中國農產品交易
CHINA AGRI-PRODUCTS EXCHANGE

Dedicated to developing Agriculture
Sincere in serving Agriculture

(Incorporated in Bermuda with limited liability)
Stock Code：0149

2010 ANNUAL REPORT

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Chan Chun Hong, Thomas
Chairman and Chief Executive Officer
Mr. Leong Weng Kin
Mr. Leung Sui Wah, Raymond

Independent Non-executive Directors

Mr. Ng Yat Cheung, *JP*
Mr. Lee Chun Ho
Ms. Lam Ka Jen, Katherine

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Mr. Chan Chun Hong, Thomas, *Chairman*
Mr. Ng Yat Cheung, *JP*
Mr. Lee Chun Ho
Ms. Lam Ka Jen, Katherine
Mr. Leung Sui Wah, Raymond

COMPANY SECRETARY

Ms. Mak Yuen Ming, Anita

PRINCIPAL BANKERS

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

LEGAL ADVISERS

DLA Piper Hong Kong
Freshfields Bruckhaus Deringer
Morrison & Foerster

AUDITORS

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1801, 18th Floor, Wilson House
19-27 Wyndham Street
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudianna Road
Pembroke HM 08
Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East, Wanchai
Hong Kong

STOCK CODE

0149

HOMEPAGE

http://www.cnagri-products.com

Chairman's Statement

On behalf of the board of directors (the "Board" or the "Directors") of China Agri-Products Exchange Limited (the "Company", together with its subsidiaries, collectively the "Group"), I am pleased to present this annual report for the year ended 31 December 2010 to our shareholders. The Group recorded a consolidated turnover of approximately HK$130.0 million, representing approximately 24.9% increase from approximately HK$104.1 million recorded for the previous financial year. The loss attributable to owners of the Company for the year ended 31 December 2010 was approximately HK$325.7 million, representing an approximately 9.9% increase as compared to the loss of approximately HK$296.3 million for the previous year.

AGRICULTURAL PRODUCE EXCHANGES

During the year under review, the Group's agricultural produce exchange business recorded stable growth and remained the key revenue driver of the Group. The agricultural produce wholesale market complex in Yulin, Guangxi Zhuang Autonomous Region ("Guangxi"), the People's Republic of China (the "PRC"), comprising various two-storey market stalls and multi-storey godowns, achieved in 2010 an occupancy rate of around 90%. With the end of the rent-free period in the fourth quarter last year, the profitability of this marketplace is expected to greatly improve. The agricultural produce wholesale market in Xuzhou, Jiangsu Province, the PRC continued to generate satisfactory income and performed well in 2010. It is the major marketplace for the supply of fruit and seafood in the city which covers customers from the Yangtze River Delta and the pan-Pearl River Delta regions. The turnover of 武漢白沙洲農副產品大市場有限公司 Wuhan Baisazhou Agricultural By-product Grand Market Company Limited ("Wuhan Baisazhou") improved in the fourth quarter of the year after the Group resumed its own operation of the exchange owned by Wuhan Baisazhou. This marketplace acts as major gathering place for the buyers and sellers of agricultural produce in the southern and central parts of the PRC.

CORPORATE STRATEGIES

The market outlook appears promising as the PRC government has pledged support for the agricultural industry. In the past year, the price of agricultural products increased sharply which stimulated the agricultural development in the PRC. We are well positioned for 2011 and are confident of the long-term prospects of the agricultural industry. In the future, the Group will support the national policy and accelerate the expansion of our agricultural produce exchange business. In February 2011, the Group succeeded in a public tender to acquire the land use right of the land located in Yulin, Guangxi, the PRC, with our winning bid of approximately RMB62.7 million. The site is immediately adjacent to the Group's existing agricultural produce exchange at Yulin, and we target to develop the land as an extension of the Group's existing wholesale market. In addition, the Group has entered into a supplemental agreement with Qinzhou Ministry of Commerce on 15 January 2011 with regard to the establishment of an agricultural produce exchange in Qinzhou, Guangxi, the PRC. It provides the Group with an opportunity to expand its agricultural produce exchange business into a new area in the PRC which is expected to benefit the Group's business development.

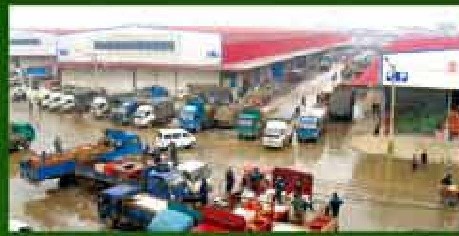
APPRECIATION

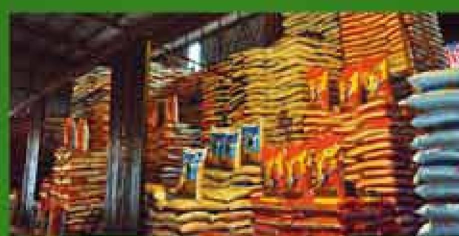
Finally, I would like to take this opportunity to thank our customers and business partners for their continued support of the Group over the past year. I would also like to thank my fellow board members and staff at all levels for their dedication and hard work.

Chan Chun Hong, Thomas
Chairman and Chief Executive Officer

Hong Kong, 9 March 2011


武汉白沙洲农副产品大市场
农业产业化国家重点龙头企业





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Management Discussion and Analysis

SUMMARY OF OPERATING RESULTS

Turnover and gross profits

For the year ended 31 December 2010, the Group recorded a turnover of approximately HK$130.0 million, an increase of approximately HK$25.9 million or approximately 24.9% from approximately HK$104.1 million for the previous financial year. The increase was mainly attributable to the rental income generated from the Group's three agricultural produce exchange projects in the PRC.

The gross profit of the Group increased by approximately 18.5% to approximately HK$85.9 million from approximately HK$72.5 million for the previous financial year. The gross profit margin of the Group for the financial year was approximately 66.1% as compared to approximately 69.6% for the previous financial year.

Administrative expenses and finance cost

General and administrative expenses were approximately HK$114.6 million (2009: approximately HK$84.4 million). The increase was mainly due to the Yulin project reaching full scale operation and the Group having resumed its own operation of Wuhan Baisazhou exchange in 2010. Other operating expenses amounting to approximately HK$285.8 million mainly represented the impairment of intangible assets due to the rental subcontract agreement and preference of customers (2009: approximately HK$326.2 million). Finance costs were approximately HK$73.2 million (2009: approximately HK$66.0 million) and the increase was mainly due to the interest rate increases of bank and other borrowings incurred to finance the PRC projects.

Loss attributable to equity shareholders

The loss attributable to owners of the Company for the year was approximately HK$325.7 million as compared to a loss of approximately HK$296.3 million for the previous year. The increase in net loss was mainly due to the impairment of intangible assets arising from the Group's acquisition of Wuhan Baisazhou.

DIVIDENDS

The Directors do not recommend any payment of a final dividend for the year ended 31 December 2010 (2009: Nil). No interim dividend was paid to the shareholders of the Company during the year under review (2009: Nil).

REVIEW OF OPERATIONS

During the year under review, the Group was principally engaged in the business of agricultural produce exchanges and restaurant operation, both in the PRC.

Agricultural produce exchanges

As one of the largest agricultural produce exchange operators in the PRC, the Group operates three sites located at Wuhan in Hubei Province, Xuzhou in Jiangsu Province and Yulin in Guangxi.

On 22 November 2010, the Group resumed its own operations of the Wuhan Baisazhou agricultural produce exchange marketplace. Wuhan Baisazhou is one of the largest agricultural produce exchanges in the PRC in terms of transaction volume and site area. It is located 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 and comprises more than 2,200 units. The logistics centre provides full scale support services to truck drivers, from hostels, restaurants to supermarkets and truck repairing services. The marketplace provides its customers with a systematic logistics flow in order to maximise customer throughput. We are optimistic that the resumption of operation and management of the Wuhan Baisazhou exchange by our own management will result in an increased contribution to the turnover of the Group.

The agricultural produce exchange in Xuzhou, Jiangsu Province comprises single-storey market stalls and multi-storey godowns and is the major marketplace for the supply of fruit and seafood in Xuzhou city. This marketplace offers a centralised trading place for a wide range of agricultural produce. During the year under review, the business performance of Xuzhou marketplace was very encouraging with a substantial increase in turnover compared to the corresponding figure for 2009.

Our agricultural produce exchange project in Yulin, Guangxi comprises various two-storey market stalls and multi-storey godowns. The completed phase of the project commenced operation in October 2009. After a one-year trail period, the occupancy rate of Yulin project has reached over 90%. During the year under review, the Yulin project continued to expand and construction at the remaining part of the site continued.

Restaurant operation

The total turnover of the Group's two restaurants located in Shenzhen and Beijing was approximately HK$30.6 million (2009: approximately HK$28.8 million).

FUND RAISING ACTIVITIES

Top-up placing and placing of new shares under general mandate

In August 2010, the Company successfully placed a total of 820 million shares to independent third parties at a price of HK$0.05 per share, through a placing agent on a best effort basis, under the general mandate granted to the Directors by the shareholders at the annual general meeting of the Company held on 8 June 2010. Aggregate net proceeds of approximately HK$39.8 million were raised for general working capital purposes and repayment of interest bearing debts.

Placing of new shares under a specific mandate

On 3 February 2010, the Company entered into a placing agreement under which the Company conditionally agreed to place up to 2.3 billion shares of the Company to independent third parties, through a placing agent on a best efforts basis, at a price of HK$0.05 per share under a specific mandate which the Directors then sought and obtained from shareholders at a special general meeting of the Company held on 29 March 2010. Completion of the first tranche of the placing comprising 1.2 billion shares took place on 22 April 2010. Since the other conditions could not be fulfilled before the expiry of the three-month period, the balance of the placing lapsed. Net proceeds of approximately HK$58.4 million were raised for expansion and further development of the Group's agricultural produce exchanges, repayment of interest-bearing debts and other general working capital requirement for the Group.

On 9 November 2010, the Company entered into placing agreements to place a total of 300 million shares, on a fully underwritten basis, and to place up to a maximum of 300 million shares, through a placing agent on a best efforts basis, to independent third parties at a price of HK$0.25 per share under a specific mandate which the Directors then sought and obtained from shareholders at a special general meeting of the Company held on 21 December 2010. Completion of the placing of all of the 300 million fully underwritten shares took place on 5 January 2011 and net proceeds of approximately HK$73.1 million were raised for repayment of loan and reduction of the Group's debt and gearing level and for expansion and further development of the Group's agricultural produce exchanges.

The Directors continue to explore any opportunity with potential investors to raise further funds in order to further strengthen its shareholder base and provide financing for the continuing business development of the Group.

CAPITAL REORGANISATION

During the year, the Company underwent a capital reorganisation which became effective on 4 November 2010 (the "Capital Reorganisation") comprising, inter alia, the consolidation of every 10 shares of HK$0.01 each then in issue into one consolidated share of HK$0.10. Details were disclosed in the Company's announcement dated 28 September 2010 and circular dated 18 October 2010.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2010, the Group had total cash and cash equivalents amounting to approximately HK$81.5 million (2009: approximately HK$155.7 million) whilst total assets and net assets were approximately HK$1,691.9 million (2009: approximately HK$1,860.3 million) and approximately HK$275.3 million (2009: approximately HK$478.4 million), respectively. The Group's gearing ratio as at 31 December 2010 was approximately 2.81 (2009: approximately 1.55), representing the ratio of total bank and other borrowings and promissory notes of approximately HK$854.9 million (2009: approximately HK$898.9 million), net of cash and cash equivalents of approximately HK$81.5 million (2009: approximately HK$155.7 million) to shareholders' funds of approximately HK$275.3 million (2009: approximately HK$478.4 million).

As at 31 December 2010, outstanding capital commitments, contracted but not provided for, amounted to HK$nil (2009: approximately HK$3.7 million), representing commitments in relation to the purchase of property, plant and equipment, and construction contracts. As at 31 December 2010, the Group had pledged the land use rights and bank deposits with an aggregate carrying amount of approximately HK$595.6 million (2009: approximately HK$411.3 million) to secure its bank borrowings.

The revenue and bank deposits of the Group are mainly denominated in Renminbi and Hong Kong dollars. The operating costs are mainly denominated in Hong Kong dollars and Renminbi. Therefore, the Group is not exposed to any material foreign currency exchange risk. The Group did not have any outstanding foreign exchange contracts, interest or currency swaps or other financial derivatives as at 31 December 2010. As at 31 December 2010, the Group had no significant contingent liability (2009: Nil).

PROSPECTS

Looking ahead to 2011, the Group will continue to build a nationwide agricultural produce exchange network by leveraging on its leading position in the industry, readily replicable business model, well-developed management system and quality customer services. On 28 February 2011, the Group successfully acquired a piece of land of approximately 160,000 square metres for development into a new agricultural produce exchange. This new site is adjacent to the Group's existing Yulin project which helps to expand our market operations in Guangxi. With the wide geographical coverage of the Group's existing projects located in different cities and the industry knowledge we have accumulated, we are well positioned to expand our network further.

The continued support for the agricultural sector from the PRC government is aimed at increasing peasants' income and improving rural living standards. Different favorable measures have been put in place and include budgetary support strengthened agricultural support policies, systematic protection against the misuse of farmland as well as the encouragement of agricultural technology innovation to accelerate agricultural production cycles. The Group believes that the policy support and financial assistance from the PRC government to the agricultural sector can bring financial benefits to our agricultural produce exchange business.

The Group will continue to focus on intensifying its investment in agricultural produce wholesale markets in the PRC to further entrench its commitment in supporting the State's "Vegetable Basket Project". The Group believes that this strategy will deliver long term benefits to the shareholders of the Company.

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2010, the Group had 734 (2009: 460) employees, approximately 97.0% 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.

Board of Directors and Senior Management

BOARD OF DIRECTOR

Executive Directors

Mr. CHAN Chun Hong, Thomas, aged 47, joined the Group as an executive Director in February 2009, and was also appointed as the chairman, chief executive officer 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 is an executive director of Wang On Group Limited, Wai Yuen Tong Medicine Holdings Limited and PNG Resources Holdings Limited (formerly known as 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 of Hong Kong Limited (the "Stock Exchange"). 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. LEONG Weng Kin, aged 45, 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 16 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.

Mr. LEUNG Sui Wah, Raymond, aged 43, joined the Company as an executive Director and chief financial officer in June 2010, and was appointed as a member of the nomination committee of the Company in August 2010. He had over 19 years of experience in corporate finance, accounting and company secretarial matters in Hong Kong and the PRC. He holds a Master degree in Business Administration and Master of Arts from The University of Hong Kong and City University of Hong Kong, respectively. He is a fellow member of The Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants, an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He is also a full member of Chartered Institute of Purchasing and Supply and Certified Information Security Manager of Information Systems Audit and Control Association.

Independent Non-executive Directors

Mr. NG Yat Cheung, *JP*, aged 55, joined the Company as an independent non-executive Director in February 2009, and was also appointed as a member of each of audit, remuneration and nomination committee of the Company. 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. He resigned as an independent non-executive director of Intelli-Media Group (Holdings) Limited, a listed company in Hong Kong, on 1 March 2009.

Mr. LEE Chun Ho, aged 67, joined the Company as an independent non-executive Director in February 2009, and was also appointed as a member of each of audit, remuneration and nomination committee of the Company. 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 45, joined the Company as an independent non-executive Director in February 2009, and was also appointed as a member of each of audit, remuneration and nomination committee of the Company. In September 2009, Ms. Lam was appointed as the chairman of the audit committee of the Company. 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. CHAN Yu Chau, joined the Group as an assistant general manager. He is currently the general manager of Wuhan Baisazhou. Mr. Chan is a vice Chairman of Society of Shopping Mall Professionals (China). He has over 20 years of experience in real estate development and has more than 8 years marketing management experience in top ten Hong Kong listed companies engaged in grade A office/shopping mall and deluxe complex project in the PRC.

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 costs control of the projects. Prior to joining the Group, Mr. Ng has over 15 years of project management experience in building and construction industry, both in Hong Kong and the PRC.

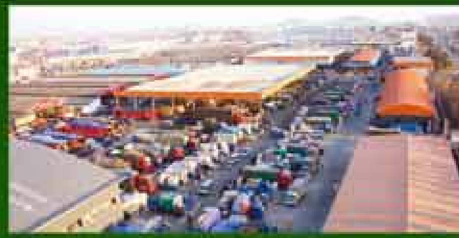
Mr. HO Wai Lin, joined the Group as senior business development manager. Mr. Ho holds a Postgraduate Certificate in Project Management from Shanghai Tongji University and Higher Certificate in Marketing and Sales Management from Hong Kong Polytechnic University. He is a member of Chartered Institute of Marketing and had awarded a diploma in marketing from the Chartered Institute of Marketing (United Kingdom). Mr. Ho is currently responsible for the business development of the Group's agricultural produce exchanges. He has over 21 years of experience in marketing and project management. Prior to joining the Group, Mr. Ho worked in various Hong Kong listed groups.

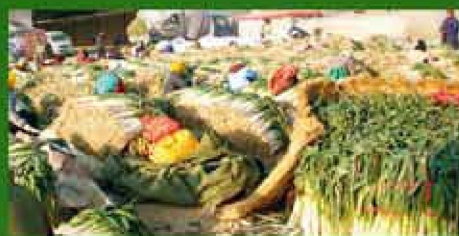
Mr. AU Man Yiu, joined the Group as project manager. He is currently the general manager of Qinzhou Hong-Jin Agricultural By-products Wholesale Market Company Limited. Mr. Au holds Certificate of Civil Engineering and Electronic Engineering respectively. He has over 30 years of experience in construction industry with more than 15 years of experience in project management 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 Agents 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 17 years of experience in company secretarial field. Prior to joining the Group, she served in a few Hong Kong listed groups.


滁州農副產品中心批發市場





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Corporate Governance Report

The Company is committed to achieving and maintaining the necessary standard of corporate governance. The Board recognises that such commitment is essential in upholding accountability and transparency and to achieve a balance of interests between the shareholders, customers, creditors, employees as well as other stakeholders.

To ensure continued compliance with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the Board periodically reviews with its management and proposes necessary amendments to its corporate governance practices and control policies. The Company has complied with the CG Code set out in Appendix 14 to the Listing Rules during the year ended 31 December 2010, except for the following deviations:

Code provision A.2.1

Under code provision A.2.1, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual.

Mr. Chan Chun Hong, Thomas, the chairman of the Board, also assumed the role of chief executive officer in August 2010 to fill the casual vacancy arising from the resignation of Mr. Ying Yat Man that deviates code provision of the CG Code since then. Mr. Chan has extensive executive and financial management experience and is responsible for overall corporate planning, strategic policy making and managing of day-to-day operations of the Group. The Company does not propose to comply with code provision A.2.1 for the time being but will continue to review such non-compliance to enhance best interest of the Company and its shareholders as a whole.

Code provision C.2.1

In fiscal years of 2009 and 2010, the Company appointed professional advisers, HLB Hodgson Impey Cheng Consultants Limited ("HLB Consultants"), to perform the ongoing monitoring of the systems of internal control of the Group. HLB Consultants reported that no material internal control weakness was identified from the reviews.

During the year, the Board continued to meet from time to time to review the effectiveness of the Group's system of internal control and confirmed that subsequent to the resumption of the operation and management of Wuhan Baisazhou exchange in November 2010, the Group's system of internal control in respect of financial, operational, compliance and risk management, is effective and adequate.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its code of conduct regarding securities transactions by Directors on the terms no less exacting than the required standard set forth in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. All existing 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 financial year under review.

THE BOARD

As at the date of this annual report, the Board comprises three executive Directors and three independent non-executive Directors. The Directors during the year and up to the date of this annual report were:

Executive Directors:

Mr. Chan Chun Hong, Thomas
Chairman and Chief Executive Officer
Mr. Leong Weng Kin
Mr. Leung Sui Wah, Raymond
(appointed on 8 June 2010)
Mr. Ying Yat Man
(resigned on 2 August 2010)

Independent non-executive Directors:

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

The biographical details of the Directors are set out on pages 12 to 13 of this annual report.

The Board possesses a balance of skills and experience which are appropriate for the requirements of the business of the Company. The opinions raised by the independent non-executive Directors at Board meetings facilitate the maintenance of good corporate governance practices. At least one of the independent non-executive Directors has the appropriate professional qualification and/or accounting and audit experience expertise as required by Rules 3.10(1) and (2) of the Listing Rules. A balanced composition of executive and non-executive Directors also ensures a strong independent element on the Board, which allows for an independent and objective decision making process for the best interests of the Company. The Company will review the composition of the Board regularly to ensure the Board possesses the appropriate and necessary expertise, skills and experience to meet the needs of the Group's business.

All independent non-executive Directors are appointed for specific terms and all Directors (including both executive and non-executive) are subject to retirement by rotation at the Company's annual general meetings in accordance with bye-law 99 of the Company.

All independent non-executive Directors are free from any business or other relationship with the Company. The Company has received from each of the existing independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company continues to consider the three independent non-executive Directors to be independent.

The Board's primary functions are to set corporate policy and overall strategy for the Group and to provide effective oversight of the management of the Group's business and affairs. Apart from its statutory responsibilities, the Board also approves strategic plans, key operational issues, investments and loans, reviews the financial performance of the Group and evaluates the performance and compensation of senior management. These functions are either carried out directly by the Board or indirectly through committees established by the Board.

The Board, which meets at least four times a year with additional meetings arranged as and when necessary, has a schedule of matters reserved for its review and approval. The specific responsibility reserved for the Board includes matters in relation to, among others, determining strategies and objectives of the Group, monitoring the overall management and operation of the Group, reviewing capital, corporate and control structures, ensuring financial reporting and internal control measures, determining major capital projects and contracts, including material acquisitions, disposals and other significant potential investments, communication with the shareholders, determining the Board composition and the appointment of company secretary and auditors, delegating of authority to committees and reviewing the Group's overall corporate governance arrangements. At least 14 days notice for each regular meeting is given to all Directors. Agendas and accompanying Board papers are sent to all Directors before the date of a Board meeting to ensure that Directors are given sufficient time to review the same. All minutes of Board meetings and committee meetings are kept by the company secretary of the Company and are open for inspection at any reasonable time on reasonable notice by any Director.

During the year under review, four Board meetings were held and the attendance of each Director is set out as follows:

Directors	Date of appointment/ resignation during the year	Attendance
Executive Directors		
Mr. Chan Chun Hong, Thomas		4/4
Mr. Leong Weng Kin		4/4
Mr. Leung Sui Wah, Raymond	(appointed on 8 June 2010)	2/2
Mr. Ying Yat Man	(resigned on 2 August 2010)	2/2
Independent non-executive Directors		
Mr. Ng Yat Cheung		4/4
Mr. Lee Chun Ho		4/4
Ms. Lam Ka Jen, Katherine		4/4

Save as those matters mentioned above, the Board has delegated general powers to the management to deal with the daily operations of the Group under the supervision of the chief executive officer and various Board committees, including executive committee, audit committee, remuneration committee and nomination committee.

ROLES OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Chan Chun Hong, Thomas, the chairman of the Board, assumed the role of the chief executive officer of the Company in August 2010 to fill the vacancy arising from the resignation of Mr. Ying Yat Man in August 2010. Mr. Chan currently is

responsible for overall corporate planning, strategic policy making and managing the day-to-day operations of the Group. Mr. Chan has extensive industry experience which is of great value to overall development of the Group. The Company does not propose to comply with code provision A.2.1 for the time being as the Board considers that the balance of power and authority is ensured by the operation of the Board and the senior management, which comprises experienced and high caliber individuals with a balance of skills and experience appropriate for the current business and the continued development of the Group. The current structure also allows flexibility and enhances the efficiency of decision-making process in response to a dynamic and competitive business environment.

The Board will continue to review and recommend such proposals, as appropriate, in aspect of such non-compliance or other aspects in order to enhance the Company's competitiveness and operating efficiency, to ensure its sustainable development and to generate the greatest returns for the shareholders of the Company.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") comprises two executive Directors, namely Mr. Chan Chun Hong, Thomas and Mr. Leong Weng Kin, and the three independent non-executive Directors, namely Mr. Ng Yat Cheung, Mr. Lee Chun Ho and Ms. Lam Ka Jen, Katherine. Mr. Chan Chun Hong, Thomas acts as the chairman of the Remuneration Committee.

The Remuneration Committee has discharged and will continue to discharge its major roles, including but not limited to, the following:—

1. to approve the terms of the service agreements of the Directors and the senior management of the Company;

2. to make recommendations with respect to the remuneration and policies of the Directors and the senior management of the Company; and

3. to review the remuneration package and recommend salaries, bonuses, including the incentive awards for Directors and the senior management of the Company.

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

Remuneration Committee Members	Attendance
Mr. Chan Chun Hong, Thomas	1/1
Mr. Leong Weng Kin	1/1
Mr. Ng Yat Cheung	1/1
Mr. Lee Chun Ho	1/1
Ms. Lam Ka Jen, Katherine	1/1

The remuneration payable to the Directors will depend on their respective contractual terms under their employment contracts or service contracts and the same were reviewed by the Remuneration Committee. Details of the Directors' remuneration are set out in note 9 to the financial statements.

NOMINATION COMMITTEE

During the year, Mr. Ying Yat Man ceased to act as a member of the nomination committee of the Company (the "Nomination Committee") immediately following his resignation as executive Director on 2 August 2010 and Mr. Leung Sui Wah, Raymond was appointed as a member of the Nomination Committee with effect from 2 August 2010 to fill the vacancy arising from the resignation of Mr. Ying.

The existing Nomination Committee comprises two executive Directors, namely Mr. Chan Chun Hong, Thomas and Mr. Leung Sui Wah, Raymond and the three independent non-executive Directors, namely Mr. Ng Yat Cheung, Mr. Lee Chun Ho and Ms. Lam Ka Jen, Katherine. Mr. Chan Chun Hong, Thomas acts as the chairman of the Nomination Committee.

The Nomination Committee will continue to discharge its major roles and functions, including but not limited to, the following:

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 independent non-executive Directors and to make recommendations to the Board on relevant matters relating to the appointment or reappointment of Directors and succession planning for Directors.

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

Nomination Committee Members	**Attendance**
Mr. Chan Chun Hong, Thomas	1/1
Mr. Ying Yat Man (resigned on 2 August 2010)	1/1
Mr. Ng Yat Cheung	1/1
Mr. Lee Chun Ho	1/1
Ms. Lam Ka Jen, Katherine	1/1

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises all of the independent non-executive Directors with specific terms of reference. During the year under review, the Audit Committee comprised the independent non-executive Directors, namely Mr. Ng Yat Cheung, Mr. Lee Chun Ho and Ms. Lam Ka Jen, Katherine, pursuant to Rule 3.21 of the Listing Rules. Ms. Lam Ka Jen, Katherine chairs the Audit Committee.

The Audit Committee is mainly responsible for reviewing the interim and annual financial statements and making recommendation to the Board, reviewing the terms of engagement and making recommendation to the Board regarding the appointment of the external auditors of the Company, monitoring and assessing the independence of external auditors and effectiveness of the internal control systems and reviewing the financial reporting, controlling, accounting policies and practices with external auditors.

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

Audit Committee Members	**Attendance**
Mr. Ng Yat Cheung	2/2
Mr. Lee Chun Ho	2/2
Ms. Lam Ka Jen, Katherine	2/2

During the year, the Audit Committee reviewed and discussed with the management and auditors the accounting principles and practices adopted by the Company. In addition, it also reviewed internal control measures, risk management, adequacy of resources of the Group, the interim results for the six months ended 30 June 2010 and the annual results for the year ended 31 December 2010 with the senior management and/or the auditors of the Company.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparation and publication of the timely financial statements and ensure that they are prepared in accordance with the statutory requirements and applicable accounting standards. In preparing the accounts for the year ended 31 December 2010, the Directors have adopted suitable accounting policies which are pertinent to the Group's operations and relevant to the financial statements and have presented an understandable assessment of the Group's position and prospects.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, and save for the issues on net consolidated loss attributable to owners of the Company and the net consolidated current liabilities (as detailed in the independent auditors' report), they are not aware of any material uncertainties relating to the events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The Directors continue to explore opportunities with potential investors to enhance the financial position and business development of the Group by way of refinancing, extension of borrowings and/or fund raising.

INTERNAL CONTROLS

The Board is entrusted with the overall responsibility for maintaining the Group's internal control systems and reviewing and monitoring strictly the effectiveness of such systems periodically so as to ensure the reliability of financial reporting and safeguarding assets of the Group.

In fiscal years of 2009 and 2010, the Company appointed professional advisers, HLB Consultants, to perform the ongoing monitoring of the systems of internal control of the Group. HLB Consultants reported that no material internal control weakness was identified from the reviews. Taking into consideration the recommendations made by HLB Consultants, the Board continued to meet from time to time during the year to review the effectiveness of the Group's systems of internal control so as to reinforce its systems to safeguard the Company's assets and to assure against material financial misstatement. The Board confirmed that subsequent to the resumption of the operation and management of Wuhan Baisazhou exchange in November 2010, the Group's systems of internal control in respect of financial, operational, compliance, risk management and adequacy of resources, is effective and adequate.

AUDITORS' REMUNERATION

During the year under review, the remuneration paid/payable to the Company's external auditors, HLB Hodgson Impey Cheng, in respect of audit services and non-audit services for the year ended 31 December 2010 are set out as follows:

Services rendered	**Fees paid/payable**
	HK$'000
Audit services	900
Non-audit services	304
Total	**1,204**

COMMUNICATION WITH SHAREHOLDERS

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







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Report of the Directors

The Directors present their annual report and audited consolidated financial statements of the Company and of the Group for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Details of the activities of its principal subsidiaries are set out in note 21 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2010 and the state of affairs of the Company and of the Group are set out in the consolidated financial statements on pages 35 to 105.

The Board does not recommend any payment of a final dividend for the year ended 31 December 2010 (2009: Nil). No interim dividend was paid to the shareholders of the Company during the year under review (2009: Nil).

FIVE YEAR 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 106.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 31 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2010, in the opinion of the Directors, the Company has no distributable reserves.

PROMISSORY NOTES AND SHARE CAPITAL

Details of the movements in the promissory notes and share capital of the Company are set out in notes 29 and 31, 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 16 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 17 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year under review, the Company has repurchased its own shares with details as follows:

Month of repurchase	Number of ordinary shares with nominal of HK$0.01 per share	Highest price per share HK$	Lowest price per share HK$	Aggregate consideration paid, but exclude expense HK$
October 2010	6	0.06	0.06	0.36

The repurchase of the Company's shares during the year was effected pursuant to the mandate granted to the Directors on 8 June 2010, with a view to cancel the fractional shares arising from the consolidation of every ten shares of HK$0.01 each into one share of HK$0.10, details of which were set out in the Company's circular dated 18 October 2010. The six shares repurchased on 22 October 2010 were subsequently cancelled on 1 November 2010.

Save as disclosed above, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the year.

DIRECTORS

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

Executive Directors:

Mr. Chan Chun Hong, Thomas (Chairman and Chief Executive Officer) *(also assumed the role of the Chief Executive Officer on 2 August 2010)*
Mr. Leong Weng Kin
Mr. Leung Sui Wah, Raymond *(appointed on 8 June 2010)*
Mr. Ying Yat Man *(resigned on 2 August 2010)*

Independent non-executive Directors

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

In accordance with bye-law 99 of the bye-laws of the Company, Mr. Chan Chun Hong, Thomas and Mr. Ng Yat Cheung 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 independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the existing independent non-executive Directors 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).

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2010, none of the Directors, chief executive of the Company, nor any of their respective associates, had any interests or short positions in any shares, underlying shares or debenture of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("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, including any employees (whether full time or part time), executive or officers, Directors (including executive and non-executive) of the Group and any business consultants, agent, legal or financial advisers of the Group, (the "Participants") to take up share options for their contribution to the Group. Under the Scheme, the Board may grant share options to the Participants to subscribe for shares of the Company (the "Share(s)") for a consideration of HK$1.00 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 (i) 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 share options); (ii) 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 (iii) the nominal value of a Share. The number of Shares in respect of which share options may be granted to the Participants in any 12-month period up to and including the date of grant is not permitted to exceed 1% of the Shares in issue at any point in time, without prior approval from the shareholders of the Company. Share options granted to substantial shareholders or independent non-executive Directors in excess of 0.1% of the share capital of the Company and with a value in excess of HK$5,000,000 must be approved in advance by the shareholders of the Company. The Scheme became effective on 4 June 2002 and will expire on 3 June 2012. There is no specific requirement that a share 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 share option. The period during which a share option may be exercised will be determined by the Board at its absolute discretion, save that no share option may be exercised more than ten years from the date of grant.

Subject to the issue of a circular and the approval of the shareholders of the Company at general meeting, 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 at 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. Other details of the Scheme are set out in note 32 to the consolidated financial statements.

During the year ended 31 December 2010, no share options under the Scheme remained outstanding and no share option was granted, lapsed and cancelled. As at the date of this annual report, the total number of shares available for issue under the Scheme is 5,856,585 Shares, representing 0.74% of the existing issued share capital of the Company.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2010, to the best knowledge of the Directors, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that the following shareholders (other than Directors or chief executive of the Company) had notified the Company of relevant interests or short position in the shares and underlying shares of the Company:

Long positions in the ordinary shares of HK$0.10 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 e)
Kingston Securities Limited	(a)	Beneficial owner	300,000,000	60.75
Galaxy Sky Investments Limited		Interest of a controlled corporation	300,000,000	60.75
Kingston Capital Asia Limited		Interest of a controlled corporation	300,000,000	60.75
Active Dynamic Limited		Interest of a controlled corporation	300,000,000	60.75
Chu Yuet Wah		Interest of a controlled corporation	300,000,000	60.75
PNG Resources Holdings Limited ("PNG")	(b)	Interest of a controlled corporation	26,326,508	5.33
Wai Yuen Tong Medicine Holdings Limited ("WYT")	(c)	Interest of a controlled corporation	26,326,508	5.33
Wang Xiu Qun	(d)	Beneficial owner	18,000,000	3.64
Zhou Jiu Ming	(d)	Interest of the spouse	18,000,000	3.64

Notes:

(a) On 9 November 2010, the Company entered into placing agreements with Kingston Securities Limited (the "Placing Agent"), pursuant to which the Placing Agent conditionally agreed to place 300 million shares of HK$0.1 each (the "Shares") in the Company on fully underwritten basis and 300 million Shares on best effort basis to independent investors at the placing price of HK$0.25 per Share, details of which were set out in the Company's announcement dated 9 November 2010.

(b) PNG, through Onger Investments Limited ("Onger"), its wholly-owned subsidiary, which held 26,326,508 shares of the Company, was taken to be interested in the same shares.

(c) WYT, through Gain Better Investments Limited, its wholly-owned subsidiary, which held 49% interest in PNG, which held 26,326,508 shares of the Company through Onger, was taken to be interested in the same shares.

(d) Mr. Zhou Jiu Ming, as the spouse of Ms. Wang Xiu Qun, is deemed to be interested in 18,000,000 shares of the Company.

(e) The percentage stated represented the number of shares over the total number of 493,865,859 shares in the issued share capital of the Company as at 31 December 2010.

Save as disclosed above, as at 31 December 2010, there was no other person (other than the Directors or chief executive of the Company) who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

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 18 to 23 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 Audit Committee, comprising all existing independent non-executive Directors, namely Mr. Ng Yat Cheung, Mr. Lee Chun Ho and Ms. Lam Ka Jen, Katherine, has reviewed with the management and the auditors the audited consolidated financial statements for the year ended 31 December 2010 of the Company and of the Group. Ms. Lam Ka Jen, Katherine took the chair of the Audit Committee.

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 the Directors and eligible employees. Details of the Scheme are set out in this report and note 32 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2010, the percentage of sales or purchase attributable to the Group's largest and five largest customers were approximately 31.8% and 33%, respectively.

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For the year ended 31 December 2010, the percentage of purchase attributable to the Group's five largest suppliers was less than 30%.

At no time during the year did a Director or any of their associates or any shareholders of the Company, which to the best knowledge of the Directors, own more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers or suppliers.

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 2010 and up to the date of this annual report.

EVENTS AFTER THE REPORTING PERIOD

Details of significant event occurring after the reporting period of the Group are set out in note 37 to the consolidated financial statements.

AUDITORS

Messrs. CCIF CPA Limited ("CCIF") was appointed as auditors of the Company on 14 January 2009 to fill the casual vacancy arising from the resignation of Deloitte, who resigned on 14 January 2009. CCIF subsequently resigned on 24 December 2009 and HLB Hodgson Impey Cheng was appointed as the auditors of the Company with effect from 24 December 2009 to fill the casual vacancy left by CCIF.

The consolidated financial statements for the year ended 31 December 2010 have been audited by Messrs. HLB Hodgson Impey Cheng, 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 and Chief Executive Officer

9 March 2011

Independent Auditors' Report

國衛會計師事務所
Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

31/F
Gloucester Tower
The Landmark
11 Pedder Street
Central, Hong Kong

INDEPENDENT AUDITORS' REPORT
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") and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 105, which comprise the consolidated and Company statements of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 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.

MATERIAL UNCERTAINTY CONCERNING GOING CONCERN BASIS OF ACCOUNTING

Without qualifying our opinion, we draw attention to note 2(b) to the consolidated financial statements which indicates that the Group incurred a net consolidated loss attributable to owners of the Company of approximately HK$325,689,000 for the year ended 31 December 2010 and, as of that date, the Group's consolidated current liabilities exceeded its consolidated current assets by approximately HK$501,948,000. 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 the 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), indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 9 March 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Turnover	5	**129,952**	104,117
Cost of operation		**(44,021)**	(31,630)
Gross profit		**85,931**	72,487
Other revenue	6	**7,024**	13,927
Other net income	6	**1,060**	4
General and administrative expenses		**(114,612)**	(84,354)
Other operating expenses		**(285,759)**	(326,183)
Loss from operations		**(306,356)**	(324,119)
Finance costs	7(a)	**(73,224)**	(66,016)
Loss before taxation	7	**(379,580)**	(390,135)
Income tax	8	**43,313**	76,610
Loss for the year		**(336,267)**	(313,525)
Other comprehensive income, net of income tax			
Exchange differences on translating foreign operations		**34,894**	1,078
Total comprehensive loss for the year		**(301,373)**	(312,447)
Loss attributable to:			
Owners of the Company		**(325,689)**	(296,330)
Non-controlling interests		**(10,578)**	(17,195)
		(336,267)	(313,525)
Total comprehensive loss attributable to:			
Owners of the Company		**(300,209)**	(295,460)
Non-controlling interests		**(1,164)**	(16,987)
		(301,373)	(312,447)
Loss per share (restated)			
— Basic	14	**HK$(0.81)**	HK$(1.34)
— Diluted	14	**HK$(0.81)**	HK$(1.34)

The notes on pages 42 to 105 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	16	**27,334**	29,535
Investment properties	17	**1,523,227**	1,439,562
Intangible assets	18	**—**	182,372
Held-to-maturity financial assets	19	**—**	6,048
Goodwill	20	**6,444**	11,625
		1,557,005	1,669,142
Current assets			
Inventories	22	**1,384**	1,137
Trade and other receivables	23	**39,978**	17,346
Financial assets at fair value through profit or loss	24	**11,976**	17,001
Cash and cash equivalents	25	**81,539**	155,701
		134,877	191,185
Current liabilities			
Trade and other payables	26	**390,130**	272,872
Bank and other borrowings	27	**165,454**	341,807
Government grants	28	**4,529**	4,324
Income tax payable	30(a)	**76,712**	73,780
		636,825	692,783
Net current liabilities		**(501,948)**	(501,598)
Total assets less current liabilities		**1,055,057**	1,167,544
Non-current liabilities			
Bank and other borrowings	27	**357,810**	244,835
Promissory notes	29	**331,629**	312,242
Deferred tax liabilities	30(b)	**90,347**	132,044
		779,786	689,121
Net assets		**275,271**	478,423

Consolidated Statement of Financial Position

As at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Capital and reserves			
Share capital	31	**49,387**	29,187
Reserves		**38,530**	260,718
Total equity attributable to owners of the Company		**87,917**	289,905
Non-controlling interests		**187,354**	188,518
Total equity		**275,271**	478,423

Approved and authorised for issue by the board of directors on 9 March 2011.

Chan Chun Hong, Thomas
Director

Leung Sui Wah, Raymond
Director

The notes on pages 42 to 105 form part of these financial statements.

Statement of Financial Position

As at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Investments in subsidiaries	21	**271,080**	356,080
Held-to-maturity financial assets	19	—	4,115
		271,080	360,195
Current assets			
Other receivables	23	**233,134**	198,688
Cash and cash equivalents	25	**5,629**	27,683
		238,763	226,371
Current liabilities			
Other payables	26	**92,200**	59,358
Net current assets		**146,563**	167,013
Total assets less current liabilities		**417,643**	527,208
Non-current liabilities			
Promissory notes	29	**331,629**	312,242
Net assets		**86,014**	214,966
Capital and reserves			
Share capital	31	**49,387**	29,187
Reserves	31	**36,627**	185,779
Total equity		**86,014**	214,966

Approved and authorised for issue by the board of directors on 9 March 2011.

Chan Chun Hong, Thomas
Director

Leung Sui Wah, Raymond
Director

The notes on pages 42 to 105 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Shareholders' contribution HK$'000	Share options reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2009	119,443	853,694	945	2,081,285	664	3,554	55,793	(2,722,413)	392,965	70,523	463,488
Exchange differences on translating into presentation currency	—	—	—	—	—	—	870	—	870	208	1,078
Other comprehensive income for the year	—	—	—	—	—	—	870	—	870	208	1,078
Loss for the year	—	—	—	—	—	—	—	(296,330)	(296,330)	(17,195)	(313,525)
Total comprehensive loss for the year	—	—	—	—	—	—	870	(296,330)	(295,460)	(16,987)	(312,447)
Non-controlling interests arising on the acquisition of subsidiary	—	—	—	—	—	—	—	—	—	134,982	134,982
Issue of shares	43,868	154,382	—	—	—	—	—	—	198,250	—	198,250
Transaction cost related to issue of shares	—	(5,850)	—	—	—	—	—	—	(5,850)	—	(5,850)
Share capital reduction	(134,124)	—	—	134,124	—	—	—	—	—	—	—
Share options lapsed	—	—	—	—	—	(3,554)	—	3,554	—	—	—
At 31 December 2009	29,187	1,002,226	945	2,215,409	664	—	56,663	(3,015,189)	289,905	188,518	478,423
At 1 January 2010	**29,187**	**1,002,226**	**945**	**2,215,409**	**664**	**—**	**56,663**	**(3,015,189)**	**289,905**	**188,518**	**478,423**
Exchange differences on translating into presentation currency	**—**	**—**	**—**	**—**	**—**	**—**	**25,480**	**—**	**25,480**	**9,414**	**34,894**
Other comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**—**	**25,480**	**—**	**25,480**	**9,414**	**34,894**
Loss for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(325,689)**	**(325,689)**	**(10,578)**	**(336,267)**
Total comprehensive loss for the year	**—**	**—**	**—**	**—**	**—**	**—**	**25,480**	**(325,689)**	**(300,209)**	**(1,164)**	**(301,373)**
Issue of shares	**20,200**	**80,800**	**—**	**—**	**—**	**—**	**—**	**—**	**101,000**	**—**	**101,000**
Transaction cost related to issue of shares	**—**	**(2,779)**	**—**	**—**	**—**	**—**	**—**	**—**	**(2,779)**	**—**	**(2,779)**
At 31 December 2010	**49,387**	**1,080,247**	**945**	**2,215,409**	**664**	**—**	**82,143**	**(3,340,878)**	**87,917**	**187,354**	**275,271**

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Operating activities			
Loss before taxation		**(379,580)**	(390,135)
Adjustments for:			
Depreciation	7(c)	**5,672**	5,779
Amortisation of intangible assets	7(c)	**5,673**	13,621
Impairment loss on intangible assets	7(c)	**180,442**	288,308
Impairment loss on goodwill	7(c)	**5,181**	10,245
Impairment loss on trade and other receivables	7(c)	**88,279**	5,674
Fair value change on financial assets through profit or loss		**(132)**	1,285
Fair value (gain)/ loss on investment properties		**(1,060)**	14,010
Finance costs	7(a)	**73,224**	66,016
Interest income	6	**(975)**	(748)
Dividend income from listed securities	6	**(193)**	(28)
Loss on disposal of property, plant and equipment	7(c)	**6,184**	—
Gain on disposal on held-to-maturity financial assets		**(419)**	—
Foreign exchange loss		**—**	2,320
Operating (loss)/profit before changes in working capital		**(17,704)**	16,347
Increase in inventories		**(247)**	(330)
Increase in trade and other receivables		**(110,911)**	(9,835)
Increase/(decrease) in trade and other payables		**97,798**	(39,842)
Cash used in operations		**(31,064)**	(33,660)
Tax paid			
PRC enterprise income tax paid/(received)		**4,548**	(573)
Net cash used in operating activities		**(26,516)**	(34,233)

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Investing activities			
Payments for acquisition of a subsidiary, net of cash acquired		—	(142,508)
Proceeds from disposal of financial assets through profit or loss		**6,196**	7,297
Purchase of financial assets at fair value through profit or loss		**(1,087)**	(25,583)
Purchase of held-to-maturity financial assets		—	(6,189)
Payments for purchases of property, plant and equipment		**(8,737)**	(6,302)
Payments for investment properties		**(22,865)**	(85,585)
Dividend received		**193**	28
Bank interest received		**975**	748
Proceeds from disposal of held-to-maturity financial assets		**6,487**	—
Net cash used in investing activities		**(18,838)**	(258,094)
Financing activities			
Proceeds from new bank borrowings		**29,594**	141,447
Repayments of bank borrowings		**(45,845)**	(58,851)
Repayment of other borrowings		**(63,200)**	(36,137)
Repayment to a director		—	(170)
Net proceeds from issue of shares		**98,221**	192,400
Interest paid		**(34,172)**	(29,941)
Net cash (used in)/ generated from financing activities		**(15,402)**	208,748
Net decrease in cash and cash equivalents		**(60,756)**	(83,579)
Cash and cash equivalents at 1 January	25	**155,701**	239,185
Effect of foreign exchange rate changes		**(13,406)**	95
Cash and cash equivalents at 31 December	25	**81,539**	155,701

The notes on pages 42 to 105 form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2010

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 and restaurant operation.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the Group is set out below.

(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 owners of the Company of approximately HK$325,689,000 for the year ended 31 December 2010;

— the Group had consolidated net current liabilities of approximately HK$501,948,000 as at 31 December 2010; and

— the Group had outstanding bank and other borrowings of approximately HK$523,264,000 (note 27), out of which an aggregate of approximately HK$165,454,000 is due for repayment within the next twelve months after 31 December 2010.

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:

(1) 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.

Notes to the Financial Statements

For the year ended 31 December 2010

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(i) Going concern basis (Continued)

(1) Alternative sources of external funding (Continued)

Subsequent to 31 December 2010, the Group announced to raise an aggregate net proceeds of approximately HK$73,100,000 from placing of the Company's shares. The placing was completed on 5 January 2011. On 11 January 2011, the Company entered a loan agreement with Give Power Limited, an indirect wholly-owned subsidiary of Wai Yuen Tong Medicine Holdings Limited, pursuant to which Give Power Limited agreed to grant a loan amounted to HK$60,000,000 to the Company.

(2) 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.

(3) Necessary facilities

The Group is in the process of negotiating 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 end of reporting period together with the expected results of the 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 future 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 consolidated financial statements have been prepared under the historical cost basis except for the investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

(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.

Notes to the Financial Statements

For the year ended 31 December 2010

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 value 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 4.

(c) Basis of consolidation

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

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

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

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

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

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Notes to the Financial Statements

For the year ended 31 December 2010

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Basis of consolidation *(Continued)*

(i) Business combinations

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries on or after 1 January 2010

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Changes in the Group's ownership interests in existing subsidiaries prior to 1 January 2010

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss.

Business combinations on or after 1 January 2010

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

Notes to the Financial Statements

For the year ended 31 December 2010

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Basis of consolidation *(Continued)*

(i) Business combinations (Continued)

Changes in the Group's ownership interests in existing subsidiaries (Continued)

Business combinations on or after 1 January 2010 *(Continued)*

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

(1) deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

(2) liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date; and

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

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

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

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

Notes to the Financial Statements

For the year ended 31 December 2010

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Basis of consolidation *(Continued)*

(i) Business combinations (Continued)

Changes in the Group's ownership interests in existing subsidiaries (Continued)

Business combinations on or after 1 January 2010 *(Continued)*

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

(ii) 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(h)).

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.

Notes to the Financial Statements

For the year ended 31 December 2010

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation. On initial recognition, investment properties are measured at cost including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value. Gain and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

From 1 January 2009, investment properties under construction have been accounted for in the same way as completed investment properties. Specifically, construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction. Investment properties under construction are measured at fair value at the end of the reporting period. Any difference between the fair value of the investment properties under construction and their carrying amounts is recognised in profit or loss in the period in which they arise. Prior to 1 January 2009, the leasehold land and building elements of investment properties under construction were accounted separately; the leasehold land element was accounted for as an operating lease and the building element was measured at cost less impairment losses, if any.

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

(e) Property, plant and equipment

Items of property, plant, and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see note 2(h)).

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(u)).

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 items 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.

Notes to the Financial Statements

For the year ended 31 December 2010

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Property, plant and equipment *(Continued)*

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.

(f) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated in the statement of financial position at cost less accumulated amortisation (where the estimated useful life is finite) and accumulated impairment losses see note 2(h)). 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 flowing 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 amotisation 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.

(g) 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.

(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 assets. 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.

Notes to the Financial Statements

For the year ended 31 December 2010

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of assets

(i) Impairment of receivables

Current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period 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.

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 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 trader 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.

Notes to the Financial Statements

For the year ended 31 December 2010

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of assets *(Continued)*

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period 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;

— investment in subsidiaries (except for those classified as held for sale (or included in a disposal group that is classified as held for sale); and

— goodwill.

In 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 if 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-generated 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.

Notes to the Financial Statements

For the year ended 31 December 2010

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) 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 these 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 note 2(h) (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.

(i) Inventories

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

Cost is calculated using the weighting 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.

(j) 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(h)(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.

Notes to the Financial Statements

For the year ended 31 December 2010

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments

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

(i) Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss, held-to-maturity financial assets and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial assets held for trading purpose and derivative financial instruments that are not designated as effective hedging instruments. At the end of each reporting period date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in the consolidated statement of comprehensive income in the period in which they arise.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities with the Group's management has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method less impairment losses (see note 2(h)).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period date subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses (see note 2(h)). An impairment loss is recognised in the consolidated statement of comprehensive income when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to the Financial Statements

For the year ended 31 December 2010

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments *(Continued)*

(ii) Financial liabilities and equities

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including trade payables and other payables, bank and other borrowings and promissory notes, are subsequently measured at amortised cost, using the effective interest rate method. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial guarantee contracts

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 payments 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 assets. 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 recongised in accordance with note 2(r)(ii) 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 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.

Notes to the Financial Statements

For the year ended 31 December 2010

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments *(Continued)*

(iii) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred or the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in the consolidated statement of comprehensive income.

For financial liabilities, they are removed from the Group's consolidated statement of financial positions when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in the consolidated statement of comprehensive income.

(l) 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.

(m) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) 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 statement of cash flows.

(o) 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.

Notes to the Financial Statements

For the year ended 31 December 2010

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Employee benefits *(Continued)*

(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.

(p) 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 reserves).

(q) 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 end of reporting period, 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.

Notes to the Financial Statements

For the year ended 31 December 2010

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Income tax *(Continued)*

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 reserve 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 or 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 excepted manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period 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.

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 assets 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 liabilities on a net basis or realise and settle simultaneously.

Notes to the Financial Statements

For the year ended 31 December 2010

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Provisions and contingent liabilities

(i) 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 (r)(ii). Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note 2(r)(ii).

(ii) 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 than an outflow of economic benefits will be required, or the amount cannot be estimated reliable, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic is remote. Possible obligations, whose existence will only be confirmed by the occurrence or no-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) 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 consolidated statement of comprehensive income as follows:

(i) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal installments 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 consolidated statement of comprehensive income 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.

Notes to the Financial Statements

For the year ended 31 December 2010

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) 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 good and beverages

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

(v) Interest income

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

(vi) Government subsidies

Government subsidies that compensate the Group for expenses incurred are recognised as revenue in consolidated statement of comprehensive income on a systematic basis in the same periods in which the expenses are incurred.

(vii) Dividend income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

(t) 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 end of reporting period. Exchange gains and losses are recognised in consolidated statement of comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost on a foreign currency are translated using the foreign exchange rates ruling at the transactions 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 date the fair value was determined.

Notes to the Financial Statements

For the year ended 31 December 2010

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Translation of foreign currencies *(Continued)*

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. The items of statement of financial position, 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 the end of the reporting period. 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.

(u) Borrowing costs

Borrowing costs are expensed in consolidated statement of comprehensive income 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 of 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 of 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.

(v) 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.

Notes to the Financial Statements

For the year ended 31 December 2010

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) 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, corporate liabilities and financing expenses.

(x) Government grants

Government grants are recognised in statement of comprehensive income on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised as deferred revenue in the statement of financial position and transferred to statement of comprehensive income over the useful lives of the related assets. Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in statement of comprehensive income in the period in which they become receivable.

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

The following new and revised Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) have been applied by the Group in the current year and have affected the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements. The application of these new and revised Standards and Interpretations has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

HKFRS 3 (as revised in 2008) Business Combinations

HKFRS 3 (as revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1 January 2010 in accordance with the relevant transitional provisions. Its application has affected the accounting for business combinations in the current year.

Notes to the Financial Statements

For the year ended 31 December 2010

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

HKFRS 3 (as revised in 2008) Business Combinations *(Continued)*

The impact of the application of HKFRS 3 (as revised in 2008) is as follows:

(i) HKFRS 3 (as revised in 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree.

(ii) HKFRS 3 (as revised in 2008) changes the recognition and subsequent accounting requirements for contingent consideration. Previously contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against the cost of acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

(iii) HKFRS 3 (as revised in 2008) requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Group and the acquiree.

(iv) HKFRS 3 (as revised in 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards

The amendments provide two exemptions when adopting HKFRSs for the first time relating to oil and gas assets, and the determination as to whether an arrangement contains a lease.

Amendments to HKFRS 2 Share-based Payment - Group Cash-settled Share-based Payment Transactions

The amendments clarify the scope of HKFRS 2, as well as the accounting for group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award.

Notes to the Financial Statements

For the year ended 31 December 2010

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

Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations (as part of Improvements to HKFRSs issued in 2009)

The amendments to HKFRS 5 clarify that the disclosure requirements in HKFRSs other than HKFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those HKFRSs require (i) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of HKFRS 5 and the disclosures are not already provided in the consolidated financial statements.

Amendments to HKFRS 5 Non-current Assets Held for Sales and Discontinued Operations (as part of Improvements to HKFRSs issued in 2008)

The amendments clarify that all the assets and liabilities of a subsidiary should be classified as held for sale when the Group is committed to a sale plan involving loss of control of that subsidiary, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Amendments to HKAS 1 Presentation of Financial Statements (as part of Improvements to HKFRSs issued in 2009)

The amendments to HKAS 1 clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current.

Amendments to HKAS 7 Statement of Cash Flows (as part of Improvements to HKFRSs issued in 2009)

The amendments to HKAS 7 specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows.

Amendments to HKAS 17 Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

HKAS 27 (as revised in 2008) Consolidated and Separate Financial Statements

The application of HKAS 27 (as revised in 2008) has resulted in changes in the Group's accounting policies for the Group's changes in ownership interests in subsidiaries of the Group.

Specifically, the revised Standard has affected the Group's accounting policies regarding changes in the Group's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under HKAS 27 (as revised in 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

Notes to the Financial Statements

For the year ended 31 December 2010

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

HKAS 27 (as revised in 2008) Consolidated and Separate Financial Statements *(Continued)*

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amounts and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

These changes have been applied prospectively from 1 January 2010 in accordance with the relevant transitional provisions.

In addition, under HKAS 27 (as revised in 2008), the definition of non-controlling interest has been changed. Specifically, under the revised Standard, non-controlling interest is defined as the equity in a subsidiary not attributable, directly or indirectly, to a parent.

HKAS 28 (as revised in 2008) Investments in Associates

The principle adopted under HKAS 27 (as revised in 2008) (see above) that a loss of control is recognised as a disposal and re-acquisition of any retained interest at fair value is extended by consequential amendments to HKAS 28. Therefore, when significant influence over an associate is lost, the investor measures any investment retained in the former associate at fair value, with any consequential gain or loss recognised in profit or loss.

Amendments to HKAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items

The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.

Hong Kong Interpretation 5 Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Hong Kong Interpretation 5 Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ('HK Int 5') clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ('repayment on demand clause') should be classified by the borrower as current liabilities. The Group has applied HK Int 5 for the first time in the current year. Hong Kong Interpretation 5 requires retrospective application.

In order to comply with the requirements set out in HK Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK Int 5, term loans with a repayment on demand clause are classified as current liabilities. The application of HK Int 5 has had no material impact on the amounts reported for the current and prior years.

Notes to the Financial Statements

For the year ended 31 December 2010

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

HK (IFRIC)-Int 17 Distributions of Non-cash Assets to Owners

The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.

HK (IFRIC)-Int 18 Transfers of Assets from Customers

The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of the transfer, with the credit being recognised as revenue in accordance with HKAS 18 Revenue.

Improvements to HKFRSs issued in 2009

The application of Improvements to HKFRSs issued in 2009 has not had any material effect on amounts reported in the consolidated financial statements.

Standards and Interpretations in issue but not yet effective

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[2]
HKFRS 9	Financial Instruments[3]
HKAS 24 (as revised in 2009)	Related Party Disclosures[4]
HKAS 32 (Amendments)	Classification of Rights Issues[5]
HK (IFRIC)-Int 14 (Amendments)	Prepayment of a Minimum Funding Requirement[4]
HK (IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 January 2013.
4 Effective for annual periods beginning on or after 1 January 2011.
5 Effective for annual periods beginning on or after 1 February 2010.

HKFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

Notes to the Financial Statements

For the year ended 31 December 2010

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

Standards and Interpretations in issue but not yet effective *(Continued)*

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may have a significant impact on amounts reported in respect of the Groups' financial assets. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKFRS 7 titled Disclosures - Transfers of Financial Assets increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors do not anticipate that these amendments to HKFRS 7 will have a significant effect on the Group's disclosures regarding transfers of trade receivables previously effected. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

HKAS 24 Related Party Disclosures (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities.

The disclosure exemptions introduced in HKAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity. However, disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of the standard is applied in future accounting periods because some counterparties that did not previously meet the definition of a related party may come within the scope of the Standard.

The amendments to HKAS 32 titled Classification of Rights Issues address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments. However, if the Group does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to HKAS 32 will have an impact on the classification of those rights issues.

HK(IFRIC)-Int 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into any such transactions in the future, HK(IFRIC)-Int 19 will affect the required accounting. In particular, under HK(IFRIC)-Int 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

Notes to the Financial Statements

For the year ended 31 December 2010

4. 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 end of reporting period 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:

(i) Impairment of property, plant and equipment 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 statement of financial position 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 17(a).

(iii) Impairment for goodwill

Internal and external sources of information are reviewed by the Group at the end of each reporting period 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.

Notes to the Financial Statements

For the year ended 31 December 2010

4. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

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

(iv) 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.

(v) 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.

(vi) Impairment of intangible assets

Determining whether intangible assets is impaired requires an estimation of the value in use of the cash-generating units. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value.

(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 end of each reporting period. 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 banking facilities would affect the conclusion that the Group is able to continue as going concern.

Notes to the Financial Statements

For the year ended 31 December 2010

5. TURNOVER

Turnover represents revenue from (i) property rental income, (ii) property ancillary services, (iii) commission income from agricultural exchange market, and (iv) 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:

	2010	2009
	HK$'000	HK$'000
Gross rental income	**69,589**	51,139
Revenue from property ancillary services	**6,585**	4,416
Commission income from agricultural exchange market	**23,175**	19,811
Sales of food and beverages	**30,603**	28,751
	129,952	104,117

6. OTHER REVENUE AND OTHER NET INCOME

	2010	2009
	HK$'000	HK$'000
Other revenue		
Interest income	**975**	748
Dividend income	**193**	28
PRC government subsidies (note (a))	**4,315**	12,805
Fair value gain of financial assets at fair value through profit or loss	**132**	—
Net gain on disposal of held-to-maturity financial asset	**419**	—
Others	**990**	346
	7,024	13,927
Other net income		
Net exchange gain	**—**	4
Fair value change of investment properties	**1,060**	—
	1,060	4

(a) PRC government subsidies

PRC government subsidies represent various form 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.

Notes to the Financial Statements

For the year ended 31 December 2010

7. LOSS BEFORE TAXATION

Loss before taxation is arrived after charging:

(a) Finance costs

	2010 HK$'000	2009 HK$'000
Interest on bank advances and other borrowings wholly repayable within five years	**35,037**	29,941
Interest on promissory notes	**38,187**	36,075
	73,224	66,016

(b) Staff costs (including directors' emoluments)

	2010 HK$'000	2009 HK$'000
Contributions to defined contribution retirement plans	**221**	196
Salaries, wages and other benefits	**30,696**	21,268
	30,917	21,464

(c) Other items

	2010 HK$'000	2009 HK$'000
Other amortisation of intangible assets*	**5,673**	13,621
Depreciation	**5,672**	5,779
Impairment loss on goodwill*	**5,181**	10,245
Impairment loss on intangible assets*	**180,442**	288,308
Impairment loss on trade and other receivables*	**88,279**	5,674
Loss on disposal on property, plant and equipment*	**6,184**	—
Auditor's remuneration		
— audit services	**900**	700
— other services	**304**	307
Operating lease charges: minimum lease payments		
— property rental	**4,658**	3,940
Fair value loss on financial assets at fair value through profit or loss	**—**	1,285
Cost of inventories	**20,271**	19,022

* Included in "other operating expenses" as disclosed in the consolidated financial statements.

Notes to the Financial Statements

For the year ended 31 December 2010

8. INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(a) Taxation in the consolidated statement of comprehensive income represents:

	2010	2009
	HK$'000	HK$'000
Current tax - PRC enterprise income tax		
Current tax	**2,951**	2,375
Deferred tax		
Origination and reversal of temporary differences (note 30(b))	**(46,264)**	(78,985)
	(43,313)	(76,610)

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 2010 and 2009. The PRC Enterprise Income Tax is computed according to the relevant legislation interpretations and practices in respect thereof during the year. The PRC Enterprise Income Tax rate is 25% (2009: 25%).

(b) Reconciliation between tax expenses and accounting loss at applicable tax rates:

	2010		2009	
	HK$'000	**%**	HK$'000	%
Loss before taxation	**(379,580)**		(390,135)	
Notional tax on loss before taxation calculation at the rates applicable to losses in the jurisdictions concerned	**(94,895)**	**(25.0)**	(97,534)	(25.0)
Effect of different tax rates in other tax jurisdiction	**6,649**	**1.8**	7,495	1.9
Tax effect non-deductible expenses	**37,067**	**9.8**	14,370	3.7
Tax effect of non-taxation income	**(1,774)**	**(0.5)**	(6,672)	(1.7)
Tax effect of unrecognised tax losses	**9,640**	**2.5**	5,731	1.5
Tax credit	**(43,313)**	**(11.4)**	(76,610)	(19.6)

Notes to the Financial Statements

For the year ended 31 December 2010

9. DIRECTORS' EMOLUMENTS

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

	Directors' fees HK$'000	**Salaries, allowances and benefits in kind HK$'000**	**Retirement scheme contributions HK$'000**	**Total 2010 HK$'000**
Executive directors:				
Chan Chun Hong, Thomas *(Chairman)* (note a)	**611**	**45**	**12**	**668**
Ying Yat Man (note e)	**70**	**1,428**	**7**	**1,505**
Leong Weng Kin (note a)	**122**	**9**	**7**	**138**
Leung Sui Wah, Raymond (note f)	**—**	**577**	**7**	**584**
Independent non-executive directors:				
Ng Yat Cheung (note a)	**120**	**—**	**—**	**120**
Lee Chun Ho (note a)	**120**	**—**	**—**	**120**
Lam Ka Jen, Katherine (note a)	**120**	**—**	**—**	**120**
	1,163	**2,059**	**33**	**3,255**

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contributions HK$'000	Total 2009 HK$'000
Executive directors:				
Chan Chun Hong, Thomas *(Chairman)* (note a)	534	—	11	545
Ying Yat Man (note e)	107	1,107	9	1,223
Leong Weng Kin (note a)	107	—	5	112
Fu Jie Pin (note d)	—	170	2	172
Yang Zong Lin (note b)	228	—	—	228
Yang Wei Yuan (note b)	158	—	—	158
Chen Hong Bo (note c)	137	—	—	137
Zhu Zhou (note b)	527	—	—	527
Independent non-executive directors:				
Ng Yat Cheung (note a)	107	—	—	107
Lee Chun Ho (note a)	107	—	—	107
Lam Ka Jen, Katherine (note a)	107	—	—	107
Jee Wengue (note d)	31	—	—	31
Yan Feng Xian (note b)	22	—	—	22
Yin Hong, James (note d)	6	—	—	6
	2,178	1,277	27	3,482

Notes to the Financial Statements

For the year ended 31 December 2010

9. DIRECTORS' EMOLUMENTS *(Continued)*

During the years ended 31 December 2010 and 2009, 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.

Notes:

(a) Directors were appointed on 10 February 2009
(b) Directors were retired on 8 June 2009
(c) Directors were resigned on 14 April 2009
(d) Directors were resigned on 12 February 2009
(e) Director was resigned on 2 August 2010
(f) Director was appointed on 8 June 2010

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2009: two) are directors whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other three (2009: three) individuals are as follows:

	2010 HK$'000	2009 HK$'000
Salaries and other benefits	**1,981**	1,360
Retirement schemes contributions	**36**	23
	2,017	1,383

The emoluments of three (2009: three) individuals with the highest emoluments are within the following bands:

	2010 Number of individuals	2009 Number of individuals
Nil to HK$1,000,000	**3**	3
HK$1,000,001 to HK$1,500,000	**—**	—

During the years ended 31 December 2010 and 2009, 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") organised 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.

Notes to the Financial Statements

For the year ended 31 December 2010

11. EMPLOYEE RETIREMENTS BENEFITS *(Continued)*

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. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss attributable to owners of the Company includes a loss of approximately HK$227,173,000 (2009: approximately HK$439,227,000) which has been dealt with in the financial statements of the Company.

13. DISTRIBUTION OF CONTRIBUTED SURPLUS TO OWNERS OF THE COMPANY

The directors do not recommend the payment of any dividend in respect of the years ended 31 December 2010 and 2009 respectively.

14. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company of approximately HK$325,689,000 (2009: approximately HK$296,330,000) and the weighted average number of 403,290,517 ordinary shares (2009: 220,603,100 (restated)) in issue during the year after adjusting the effects of share consolidation approved on 3 November 2010. The basic loss per share for 2009 had been adjusted accordingly.

Diluted loss per share for the years ended 31 December 2010 and 2009 were the same as basic loss per share as there was no diluted event during the year.

15. SEGMENT REPORTING

The Group has two reportable segments under HKFRS 8, (i) property rental and (ii) restaurant operation. The segmentations are based on the information about the operation of the Group that management uses to make decisions and regularly review by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance.

Notes to the Financial Statements

For the year ended 31 December 2010

15. SEGMENT REPORTING *(Continued)*

Segment revenue and results

The following is an analysis of the Group's revenues and results by reportable segment for the current and prior years:

	Property rental		Restaurant operation		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Turnover						
External sales	**99,349**	75,366	**30,603**	28,751	**129,952**	104,117
Result						
Segment result	**(239,879)**	(268,397)	**(1,669)**	(1,715)	**(241,548)**	(270,112)
Unallocated corporate expenses					**(59,627)**	(43,762)
Impairment loss on goodwill	**(5,181)**	(10,245)	**—**	—	**(5,181)**	(10,245)
Loss from operations					**(306,356)**	(324,119)
Finance costs					**(73,224)**	(66,016)
Loss before taxation					**(379,580)**	(390,135)
Income tax					**43,313**	76,610
Loss for the year					**(336,267)**	(313,525)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2, business segment represents the loss from each segment without allocation of central administrative costs and directors' salaries, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year (2009: Nil).

Notes to the Financial Statements

For the year ended 31 December 2010

15. SEGMENT REPORTING *(Continued)*

Segment assets and liabilities

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

	Property rental		**Restaurant operation**		**Consolidated**	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Assets						
Segment assets	**1,611,797**	1,722,107	**14,520**	9,966	**1,626,317**	1,732,073
Unallocated corporate assets					**65,565**	128,254
Consolidated total assets					**1,691,882**	1,860,327
Liabilities						
Segment liabilities	**868,086**	808,200	**1,143**	5,210	**869,229**	813,410
Unallocated corporate liabilities					**547,382**	568,494
Consolidated total liabilities					**1,416,611**	1,381,904

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

— all assets are allocated to reportable segments other than corporate assets. Goodwill is allocated to reportable segments as described in note 20.

— all liabilities are allocated to reportable segments other than corporate liabilities.

Other segment information

The following is an analysis of the Group's other segment information:

	Property rental		**Restaurant operation**		**Unallocated**		**Consolidated**	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Capital expenditure								
— acquisition of subsidiary	**—**	667,850	**—**	—	**—**	—	**—**	667,850
— others	**29,393**	90,869	**2,209**	818	**—**	—	**31,602**	91,687
Depreciation and amortisation	**8,815**	18,104	**2,101**	1,343	**429**	435	**11,345**	19,882
Impairment loss								
— intangible assets	**180,442**	288,308	**—**	—	**—**	—	**180,442**	288,308
— goodwill	**5,181**	10,245	**—**	—	**—**	—	**5,181**	10,245
— trade and other receivables	**88,279**	5,674	**—**	—	**—**	—	**88,279**	5,674

Information about major customers

Included in revenues arising from property rental operations of approximately HK$99,349,000 (2009: approximately HK$75,366,000) are revenues of approximate HK$41,354,000 (2009: approximately 39,760,000) which arose from sales to the Group's largest customer.

Notes to the Financial Statements

For the year ended 31 December 2010

15. SEGMENT REPORTING *(Continued)*

Geographical information

As at the end of reporting period, over 90% of revenue were generated from external customers located in the PRC and over 90% of non-current assets of the Group were located in the PRC. Accordingly, no geographical segment analysis on the carrying amount of segment assets, revenue from external customers or additions to property, plant and equipment is presented.

Revenue from major products and services

The Group's revenue from its major products and services were stated in Note 5 to the financial statements.

16. 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:					
1 January 2009	2,152	12,676	5,170	818	20,816
Exchange adjustments	—	2	—	—	2
Additions	—	6,302	—	—	6,302
Disposals	—	(232)	(254)	—	(486)
Acquisition of a subsidiary	—	14,663	—	—	14,663
Transfer to investment properties	—	—	—	(818)	(818)
At 31 December 2009 and 1 January 2010	2,152	33,411	4,916	—	40,479
Exchange adjustments	72	1,049	161	—	1,282
Additions	—	6,851	1,886	—	8,737
Disposals	—	(12,900)	—	—	(12,900)
At 31 December 2010	2,224	28,411	6,963	—	37,598
Accumulated depreciation:					
At 1 January 2009	206	2,624	2,588	—	5,418
Exchange adjustments	—	1	—	—	1
Charge for the year	99	4,529	1,151	—	5,779
Disposals	—	—	(254)	—	(254)
At 31 December 2009 and 1 January 2010	305	7,154	3,485	—	10,944
Exchange adjustments	10	354	—	—	364
Charge for the year	101	3,633	1,938	—	5,672
Disposals	—	(6,716)	—	—	(6,716)
At 31 December 2010	416	4,425	5,423	—	10,264
Carrying amounts:					
At 31 December 2010	**1,808**	**23,986**	**1,540**	**—**	**27,334**
At 31 December 2009	1,847	26,257	1,431	—	29,535

At 31 December 2010, the Group had not applied for the relevant building certificates in respect of the buildings of approximately HK$1,808,000 (2009: approximately HK$1,847,000) owned by the Group.

Notes to the Financial Statements

For the year ended 31 December 2010

17. INVESTMENT PROPERTIES

	The Group	
	2010	2009
	HK$'000	HK$'000
Completed investment properties	**1,365,788**	898,766
Investment properties under construction	**157,439**	540,796
	1,523,227	1,439,562

	The Group	
	2010	2009
	HK$'000	HK$'000
At 1 January	**1,439,562**	713,450
Investment properties under construction transferred to investment properties	**—**	818
Construction cost incurred for investment properties under construction	**—**	76,342
Acquisition of subsidiaries		
— Completed investment properties	**—**	192,020
— Investment properties under construction	**—**	461,167
Additions	**22,865**	9,243
Fair value gain/(loss)	**1,060**	(14,010)
Exchange adjustments	**59,740**	532
At 31 December	**1,523,227**	1,439,562

(a) Valuation of investment properties

The investment properties amounted of approximately HK$1,523,227,000 of the Group were stated at fair value as at 31 December 2010. The fair value were arrived at based on the valuations carried out by an independent firm of qualified professional valuers, RHL Appraisal Limited, ("RHL"), 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 completed investment properties were valued using the investment approach and the investment properties under construction were valued using the direct comparison approach.

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

	2010	2009
	HK$'000	HK$'000
In the PRC		
— medium-term leases	**1,523,227**	1,439,562

Notes to the Financial Statements

For the year ended 31 December 2010

17. INVESTMENT PROPERTIES *(Continued)*

(c) Investment properties leased out under operating leases

All of the Group's property interests held under operating leases to earn rentals are measured using the fair value model and classified accounted for as investment properties.

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 rental receivable from investment properties less direct outgoings of approximately HK$3,349,000 (2009: approximately HK$2,793,000) amounted to approximately HK$46,025,000 (2009: approximately HK$48,346,000.

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

	2010	2009
	HK$'000	HK$'000
Within 1 year	**27,389**	60,673
After 1 year but within 5 years	**20,836**	264,922
Over 5 years	**2,038**	190,429
	50,263	516,024

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 2010, the land use rights in respect of investment properties with a total carrying amount of approximately HK$595,561,000 (2009: approximately HK$388,608,000) were pledged to banks for the Group's bank borrowings, details of which are set out in note 27.

(e) At 31 December 2010, the Group had been applying for the relevant certificates in respect of the buildings erected on the land included under investment properties owned by the Group.

Notes to the Financial Statements

For the year ended 31 December 2010

18. INTANGIBLE ASSETS

	The Group	
	2010	2009
	HK$'000	HK$'000
Operating right		
Cost:		
At 1 January	**1,437,830**	1,437,465
Exchange adjustments	**60,087**	365
At 31 December	**1,497,917**	1,437,830
Accumulated amortisation:		
At 1 January	**65,533**	51,908
Charge for the year	**5,673**	13,621
Exchange adjustments	**2,424**	4
At 31 December	**73,630**	65,533
Accumulated impairment loss:		
At 1 January	**1,189,925**	901,521
Impairment loss	**180,442**	288,308
Exchange adjustments	**53,920**	96
At 31 December	**1,424,287**	1,189,925
Carry amounts:		
At 31 December	**—**	182,372

(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.

(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 five year period is extrapolated using an estimated growth rate of 3% (2009: 3%). Discount rate of 14% (2009: 13%) is applied on the value-in-use calculations.

Due to Wuhan City Bureau of Commerce and Wuhan City Administration of Industry and Commerce, under which the parties to the purported rental subcontract agreement relating to the operating right at the agricultural produce exchange at Wuhan, Hubei Province are ordered to cease the continuing performance of such purported rental subcontract agreement on the ground that it was in breach of applicable law and regulations. Details are referred to the Company's announcement on 24 November 2010. The value-in-use at 31 December 2010 is calculated to be lower than the carrying amount of the operating right and accordingly an impairment loss of approximately approximately HK$180,442,000 (2009: approximately HK$288,308,000) was recognised in 2010. The impairment loss is included in "other operating expenses" in the consolidated statement of comprehensive income.

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

Notes to the Financial Statements

For the year ended 31 December 2010

19. HELD-TO-MATURITY FINANCIAL ASSETS

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Held-to-maturity financial assets, at amortised cost	**—**	6,048	**—**	4,115

20. GOODWILL

	The Group	
	2010	2009
	HK$'000	HK$'000
Cost:		
At 1 January	**25,017**	3,147
Acquisition of a subsidiary	**—**	21,870
At 31 December	**25,017**	25,017
Accumulated impairment losses:		
At 1 January	**13,392**	3,147
Impairment loss	**5,181**	10,245
At 31 December	**18,573**	13,392
Carrying amounts:		
At 31 December	**6,444**	11,625

During the year, as the result of the unexpected poor performance of property rental. The Group assessed the recoverable amount of goodwill, and determined that goodwill associated with certain of the Group's property rental activities was impaired by approximately HK$5,181,000 (2009: approximately HK$10,245,000). The recoverable amount of the property rental activities was assessed by reference to the relevant cash-generating unit's value in use. A discount factor of 14% per annum was applied in the value in use model.

Particulars of impairment testing on goodwill are disclosed below.

Notes to the Financial Statements

For the year ended 31 December 2010

20. GOODWILL *(Continued)*

Impairment testing on goodwill

Goodwill has been allocated for impairment testing purposes to the following cash-generating units:

— Property rental

The carrying amount of goodwill (net of accumulated impairment losses) was allocated to cash-generating units as follows:

	2010 **HK$'000**	2009 HK$'000
Property rental	**6,444**	11,625

Property rental

The recoverable amount of this cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period, and a discount rate of 14% per annum. Cash flows beyond that five-year period have been extrapolated using a steady 3% growth rate. This growth rate does not exceed the long-term average growth rate for the market. The directors believe that any reasonably possible further change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the unit to exceed its recoverable amount.

The key assumptions used in the value in use calculations for property rental cash-generating units are as follows:

Budgeted market share	Average market share in the period immediately before the budget period. The values assigned to the assumption reflect past experience.
Budgeted gross margin	Average gross margins achieved in the period immediately before the budget period which reflects past experience.

21. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2010 **HK$'000**	2009 HK$'000
Unlisted, at cost	**1,005,433**	1,005,433
Less: Impairment loss (note 21(b))	**(734,353)**	(649,353)
	271,080	356,080

Notes:

(a) 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.

(b) Due to the poor performance of the subsidiaries, the carrying amounts of the investments in subsidiaries are reduced to their recoverable amounts which are determined by reference to the estimation of future cash flows expected to be generated from the respective subsidiaries.

Notes to the Financial Statements

For the year ended 31 December 2010

21. INVESTMENTS IN SUBSIDIARIES *(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
Century Choice Limited	Hong Kong	HK$1	100%	—	100%	Investment holding
China Agri-Products Corporate Development Limited	Hong Kong	HK$1	100%	—	100%	Project development
China Agri-Products Corporate Management Services Limited	Hong Kong	HK$1	100%	—	100%	Provision of corporate management services
Fully Wealth Investment Limited	Hong Kong	HK$1	100%	—	100%	Investment holding
Lanston Investment Limited	Hong Kong	HK$1	100%	—	100%	Investment holding
Moral Wealth International Investment Limited	Hong Kong	HK$1	100%	—	100%	Investmeng holding
Shiney Day Investmnts Limited	British Virgin Islands/ Hong Kong	US$1	100%	—	100%	Investment holding
Upper Speed Investments Limited	British Virgin Islands/ Hong Kong	US$1	100%	—	100%	Securities trading
Wuhan Baisazhou Agricultural By-product Grand Market Company Limited (note (i))	The PRC	RMB50,000,000	95%	90%	5%	Property leasing
Zhong Hua Health Food Culture Research Limited	Hong Kong	HK$2	100%	—	100%	Health food research
Zhong Hua Jin Long Teng Health Food (Holdings) Limited	Hong Kong	HK$2	100%	—	100%	Catering management
北京金龍騰健康飲食(集團)有限公司 (note (ii))	The PRC	RMB500,000	100%	—	100%	Restaurant operation
深圳金龍騰海鮮酒樓(深圳)有限公司 (note (ii))	The PRC	RMB5,000,000	100%	—	100%	Restaurant operation
徐州源洋商貿發展有限公司 (note (i))	The PRC	RMB61,220,000	51%	—	51%	Property leasing
玉林宏進農副產品批發市場有限公司 (note (i))	The PRC	RMB76,230,000	65%	—	65%	Property leasing
欽州宏進農副產品批發市場有限公司	The PRC	RMB150,000,000	100%	—	100%	Property leasing

Notes to the Financial Statements

For the year ended 31 December 2010

21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Note:

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

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

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

The above table lists the subsidiaries of the Group, which, in the opinion of the directors, principally affected the results or assets of the Group. To give detail of other subsidiaries would, in the opinion of the directors, result in particulars of excessive lengths.

22. INVENTORIES

	The Group	
	2010	2009
	HK$'000	HK$'000
Raw materials - restaurant food and beverage	**1,384**	1,137

23. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade debtors, net	**773**	955	**—**	—
Amounts due from subsidiaries (note 23 (d))	**—**	—	**232,831**	198,037
Loans and receivables	**773**	955	**232,831**	198,037
Prepayments, deposits and other receivables	**39,205**	16,391	**303**	651
Trade and other receivable, net	**39,978**	17,346	**233,134**	198,688

(a) Impairment of trade and other receivables

	The Group	
	2010	2009
	HK$'000	HK$'000
At 1 January	**—**	—
Impairment loss recognised	**88,279**	5,674
At 31 December	**88,279**	5,674

Provision for impairment loss of trade and other receivables for the amount of approximately HK$88,279,000 in the statement of comprehensive income are due to recoverability of sub-contracting income becoming remote. Details are referred to the Company's announcement on 24 November 2010.

Notes to the Financial Statements

For the year ended 31 December 2010

23. TRADE AND OTHER RECEIVABLES *(Continued)*

(b) Ageing analysis

Included in trade and other receivables are trade debtors with the following ageing analysis as of the end of reporting period:

	The Group	
	2010	2009
	HK$'000	HK$'000
Less than 90 days	**587**	847
More than 90 days but less than 180 days	**34**	57
More than 180 days	**152**	51
	773	955

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.

(c) Ageing of past due but not impaired

	2010	2009
	HK$'000	HK$'000
Less than 3 months past due	**100**	18
More than 3 months past due	**52**	33
	152	51

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	
	2010	2009
	HK$'000	HK$'000
Due from subsidiaries	**1,515,623**	1,385,797
Less: Provision for impairment	**(1,282,792)**	(1,187,760)
	232,831	198,037

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

Notes to the Financial Statements

For the year ended 31 December 2010

23. TRADE AND OTHER RECEIVABLES *(Continued)*

(d) Amounts due from subsidiaries *(Continued)*

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

	The Company	
	2010	2009
	HK$'000	HK$'000
At 1 January	**1,187,760**	1,009,324
Impairment loss recognised	**95,032**	178,436
At 31 December	**1,282,792**	1,187,760

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group	
	2010	2009
	HK$'000	HK$'000
Listed investments:		
— Equity securities listed in Hong Kong	**10,939**	15,191
— Equity securities listed outside Hong Kong	**1,037**	1,810
Fair value	**11,976**	17,001

All financial assets at fair value through profit or loss are stated at fair values. Fair values of the listed investments are determined by reference to the quoted market bid prices available on the relevant stock exchanges.

25. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at banks and in hand (note 25 (a))	**81,539**	132,978	**5,629**	27,683
Pledged bank deposit (note 25 (b))	**—**	22,723	**—**	—
	81,539	155,701	**5,629**	27,683

Note:

(a) 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 1.17% (2009: 0.36% to 0.81%) per annum and have original maturity of three months or less.

Included in cash at banks and in hand as at 31 December 2010 is an amount denominated in Renminbi ("RMB") of RMB35,915,000 (equivalent to approximately HK$42,514,000) (2009: RMB45,973,000, equivalent to approximately HK$52,231,000). Renminbi is not freely convertible into other currencies.

Notes to the Financial Statements

For the year ended 31 December 2010

25. CASH AND CASH EQUIVALENTS *(Continued)*

Note: *(Continued)*

(b) Pledged bank deposits represents deposits pledged to banks to secure banking facilities granted to the Group. Deposits have been pledged to secure short-term bank loans and therefore classified as current assets. The pledged bank deposits has been released during the year end 31 December 2010.

26. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables (note 26(a))	**1,274**	1,313	**—**	—
Amount due to subsidiaries (note 26(b))	**—**	—	**33,618**	30,000
Deposits received, accruals and other payables	**388,856**	271,559	**58,582**	29,358
	390,130	272,872	**92,200**	59,358

(a) Ageing analysis

The ageing analysis of trade creditors as of the end of reporting period is as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
Within 90 days	**1,274**	1,313
After 90 days but within 180 days	**—**	—
	1,274	1,313

(b) The amounts due to subsidiaries were unsecured, interest-free and repayable on demand.

27. BANK AND OTHER BORROWINGS

	The Group	
	2010	2009
	HK$'000	HK$'000
Secured bank borrowings	**365,508**	366,400
Unsecured other borrowings	**157,756**	220,242
	523,264	586,642

Notes to the Financial Statements

For the year ended 31 December 2010

27. BANK AND OTHER BORROWINGS *(Continued)*

	The Group	
	2010	2009
	HK$'000	HK$'000
Carrying amount repayable:		
Within one year	**165,454**	341,807
More than one year, but not exceeding five years	**357,810**	244,835
	523,264	586,642
Less: amounts due within one year shown under current liabilities	**(165,454)**	(341,807)
	357,810	244,835

(a) Included in the above balances are bank borrowings of variable-rate of approximately HK$365,508,000 (2009: approximately HK$366,400,000) 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 approximately 5.9% to 6.3% (2009: approximately 5.4% to 5.9% per annum) per annum. Interest is repriced every 30 days. The other borrowings of approximately HK$157,756,000 (2009: approximately HK$220,242,000) were obtained from one (2009: two) independent third parties and carry interest fixed from approximately 6.4% to 10% (2009: approximately 5.4% to 10% per annum) per annum.

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

	2010	2009
	HK$'000	HK$'000
Effective interest rate:		
Fixed-rate borrowings	**6.4% to 10%**	5.4% to 10%
Variable-rate borrowings	**5.9% to 6.3%**	5.4% to 5.9%

(c) The secured bank borrowings are secured by the land use rights included in investment properties and pledged bank deposit with a carrying amount of approximately HK$595,561,000 (2009: approximately HK$411,331,000) as set out in note 17 and 25.

28. GOVERNMENT GRANTS

During the year ended 31 December 2010, the Group did not recognise any government grants (2009: Nil). At 31 December 2010, the Group has unused government grants of approximately HK$4,529,000 (2009: approximately HK$4,324,000) 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.

Notes to the Financial Statements

For the year ended 31 December 2010

29. 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 2010 is set out below:

	2010 **HK$'000**	2009 HK$'000
At 1 January	**312,242**	294,967
Interest charged	**38,187**	36,075
Interest payable	**(18,800)**	(18,800)
At 31 December	**331,629**	312,242

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

30. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Income tax payable in the consolidated statement of financial postion represents provision for PRC enterprise income tax.

(b) Deferred taxation recognised:

The Group

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year ended 31 December 2010 are as follows:

	Fair value adjustments of intangible assets HK$'000	**Fair value adjustments of investment properties** HK$'000	**Total** HK$'000
Deferred tax arising from:			
At 1 January 2009	121,009	5,855	126,864
Acquisition of subsidiaries	—	83,800	83,800
Exchange adjustments	124	241	365
Credited to statement of comprehensive income	(75,482)	(3,503)	(78,985)
At 31 December 2009 and 1 January 2010	45,651	86,393	132,044
Exchange adjustments	878	3,689	4,567
(Credited)/debited to statement of comprehensive income	(46,529)	265	(46,264)
At 31 December 2010	—	90,347	90,347

Notes to the Financial Statements

For the year ended 31 December 2010

30. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

(b) Deferred taxation recognised: *(Continued)*

	2010 **HK$'000**	2009 HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	**—**	—
Net deferred tax liabilities recognised in the consolidated statement of financial position	**90,347**	132,044
	90,347	132,044

(c) Deferred taxation not recognised

The Group and the Company had no significant deferred tax assets/liabilities not recognised as at the end of reporting period.

31. 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 HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Shareholders contribution HK$'000	Share options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2009	119,443	853,694	945	454,688	664	3,554	(971,195)	461,793
Issue of share	43,868	154,382	—	—	—	—	—	198,250
Transaction costs related to issue of shares	—	(5,850)	—	—	—	—	—	(5,850)
Share capital reduction	(134,124)	—	—	134,124	—	—	—	—
Share option lapsed	—	—	—	—	—	(3,554)	3,554	—
Loss for the year	—	—	—	—	—	—	(439,227)	(439,227)
At 31 December 2009 and 1 January 2010	**29,187**	**1,002,226**	**945**	**588,812**	**664**	**—**	**(1,406,868)**	**214,966**
Issue of shares	**20,200**	**80,800**	**—**	**—**	**—**	**—**	**—**	**101,000**
Transaction costs related to issue of shares	**—**	**(2,779)**	**—**	**—**	**—**	**—**	**—**	**(2,779)**
Loss for the year	**—**	**—**	**—**	**—**	**—**	**—**	**(227,173)**	**(227,173)**
	49,387	**1,080,247**	**945**	**588,812**	**664**	**—**	**(1,634,041)**	**86,014**

Notes to the Financial Statements

For the year ended 31 December 2010

31. CAPITAL AND RESERVES *(Continued)*

(c) Authorised and issued share capital

		2010		2009	
	Notes	**Number of shares**	**Nominal value HK$'000**	Number of shares	Nominal value HK$'000
Authorised:					
Ordinary shares of HK$0.10 (2009: HK$0.01) each		**3,000,000,000**	**300,000**	30,000,000,000	300,000
Ordinary shares, issued and fully paid:					
At 1 January		**2,918,658,596**	**29,187**	765,658,596	119,443
Issue of share upon placing	(i)	**—**	**—**	153,000,000	23,868
Effect of capital reorganisation	(ii)	**—**	**—**	—	(134,124)
Issue of share upon placing	(iii)	**—**	**—**	2,000,000,000	20,000
Issue of share upon placing	(iv)	**2,020,000,000**	**20,200**	—	—
Share repurchased	(v)	**(6)**	**—**	—	—
Share consolidated	(vi)	**(4,444,792,731)**	**—**	—	—
At 31 December		**493,865,859**	**49,387**	2,918,658,596	29,187

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) The Company entered into placing agreements on 13 February 2009 and 16 February 2009 to place a total of 153,000,000 ordinary new shares of US$0.02 each at a price of HK$0.25 per share. These shares were issued and allotted on 25 February 2009 upon completion under the general mandate granted to the Directors by the shareholders of the Company at the annual general meeting held on 23 May 2008. The net proceeds of approximately HK$37,000,000 is intended to be used to satisfy the Group's general working capital requirements.

(ii) Pursuant to a special resolution passes on 27 April 2009, a capital reorganisation was duly passed in which involves: (i) the change in the currency denomination of all the issued and unissued share from US$0.02 each to HK$0.156 each at the conversion rate of US$1.00 to HK$7.80; (ii) a reduction of issued share capital whereby the par value of each issued redenominated share will be reduced from HK$0.156 to HK$0.01 by canceling HK$0.146 of the paid-up capital on each issued redenominated share; (iii) the entire authorised but unissued share capital of the Company, including the share capital arising from the capital reduction, shall be cancelled and subsequently increased by the creation of such number of new shares as shall be necessary to bring the authorised share capital of the Company to HK$300,000,000 divided into 30,000,000,000 new shares of HK$0.01 each; and (iv) the credit arising from the capital reduction will be transferred to the contributed surplus account of the Company and the Directors will be authorised to apply the amount in the contributed surplus account in any manner permitted by the laws of Bermuda and the By-laws.

Notes to the Financial Statements

For the year ended 31 December 2010

31. CAPITAL AND RESERVES *(Continued)*

(c) Authorised and issued share capital *(Continued)*

(iii) On 7 May 2009, the Company entered into a placing agreement with a placing agent in respect of placing of a total of 2,000,000,000 new shares of HK$0.01 each at a price of HK$0.08 per share. These shares were issued and allotted on 19 June 2009 upon completion under the specific mandate granted to the Directors by the shareholders of the Company at a special general meeting held on 2 June 2009. The net proceeds of approximately HK$155,400,000 is intended to be used to satisfy the working capital requirements of agricultural produce exchanges operated by the Group and the Group's other general working capital requirements.

(iv) During the year, the Company issue the share upon placing as follow:

(a) On 3 February 2010, the Company entered into a placing agreement under which the Company conditionally agreed to place up to 2,300,000,000 shares of the Company to independent third parties, through a placing agent on a best efforts basis, at a price of HK$0.05 per share under a specific mandate which the Directors then sought and obtained from shareholders at a special general meeting of the Company held on 29 March 2010. Completion of the first tranche of the placing comprising 1,200,000,000 shares took place on 22 April 2010. Since the other conditions could not be fulfilled before the expiry of the three-month period, the balance of the placing lapsed. Net proceeds of approximately HK$58,343,000 were raised for expansion and further development of the Group's agricultural produce exchanges, repayment of interest-bearing debts and other general working capital requirement for the Group.

(b) On 19 August 2010, the Company successfully placed a total of 820,000,000 shares to independent third parties at a price of HK$0.05 per share, through a placing agent, on a best efforts basis, under the general mandate granted to the directors by the shareholders at the annual general meeting of the Company held on 8 June 2010. Aggregate net proceeds of approximately HK$39,878,000 were raised for repayment of interest-bearing debts and other general working capital requirement for the Group.

(v) Six shares were repurchased on the Stock Exchange on 22 October 2010 with a view to cancel the fractional shares arising from the Share Consolidation (as hereinafter defined).

(vi) Pursuant to an ordinary resolution passed by the shareholders of the Company at a special general meeting on 3 November 2010, every ten issued and unissued shares of HK$0.01 each in the share capital of the Company be consolidated into one share of HK$0.10 each (the "Share Consolidation").

(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.

Notes to the Financial Statements

For the year ended 31 December 2010

31. CAPITAL AND RESERVES *(Continued)*

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

(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 and 2009.

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.

(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(t).

(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).

(e) Distributability of reserves

At 31 December 2010, the aggregate amount of reserves available for distribution to equity shareholders of the Company was nil (2009: 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.

Notes to the Financial Statements

For the year ended 31 December 2010

31. CAPITAL AND RESERVES *(Continued)*

(f) Capital management *(Continued)*

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

During the year, the Group's gearing ratio exceeds 100%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The gearing ratio as at 31 December 2010 and 2009 was as follows:

	Notes	**2010** **HK$'000**	2009 HK$'000
Current liabilities			
— Bank and other borrowings	27	**165,454**	341,807
Non-current liabilities			
— Bank and other borrowings	27	**357,810**	244,835
— Promissory notes	29	**331,629**	312,242
Total debt		**854,893**	898,884
Less: Cash and cash equivalents	25	**(81,539)**	(155,701)
Net debt		**773,354**	743,183
Total equity		**275,271**	478,423
Gearing ratio		**280.9%**	155.3%

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

32. 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);

Notes to the Financial Statements

For the year ended 31 December 2010

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

(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.

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 5,856,585 shares, representing 10% of the issued share capital of the Company as at the date of approving the refreshment of the 10% scheme limit at the special general meeting held on 12 September 2007 and as adjusted by the Share Consolidation. 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 year ended 31 December 2010 and 2009 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 4 June 2007	2.48	5,300,000	—	Immediately from the date of grant	5 years

No options have been granted, exercised or cancelled during the year ended 31 December 2010 and 2009.

5,300,000 shares options lapsed on 12 February 2009.

Notes to the Financial Statements

For the year ended 31 December 2010

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

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

	2010		2009	
	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
Lapsed during the year	—	—	—	(5,300,000)
Outstanding at the end of the year	—	—	—	—
Exercisable at the end of the year	—	—	—	—

There was no share options outstanding as at 31 December 2010 and 2009.

33. 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 statement of financial positon 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 the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has a concentration of credit risk in certain individual customers. At end of each reporting period, the five largest receivable balances accounted for approximately 61.5% (2009: approximately 77%) of the trade receivables and the largest trade receivable was approximately 32.1% (2009: approximately 43%) of the Group's total trade receivables. The Group seeks to minimise its risk by dealing with counterparties which have good credit history. Majority of the trade receivables that are neither past due nor impaired have no default payment history.

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

Notes to the Financial Statements

For the year ended 31 December 2010

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

(a) Credit risk *(Continued)*

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 are changed. As at 31 December 2010 and 2009, 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 23.

(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 2010 and 2009, there were no utilised banking facilities.

The following table details the remaining contractual maturities at the end of reporting period 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 end of reporting period) and the earliest date the Group and the Company can be required to pay:

The Group

			2010		
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
Trade and other payables	390,130	390,130	390,130	—	—
Bank and other borrowings	523,264	523,264	165,454	203,331	154,479
Promissory notes	331,629	412,129	18,800	18,800	374,529
	1,245,023	1,325,523	574,384	222,131	529,008

Notes to the Financial Statements

For the year ended 31 December 2010

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

(b) Liquidity risk *(Continued)*

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	2009 Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
Trade and other payables	231,384	231,384	231,384	—	—
Bank and other borrowings	586,642	586,642	341,807	47,150	197,685
Promissory notes	312,242	431,009	18,800	18,800	393,409
	1,130,268	1,249,035	591,991	65,950	591,094

The Company

	Carrying amount HK$'000	**Total contractual undiscounted cash flow HK$'000**	**2010 Within 1 year or on demand HK$'000**	**More than 1 year but less than 2 years HK$'000**	**More than 2 years but less than 5 years HK$'000**
Other payables	**92,200**	**92,200**	**92,200**	**—**	**—**
Promissory notes	**331,629**	**412,129**	**18,800**	**18,800**	**374,529**
	423,829	**504,329**	**111,000**	**18,800**	**374,529**

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	2009 Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
Other payables	59,358	59,358	59,358	—	—
Promissory notes	312,242	431,009	18,800	18,800	393,409
	371,600	490,367	78,158	18,800	393,409

Notes to the Financial Statements

For the year ended 31 December 2010

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

(c) Interest rate risk

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

Cash and cash equivalents comprise mainly cash at banks and in hand, with the annual interest rates ranging from approximately 0.36% to 1.17% as at 31 December 2010 (2009: approximately 0.36% to 0.81%).

The interest rates of the Group's bank and other borrowings and promissory notes are disclosed in notes 27 and 29, respectively.

The Group is exposed to fair value interest rate risk in relation to interest bearing borrowings and promissory notes (see notes 27 and 29 for details).

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 2010, 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$4,417,000 (2009: approximately HK$5,133,000). Other components of equity would not be affected (2009: 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 end of reporting period 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 reporting period. The analysis is performed on the same basis for 2009.

(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 authorized 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.

Notes to the Financial Statements

For the year ended 31 December 2010

33. 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 end of reporting period 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

	2010		2009	
	United States dollars '000	**Hong Kong dollars '000**	United States dollars '000	Hong Kong dollars '000
Trade and other receivables	—	**654**	44	17,165
Cash and cash equivalents	**3,948**	**8,104**	31	101,869
Held to maturity financial asset	—	—	791	—
Financial assets at fair value through profit or loss	—	**7,681**	506	12,082
Trade and other payables	—	**(66,887)**	—	(41,358)
Promissory notes	—	**(331,629)**	—	(312,242)
Other borrowing	—	—	—	(203,200)
Overall exposure to currency risk	**3,948**	**(382,077)**	1,372	(425,684)

The Company

	2010		2009	
	United States dollars '000	**Hong Kong dollars '000**	United States dollars '000	Hong Kong dollars '000
Trade and other receivables	—	—	30	420
Cash and cash equivalents	**6**	**5,621**	21	27,522
Trade and other payables	—	**(58,569)**	—	(39,240)
Held-to-maturity financial assets	—	—	542	—
Promissory notes	—	**(331,629)**	—	(312,242)
Overall exposure to currency risk	**6**	**(384,577)**	593	(323,540)

Notes to the Financial Statements

For the year ended 31 December 2010

33. 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 loss after tax and accumulated losses in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period.

The Group

	2010		2009	
	Increase/ (decrease) In foreign exchange rates	**Effect on loss after tax and accumulated losses HK$'000**	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and accumulated losses HK$'000
United States dollars	**2%**	**(197)**	2%	(214)
	(2%)	**197**	(2%)	214
Hong Kong dollars	**5%**	**19,104**	5%	21,284
	(5%)	**(19,104)**	(5%)	(21,284)

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had occurred at the end of reporting period 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 reporting period. The analysis is performed on the same basis for 2009.

(e) Equity price risk

The Group is exposed to equity price risk mainly through its investment in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with difference risk and return profiles. The Group exposed to equity price risk arising from changes in the Group's financial assets at fair value through profit or loss.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risk at the reporting date. If equity price had been 5% higher/lower, the Group's net profit/(loss) for the year would increase/decrease by approximately HK$599,000 (2009: approximately HK$850,000). This is mainly due to the changes in financial assets at fair value through profit or loss.

Notes to the Financial Statements

For the year ended 31 December 2010

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

(f) Fair value of financial instrument

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

i) the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and

ii) the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The carrying amount of other financial assets and liabilities carried at amortized cost, approximate their respective fair values due to the relatively short-term nature of these financial instruments.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable as at 31 December 2010 and 2009.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

	Level 1 **HK$'000**	**Level 2** **HK$'000**	**Level 3** **HK$'000**	**Total** **HK$'000**
Financial assets				
At 31 December 2010				
Financial assets at fair value through profit or loss	**11,976**	**—**	**—**	**11,976**

	Level 1 HK$'000	**Level 2** HK$'000	**Level 3** HK$'000	**Total** HK$'000
At 31 December 2009				
Financial assets at fair value through profit or loss	17,001	—	—	17,001

Notes to the Financial Statements

For the year ended 31 December 2010

34. COMMITMENTS

(a) Capital commitments outstanding at 31 December 2010 not provided for in the financial statements were as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
Capital expenditure authorised and contracted for in respect of acquisition of:		
— property, plant and equipment	**—**	3,682

(b) At 31 December 2010, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
Within one year	**3,131**	1,375
After one year but within five years	**9,700**	221
	12,831	1,596

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.

35. LITIGATION

(a) On 7 January 2011, the Company received a writ (the "Writ") issued by Ms. Wang Xiu Qun ("Ms. Wang") and Wuhan Tian Jiu Industrial and Commercial Development Co., Ltd. ("Tian Jiu") (as plaintiffs) against the Company (as defendant) and filed with the Higher People's Court of Hubei Province, the PRC, together with the related court summons dated 4 January 2011 (the "Summons"). The Writ also joined Wuhan Baisazhou Agricultural By-product Grand Market Company Limited ("Baisazhou Agricultural") as third party to such civil proceeding.

Major allegations of Ms. Wang and Tian Jiu as set out in the Writ are as follows:

(1) it is alleged that Baisazhou Agricultural forged a share transfer agreement in relation to the Acquisition (the "Contended Agreement") wherein the consideration for the Acquisition was understated and the manner of settlement of the consideration was inaccurately described;

(2) it is alleged that Baisazhou Agricultural forged the related documentation for filing with the PRC Ministry of Commerce and the Hubei Province Administration of Industry and Commerce (the "Hubei AIC"), and that such documentation and the Contended Agreement involved forged signatures; and

(3) it is alleged that the PRC Ministry of Commerce and the Hubei AIC approved the Acquisition and processed the related filings on the basis of the above forged documents.

Notes to the Financial Statements

For the year ended 31 December 2010

35. LITIGATION *(Continued)*

(a) *(Continued)*

According to the Writ, Ms. Wang and Tian Jiu are seeking an order from the court that the Contended Agreement is void and invalid from the beginning and should be terminated, and claimed against the Company and Baisazhou Agricultural all relevant profits of Baisazhou Agricultural which were attributable to Ms. Wang and Tian Jiu, together with costs of the legal proceedings.

The existing members of the Board were not directors of the Company nor involved in the Group's management at the time when the Contended Agreement was signed and the Acquisition was completed. However, based on the documents reviewed by the Board and the legal advice obtained by the Company from its Hong Kong and the PRC legal advisers, the Board wishes to inform the Company's shareholders as follows:

(1) The Board had previously received letters from Ms. Wang and Tian Jiu through their legal representatives in the PRC and Hong Kong on 25 November 2010 and 14 December 2010 (the "Letters") respectively. The allegations set out in the Letters are substantially the same as those set out in the Writ.

(2) The Board, upon receipt of the Letters and again upon receipt of the Writ, sought legal advice from its PRC and Hong Kong legal advisers. The Company's legal advisers advised that:

(a) The PRC legal advisers previously retained by the Company for the purposes of the Acquisition had confirmed in their legal opinion dated 30 November 2007 that the Acquisition had been approved by the relevant PRC government authorities in accordance with PRC laws and regulations.

(b) The shareholding changes in Baisazhou Agricultural have been duly approved and registered with the relevant PRC government authorities.

(c) Subsequent to the registration of the above shareholding changes, Baisazhou Agricultural has obtained the necessary new business licence from the relevant PRC government authority.

(d) Accordingly, the Acquisition is legal and valid.

The Company will vigorously defend against the Writ and take such other necessary court action in the PRC as advised by its PRC legal advisers. Based on facts and circumstances known to the Board and subject to further legal advice and a detailed assessment of the business and financial implications, and taking into account the resumption by Baisazhou Agricultural's own management of the operation and management of the Baisazhou Exchange, the Board is of the opinion that the Writ has no material effect on the current operation of Baisazhou Agricultural or of the Group as a whole.

According to the Summons, a court hearing will convened on 2 June 2011 in relation to the Writ.

(b) The Company and Baisazhou Agriculture sought legal advice from its PRC legal advisers and it is in the process of commencing court proceedings at the Higher People's Court of Hubei Province, the PRC against, inter alia, Ms. Wang and Tian Jiu in relation to the subject matter including but not limited to the Contended Agreement and will seek recovery of damages accordingly.

Notes to the Financial Statements

For the year ended 31 December 2010

36. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group has the following 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:

	2010	2009
	HK$'000	HK$'000
Short-term employee benefits	**5,903**	4,815
Post-employment benefits	**69**	50
	5,972	4,865

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 2010 and 2009 are set out in note 23.

37. EVENT AFTER THE REPORTING PERIOD

(i) On 9 November 2010, the Company entered into placing agreements to place a total of 300,000,000 shares, on a fully underwritten basis, and to place up to 300,000,000 shares, through a placing agent, on a best efforts basis, to independent third parties at a price of HK$0.25 per share under a specific mandate which the directors then sought and obtained from shareholders at a special general meeting of the Company held on 21 December 2010. Completion of the placing of all of the 300,000,000 fully underwritten shares took place on 5 January 2011 and net proceeds of approximately HK$73,100,000 were raised for repayment of loan and reduction of the Group's debt and gearing level and for expansion and further development of the Group's agricultural produce exchanges.

(ii) On 11 January 2011, the Company entered a loan agreement with Give Power Limited, an indirect wholly-owned subsidiary of WYT, pursuant to which Give Power Limited agreed to grant a loan amounted to HK$60,000,000 to the Company.

(iii) On 15 October 2010 and 15 January 2011, 欽州宏進農副產品批發市場有限公司 ("Qinzhou Hong Jin Agricultural By-product Wholesale Market Company Limited"), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company, and Qinzhou Ministry of Commerce entered into investment agreement and supplemental agreement, pursuant to co-operate in the project in relation to the development of an agri-products logistics center with a planned land area of approximately 1,500 mu and located at north of West Street of Jinhai Gulf, south of Xihuan Road, both sides of Nanhuan Road and east of Qin Huang Road, Qinzhou city. Details are referred to the Company's announcement dated 15 January 2011.

(iv) On 28 February 2011, 玉林宏進物流發展有限公司("Yulin Hong Jin Logistics Development Company Limited"), an indirect wholly-owned subsidiary of the Company successfully acquired the land use rights of a piece of land of approximately 160,000 square metres for development into a new agricultural produce exchange at the consideration of RMB62,720,000 (equivalent to approximately HK$74,010,000).

38. AUTHORISATION FOR ISSUE OF FINANICAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 9 March 2011.

Five Year Financial Summary

	Year ended 31 December				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**129,952**	104,117	168,050	45,929	31,740
Loss before taxation	**(379,580)**	(390,135)	(894,937)	(9,053)	(18,161)
Income tax credit (expense)	**43,313**	76,610	216,604	(5,289)	(16)
Loss for the year	**(336,267)**	(313,525)	(678,333)	(14,342)	(18,177)
Attributable to:					
Owners of the Company	**(325,689)**	(296,330)	(613,387)	(15,098)	(18,169)
Non-controlling interests	**(10,578)**	(17,195)	(64,946)	756	(8)
	(336,267)	(313,525)	(678,333)	(14,342)	(18,177)

	As at 31 December				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**1,691,882**	1,860,327	1,459,231	2,353,801	75,137
Total liabilities	**(1,416,611)**	(1,381,904)	(995,743)	(1,573,371)	(13,626)
	275,271	478,423	463,488	780,430	61,511
Attributable to:					
Owners of the Company	**87,917**	289,905	392,965	653,826	47,664
Non-controlling interests	**187,354**	188,518	70,523	126,604	13,847
	275,271	478,423	463,488	780,430	61,511