equity would not be affected (2007: nil) in response to the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in the respective interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2007.

d) Currency risk

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through The People's Bank of China ("PBOC") or other institutions authorised to buy and sell foreign exchange. The exchange rate adopted for foreign exchange transactions are the rates of exchange quoted by the PBOC that would be subject to a managed float against an unspecified basket of currencies.

Foreign currency payments, including the remittance of earnings outside the PRC, are subject to the availability of foreign currency (which depends on the foreign currency denominated earnings of the Group) or must be arranged through the PBOC with government approval.

All the revenue-generating operations of the Group are transacted in RMB. The Group is exposed to foreign currency risk on financing transactions denominated in currencies other than RMB. Depreciation or appreciation of the RMB against foreign currencies can affect the Group's results. The Group did not hedge its currency exposure.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

d) Currency risk *(Continued)*

i) Exposure to currency risk

The following table details the Group's and the Company's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

The Group

	2008		2007	
	United States dollars '000	**Hong Kong dollars '000**	United States dollars '000	Hong Kong dollars '000
Trade and other receivables	**–**	**–**	–	73,734
Cash and cash equivalents	**20,909**	**54,911**	–	166,427
Trade and other payables	**–**	**(24,787)**	–	(4,919)
Convertible notes	**–**	**–**	–	(287,957)
Promissory notes	**–**	**(294,967)**	–	(279,575)
Overall exposure to currency risk	**20,909**	**(264,843)**	–	(332,290)

The Company

	2008		2007	
	United States dollars '000	**Hong Kong dollars '000**	United States dollars '000	Hong Kong dollars '000
Trade and other receivables	**–**	**–**	–	73,734
Cash and cash equivalents	**1**	**54,911**	–	166,427
Trade and other payables	**–**	**(24,787)**	–	(4,919)
Convertible notes	**–**	**–**	–	(287,957)
Promissory notes	**–**	**(294,967)**	–	(279,575)
Overall exposure to currency risk	**1**	**(264,843)**	–	(332,290)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

d) Currency risk *(Continued)*

ii) Sensitivity analysis

The following table indicates the approximate change in the Group's profit after tax and retained profits in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date.

The Group

	2008		2007	
	Increase/ (decrease) in foreign exchange rates	**Effect on loss after tax and accumulated losses**	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and accumulated losses
		HK$'000		HK$'000
United States Dollars	**2%**	**(3,261)**	2%	—
	(2)%	**3,261**	(2)%	—
Hong Kong Dollars	**5%**	**13,242**	5%	16,614
	(5)%	**(13,242)**	(5)%	(16,614)

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to the Group's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities' loss after tax. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2007.

e) Equity price risk

As at 31 December 2008, the Group and the Company are not exposed to equity price risk. As at 31 December 2007, the Group and the Company are exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the fair values of financial derivatives of the Group. As at 31 December 2007 the Group and the Company are exposed to this risk in relation to convertible notes issued by the Company as disclosed in note 28.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

f) Fair value

The carrying amounts of the financial instruments approximate their fair values as at 31 December 2008 and 2007.

g) Estimation of fair values

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

i) Cash and cash equivalents, trade and other receivables, trade and other payables

The carrying amounts approximate fair values because of the short maturities of these instruments.

ii) Interest-bearing loans and borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

iii) Convertible notes

The Group selects appropriate valuation methods and makes assumptions with reference to market conditions existing at each balance sheet dates to determine the fair value of the embedded financial derivatives of the convertible notes that are separated from the host debt contract. The basis for determining the fair value is disclosed in note 28.

iv) Financial guarantees issued

The fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantee not been available, where reliable estimates of such information can be made.

35. BUSINESS COMBINATION

Acquisition of a subsidiary

In May 2007, the Company entered into conditional sales and purchase agreements with Ms. Wang Xiu Qun ("Ms. Wang") and Wuhan Tian Jiu Industrial and Commercial Development Co., Limited (collectively referred to as the "Vendor"), independent third parties, for the acquisition of their respective 70% and 20% interest in Wuhan Baisazhou Agricultural By-Product Grand Market Co., Limited ("Baisazhou") for considerations of HK$900 million and HK$256 million, respectively. Baisazhou is engaged in the leasing of an agricultural products exchange market in Wuhan, Hubei Province, the PRC. The completion date of the agreement was 5 December 2007 which is also the acquisition date for accounting purposes. The acquisition has been accounted for by the purchase method of accounting.

Of the total consideration of HK$1,156 million, HK$420,000,000 was satisfied by cash, HK$360,000,000 was satisfied by the issue of the Convertible Notes (note 28) and HK$376,000,000 was satisfied by the issue of Promissory Notes (note 30) by the Company with fair values of HK420,000,000, HK360,000,000 and HK278,447,000 respectively.

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 31 December 2007. Ms. Wang has guaranteed to the Company that the audited profit after taxation of Baisazhou for the year ended 31 December 2007 will not be less than HK$150 million ("Profit Guarantee") subject to further adjustments on the measurement basis as mutually agreed. Any shortfall will be compensated by Ms. Wang. In the opinion of the directors, such amounts cannot be measured reliably at 31 December 2007 and accordingly, no provision is made in 2007. During the year ended 31 December 2008, the Group received cash of approximately HK$69,646,000 from Ms. Wang with respect to the Profit Guarantee. The cost of acquisition has been adjusted for the same amount accordingly.

The initial accounting for the above business combination had been determined provisionally by the end of the period in which the combination was effected because the acquisition was completed towards the year-end date and the fair values being assigned to the acquiree's identifiable assets and liabilities could only be determined provisionally. Therefore, the differences between the final and initial carrying amount and the differences between the final and provisional fair value would be adjusted upon the finalisation of the identification and fair values of Baisazhou's assets and liabilities.

The initial accounting for the above business combination was completed in November 2008. The finalised fair values, provisional fair value of the identifiable assets and liabilities of Baisazhou as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

35. BUSINESS COMBINATION *(Continued)*

Acquisition of a subsidiary *(Continued)*

Details of the net assets acquired in respect of the acquisition of Baisazhou is summarised below:

	Acquiree's carrying amount before combination	Provisional fair value	Finalised fair value	Differences
	HK$'000	HK$'000	HK$'000	HK$'000
Net assets acquired				
Property, plant and equipment	31,398	31,398	31,398	—
Investment properties	595,991	595,991	595,991	—
Intangible assets	—	—	1,334,388	1,334,388
Trade and other receivables	81,480	81,480	81,480	—
Bank balances and cash	14,576	14,576	14,576	—
Trade and other payables	(215,741)	(215,741)	(293,125)	(77,384)
Bank and other borrowings	(262,364)	(262,364)	(262,364)	—
Income tax payable	(46,164)	(46,164)	(46,164)	—
Deferred tax liabilities	(5,435)	(5,435)	(339,032)	(333,597)
Net assets acquired	193,741	193,741	1,117,148	923,407
Minority interests		(19,374)	(111,715)	(92,341)
Goodwill on acquisition		900,712	—	(900,712)
Total consideration		1,075,079	1,005,433	(69,646)
Total consideration satisfied by:				
Cash consideration paid		420,000	420,000	—
Convertible notes of the Company		360,000	360,000	—
Promissory notes of the Company		278,447	278,447	—
		1,058,447	1,058,447	—
Profit guarantee receivable		—	(69,646)	(69,646)
		1,058,447	988,801	(69,646)
Costs directly attributable to the acquisition		16,632	16,632	—
		1,075,079	1,005,433	(69,646)
Net cash outflow arising on acquisition:				
Cash consideration paid		(436,632)	(436,632)	—
Bank balances and cash acquired		14,576	14,576	—
		(422,056)	(422,056)	—

35. BUSINESS COMBINATION *(Continued)*

Acquisition of a subsidiary *(Continued)*

The subsidiary acquired contributed to the Group's revenue of approximately HK$22,317,000 and profit of approximately HK$7,799,000 to the Group's loss before taxation for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 January 2007, total Group's revenue for the period would have been HK$181,535,000 and profit for the year would have been HK$65,417,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2007, nor is it intended to be a projection of future results.

36. DISPOSALS OF SUBSIDIARIES

For the year ended 31 December 2008

On 18 November 2008, the Group and an independent third party (the "Purchaser") entered into an agreement under which the Group would, together with assignments of amounts due by the subsidiaries to the Group, dispose of two wholly-owned subsidiaries, namely Renowned Holdings Limited and Superwide Development Limited (collectively known as the "Renowned Group"), which were engaged in property sales and development, to the Purchaser for a cash consideration of HK$5,000,000. The transaction was completed on 18 November 2008. The disposal was classified as discontinued operations as set out in note 12.

Details of the cash flow and the net liabilities of subsidiaries disposed of are as follows:

	2008
	HK$'000
Prepaid lease payments (note 19)	**–**
Amount due to the Group	**(45,794)**
Net liabilities disposed of	**(45,794)**
Gain on disposal of the Renowned Group (note 12)	**5,000**
Assignments of amount due from Renowned Group	**45,794**
Total consideration	**5,000**
Satisfied by:	
Cash consideration received	**5,000**
Net cash inflow in respect of the disposal of subsidiaries:	
Cash consideration	**5,000**
Less: cash at banks and on hand of subsidiaries disposed of	**–**
	5,000

36. DISPOSALS OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2008 (Continued)

There was no contribution from the subsidiaries disposed of to the Group's revenue in 2008 and 2007. The subsidiaries disposed of during the year contributed a loss of nil (2007: HK$33,870,000) to the loss attributable to equity shareholders of the Company.

The impact of Renowned Group on the Group's results and cash flows is disclosed in note 12.

37. COMMITMENTS

a) Capital commitments outstanding at 31 December 2008 not provided for in the financial statements were as follows:

	The Group	
	2008	2007
	HK$'000	HK$'000
Capital expenditure authorised and contracted for in respect of acquisition of:		
— property, plant and equipment	**57,708**	54,308
— construction in progress	**3,074**	25,112
	60,782	79,420

b) At 31 December 2008, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2008	2007
	HK$'000	HK$'000
Within one year	**3,673**	3,185
After one year but within five years	**1,533**	4,549
	5,206	7,734

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of two to five years. The leases did not include extension options. None of the leases includes contingent rentals.

38. LITIGATION

Construction payables of Wuhan Baisazhou Agricultural By-Products Grand Market Co., Limited ("Baisazhou"), a subsidiary of the Company

During the year ended 31 December 2008, legal actions were commenced by certain creditors of Baisazhou which rendered construction services in 2005 to Baisazhou, against Baiszahou for the immediate full repayment of the outstanding construction costs of approximately HK$1,965,000, which has been accounted for and included under "construction payables" under note 26(b).

In July 2008, the creditors and Baisazhou reached agreements whereby Baisazhou agreed to pay the creditors in full before 31 December 2008; otherwise an extra penalty interest of approximately HK$1,291,000 would be charged against Baisazhou. However, Baisazhou has defaulted the settlement of part of the aforesaid construction costs by the due date. As at 31 December 2008, the aggregate outstanding construction costs unsettled amounted to approximately HK$1,246,000 (note 26(b)) and accordingly, a full provision of the penalty interest of approximately HK$1,291,000 (notes 7(a) and 26(b)) has been made in these financial statements. The penalty interest were included under "penalty interest payables for default of construction payables" under note 26. Up to the date of approval of the financial statements, no action has been taken by the creditors in respect of the default in repayment of the unsettled balance together with the penalty interest.

39. CONTINGENT LIABILITIES

Financial guarantee issued to a former shareholder of a subsidiary

As at 31 December 2007, Baisazhou, a subsidiary of the Company, issued a guarantee to the extent of approximately HK$26,700,000 to a bank in respect of banking facilities granted to a former shareholder. The guarantee was discharged in October 2008.

As at 31 December 2007, the directors do not consider it probable that a claim will be made against the Group under the guarantee. The maximum liability of the Group at 31 December 2007 under the guarantee issued is the outstanding amount of the facility drawn down by the former shareholder of Baisazhou of approximately HK$20,700,000. No recognition was made because the fair value of the guarantee was insignificant and that the directors did not consider it probable that a claim would be made against the Group under the guarantee.

40. MATERIAL RELATED PARTY TRANSACTIONS

a) Transactions with key management personnel

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 9 and certain of the highest paid employees as disclosed on note 10, is as follows:

	2008	2007
	HK$'000	HK$'000
Short-term employee benefits	**7,078**	4,419
Post-employment benefits	**48**	43
	7,126	4,462

Total remuneration is included in "staff costs" (see note 7(b)).

b) Balances with related parties

Details of the balances with related parties as at 31 December 2008 and 2007 are set out in note 26.

c) Transactions with other related parties

Advance from a director

During the year ended 31 December 2008, Mr. Fu Jie Pin, a director of the Company, made advance to the Group of approximately HK$227,000, of which approximately HK$57,000 was repaid. As at 31 December 2008, the outstanding balance was disclosed in note 26(d).

41. NON-ADJUSTING POST BALANCE SHEET EVENTS

a) Placement of shares

On 13 February 2009 and 16 February 2009, the Company entered into placing agreements with an independent placing agent for the placement of an aggregate of 153,000,000 new shares of US$0.02 each at a price of HK$0.25 per share of the Company. The placing was completed on 25 February 2009. The net proceeds of approximately HK$37,000,000 were primarily used for general working capital purpose.

b) Acquisition of a subsidiary

Pursuant to an acquisition agreement dated 12 December 2008 entered into with an independent third party, the Company undertook to acquire the entire equity interest in Shiney Day Investments Limited ("Shiney Day", together with its subsidiaries the "Shiney Day Group") for a cash consideration of HK$150,000,000. Shiney Day indirectly held subsidiaries which were principally engaged in the business of management and sub-licensing of agricultural by-products wholesale market in Hubei Province, the PRC. The acquisition was completed on 25 March 2009.

41. NON-ADJUSTING POST BALANCE SHEET EVENTS *(Continued)*

b) Acquisition of a subsidiary *(Continued)*

Details of assets acquired and liabilities assumed as at the acquisition date were as follows:

	Carrying amount immediately before the combination	Provisional fair value on acquisition
	HK$'000	HK$'000
Non-current assets		
Property, plant and equipment	204,290	204,290
Investment properties	414,261	414,261
Prepaid lease payments	245	245
Goodwill	6,444	6,444
	625,240	625,240
Current assets		
Trade and other receivables	17,057	17,057
Bank balances and cash	38,795	38,795
	55,852	55,852
Current liabilities		
Trade and other payables	39,574	39,574
Bank borrowings — due within one year	49,995	49,995
Amount due to a shareholding company	185,582	185,582
Tax payables	1,771	1,771
	276,922	276,922
Net current liabilities	(221,070)	(221,070)
Total assets less current liabilities	404,170	404,170
Non-current liabilities		
Bank borrowings — due after one year	45,362	45,362
Deferred taxation	73,751	73,751
	119,113	119,113
Net identifiable assets acquired	285,057	285,057
Minority interests		(100,297)
Negative goodwill		(34,760)
Total consideration satisfied by cash consideration paid		150,000

41. NON-ADJUSTING POST BALANCE SHEET EVENTS *(Continued)*

b) Acquisition of a subsidiary *(Continued)*

The initial accounting for the acquisition of Shiney Day Group involves identifying and 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, awaiting the finalisation of identification of and fair values of identifiable assets and liabilities of Shiney Day Group. Hence, the assets, liabilities and contingent liabilities may be subject to further changes upon finalisation of the said fair values. The valuation for the purpose of purchase accounting is preliminary and is subject to review by experts; thus, the allocation of the purchase price is subject to adjustment.

42. COMPARATIVE FIGURES

Certain comparative figures have been adjusted or reclassified as a result of the restatement of prior period and opening balances. Further details are disclosed in note 4.

In addition, certain comparative figures have been reclassified to conform with the current year's presentation.

43. ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Group's accounting policies, 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.

a) Key sources of estimation uncertainty

In the process of applying the Group's accounting policies, management has made certain key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as discussed below:

43. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

a) Key sources of estimation uncertainty *(Continued)*

i) Impairment of property, plant and equipment, prepaid lease payments and intangible assets

The recoverable amount of an asset is the greater of its fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, which requires significant judgement relating to level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying amount of the assets and could result in additional impairment charge or reversal of impairment in future periods.

ii) Valuation of investment properties

Investment properties are included in the balance sheet at their fair value, which is assessed annually by independent qualified valuers, after taking into consideration all readily available information and current market environment.

The methodology and assumptions adopted in the property valuations are mentioned in note 18(a).

iii) Fair value of assets acquired and liabilities assumed upon acquisition

In connection with the acquisition of subsidiaries, the assets acquired and liabilities assumed are adjusted to their estimated fair values on the date of acquisition. The determination of the fair values of the assets acquired and liabilities assumed involves management's judgement and assumptions. Any change in such judgement and assumptions would affect the fair values of assets acquired and liabilities assumed.

iv) Impairment for goodwill

Internal and external sources of information are reviewed by the Group at each balance sheet date to assess whether there is any indication that goodwill may be impaired. If any such indication exists, the recoverable amount of the goodwill is estimated. Changes in facts and circumstances may result in revisions to the conclusion of whether an indication of impairment exists and revised estimates of recoverable amounts, which would affect profit or loss in future years.

43. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

a) Key sources of estimation uncertainty *(Continued)*

v) Impairment for trade and other receivables

The Group estimates impairment losses for trade and other receivables resulting from the inability of the debtors to make the required payments. The Group bases the estimates on the ageing of the trade and other receivable balance, debtor credit-worthiness, and historical write-off experience. If the financial conditions of the debtors were to deteriorate, actual write-offs would be higher than estimated.

vi) Derivative financial instruments

In determining the fair value of the derivative financial instruments, considerable judgement is required to interpret market data used in the valuation techniques. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

vii) Recognition of share-based compensation expenses

The Company grants share options to employees and consultants. Management uses valuation models to determine the total fair value of the options granted. Significant judgement, such as risk-free rate, dividend yield and expected volatility and expectations of early exercise, is required to be made by management as the parameters for applying the valuation model. Accordingly, and changes to the variables adopted may materially affect the estimation of the fair value of an option.

viii) Fair value of derivatives embedded in convertible notes

Management uses its 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 issued by the Group, 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. Details of the assumptions used are disclosed in note 28.

43. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

a) Key sources of estimation uncertainty *(Continued)*

ix) Income tax and deferred taxation

The Group is subject to income taxes. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and certain tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and tax in the period in which such estimate is changed.

b) Critical judgements in applying the Group's accounting policies

In determining the carrying amounts of some assets and liabilities, the Group makes assumptions for the effects of uncertain future events on those assets and liabilities at the balance sheet date. These estimates involve assumptions about such items as cash flows and discount rates used. The Group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies.

Going Concern

As disclosed in note 2(b)(i), the directors have prepared the financial statements on a going concern basis as they are of the opinion that the Group will be able to generate adequate cash flows from its operations and secure the necessary facilities from the banks in the next twelve months to enable the Group to operate as a going concern. This conclusion is arrived at with reference to the cash flow forecast projection prepared by the management and on the assumption that the facilities that will be available to the Group upon successful negotiation with its banks. Any significant deviations from the assumptions adopted by management in preparing the cash flows forecast of the Group and discontinuation of bank facilities would affect the conclusion that the Group is able to continue as going concern.

44. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2008

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2008 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

In addition, the following developments may result in new or amended disclosures in the financial statements:

HKFRSs (Amendments)	Improvements to HKFRSs [1]
HKAS 1 (Revised)	Presentation of Financial Statements [2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation [2]
HKAS 39 (Amendment)	Amendment to HKAS 39 Financial Instrument: Recognition and Measurement — Eligible Hedged Items [3]
HKFRS 1 & HKAS 27(Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [2]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards [3]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations [2]
HKFRS 3 (Revised)	Business Combinations [3]
HKFRS 8	Operating Segments [2]
HK(IFRIC) — Int 13	Customer Loyalty Programmes [4]
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate [2]
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation [5]
HK(IFRIC) — Int 17	Distribution of Non-cash Assets to Owners [3]
HK(IFRIC) — Int 18	Transfers of Assets from Customers [6]

[1] Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

[2] Effective for annual periods beginning on or after 1 January 2009

[3] Effective for annual periods beginning on or after 1 July 2009

[4] Effective for annual periods beginning on or after 1 July 2008

[5] Effective for annual periods beginning on or after 1 October 2008

[6] Effective for transfers of assets from customers received on or after 1 July 2009

44. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2008 *(Continued)*

The adoption of HKAS 1 (Revised) may result in a change in the presentation of two primary standards of the financial statements.

The application 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 1 July 2009.

HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

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

FINANCIAL SUMMARY

	Year ended 31st December,				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000	HK$'000
RESULTS					
Revenue	**168,050**	45,929	31,740	15,481	12,605
(Loss)/profit before taxation	**(894,937)**	(9,053)	(18,161)	(32,580)	(230,935)
Income tax credit (expense)	**216,604**	(5,289)	(16)	(17)	—
Loss for the year	**(678,333)**	(14,342)	(18,177)	(32,597)	(230,935)
Attributable to:					
Equity holders of the Company	**(613,387)**	(15,098)	(18,169)	(32,589)	(235,515)
Minority interests	**(64,946)**	756	(8)	(8)	4,580
	(678,333)	(14,342)	(18,177)	(32,597)	(230,935)

	At 31st December,				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	**1,459,231**	2,353,801	75,137	229,383	233,411
Total liabilities	**(995,743)**	(1,573,371)	(13,626)	(149,237)	(121,332)
	463,488	780,430	61,511	80,146	112,079
Attributable to:					
Equity holders of the Company	**392,965**	653,826	47,664	65,724	97,649
Minority interests	**70,523**	126,604	13,847	14,422	14,430
	463,488	780,430	61,511	80,146	112,079