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

2011 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. Ng Yat Cheung, *JP, Chairman*
Mr. Lee Chun Ho
Ms. Lam Ka Jen, Katherine
Mr. Chan Chun Hong, Thomas
Mr. Leong Weng Kin

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Mak Yuen Ming, Anita

PRINCIPAL BANKERS

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

LEGAL ADVISERS

DLA Piper Hong Kong

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

5/F., Wai Yuen Tong Medicine Building
9 Wang Kwong Road
Kowloon Bay
Kowloon
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 2011 to our shareholders. The Group reported a turn from a loss to a profit for the year ended 31 December 2011 as compared to the previous financial year, which is mainly attributable to the change in fair value of investment properties of the Group. The Group recorded an improved consolidated turnover of approximately HK$211.8 million, representing about 113.2% increase from approximately HK$99.3 million recorded for the previous financial year. The profit attributable to equity owners of the Company for the year ended 31 December 2011 was approximately HK$117.7 million compared to the loss of approximately HK$325.7 million for the previous year.

AGRICULTURAL PRODUCE EXCHANGES

For the year under review, the Group delivered a satisfactory and improved revenue performance, driven by the marked rental revenue gained from the agricultural wholesale market complex in Yulin, Guangxi Zhuang Autonomous Region ("**Guangxi**"), the People's Republic of China (the "**PRC**"). The marketplace, which houses various two-storey market stalls and a multi-storey godown, maintained a high occupancy rate for its shops and warehouses at around 90%. The strong operating result has translated into higher rental revenue for the Group, which emerged as the largest contributor to the Group's revenue and one of the key growth drivers during the year. Separately, the Group's agricultural wholesale market in Xuzhou, Jiangsu Province with various single-storey market stalls and a multi-storey godown continued to provide a steady income stream for the Group during the year. It is an integral marketplace for the supply of fruit and seafood serving the Long River Delta and Pan Pearl River Delta regions. Turnover from the Group's largest agricultural wholesale market, 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**"), generated stable income for the Group for the year under review. Strategically located in the provincial capital of Hubei Province, the market enjoys unique location advantage and has flourished and established itself into a prime gathering point for buyers and sellers of agricultural produce in this central location in the PRC.

RESTAURANT OPERATION

As part of the Group's strategy of focusing on its core business of agricultural produce exchanges, the Group sold its restaurant business operated in Shenzhen and Beijing in December 2011. The sale of the restaurant operations contributed to an one-off income for the Group during the year. Turnover of this operation was approximately HK$32.3 million for the year ended 31 December 2011 (2010: approximately HK$30.6 million).

CORPORATE STRATEGIES

China's 12th Five-Year Plan unveiled in 2011 signified a new phase in agriculture industry growth. In the past, the logistics issue led to the failure to converge the flow of production and marketing process of agricultural produce, produce losses and other problems. In view of such significant problems for a populous country, the Central Government launched a series of stimulus policies to strengthen its support for the agricultural industry by standardising the logistics and providing more benefits to farmers. The government-backed support will no doubt accelerate the development of sustainable agricultural growth in the new era.

Looking ahead, with the Group's precise market positioning in 2011, our core business of agricultural produce exchanges will benefit tremendously from relevant government policies. To seize the opportunities presented by the economic stimulus package introduced by the Central Government, the Group has been leveraging the full potential of its strengths. To this end, the Group vigorously pressed ahead to intensify its investment in agricultural produce wholesale markets through further extending its wholesale market network platforms to more populous provinces and cities in the PRC. In November 2011, the Group succeeded in winning a bid at a public tender for a piece of land in Qinzhou City at the consideration of approximately RMB21.7 million. The land is intended to be developed to expand the Group's existing network of agricultural wholesale markets in Guangxi. In addition, the Group is also actively looking at expanding its agricultural produce exchange development in Kaifeng, Huaian, Huzhou and Luoyang cities in the PRC and expects to invest in land development projects in some of these cities. Such projects would allow the Group to strategically expand its agricultural produce exchanges business into other provinces to enhance its market share, facilitating the steady and sustainable growth of the Group's business. We strongly believe that by strengthening our core business, the property rental in respect of agricultural produce exchanges will bring a rapid growth and long-term rental income to the Group in the future.

APPRECIATION

Finally, I would like to express my sincere gratitude to all shareholders, customers and business partners for their continued trust and support of the Group over the past year. I would also like to thank my fellow Board members, the management team and staff at all levels for their dedication and remarkable contribution to the growth of the Group.

Chan Chun Hong, Thomas
Chairman and Chief Executive Officer

Hong Kong, 16 March 2012

Wuhan
Baisazhou Agricultural By-product Grand Market

以誠強農 以信惠農

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY OF FINANCIAL RESULTS

Turnover and gross profits

For the year ended 31 December 2011, the Group recorded a turnover of approximately HK$211.8 million, a substantial increase of approximately HK$112.5 million or approximately 113.2% increase from approximately HK$99.3 million of continuing operations for the previous financial year.

The increase is mainly attributable to the increase in turnover of agricultural produce exchange projects and sale of certain properties of the Yulin project to tenants.

The gross profit of the Group is increased by approximately 45.6% to approximately HK$110.1 million from approximately HK$75.6 million of continuing operations for the previous financial year. The gross profit margin of the Group for the financial year is approximately 51.9% as compared to approximately 76.1% for the previous financial year.

Net gain in fair value of investment properties

The rise of net gain in fair value of investment of approximately HK$553.4 million (2010: approximately HK$1.0 million) was mainly due to the increase of property prices in the PRC and rental income of our projects.

Administrative expenses, selling expenses and finance cost

General and administrative expenses were approximately HK$259.3 million (2010: approximately HK$101.8 million). The increase was mainly due to the full year operating expenses of the Wuhan Baisazhou exchange and business development costs incurred at our various projects. Selling expenses were approximately HK$53.6 million (2010: approximately HK$0.5 million) and were mainly attributable to the Group's promotion expenses at the agricultural produce exchange in Wuhan Baisazhou in mid 2011. Finance costs were approximately HK$89.9 million (2010: approximately HK$73.2 million) and such increase was mainly due to obtaining new interest bearing debts during the year under review.

Profit attributable to owners of the Company

The profit attributable to owners of the Company for the year was approximately HK$117.7 million as compared to a loss of approximately HK$325.7 million for the previous year. The turnaround is mainly due to the change of fair value of investment properties of the Group and the sales of shops in the Yulin project.

DIVIDENDS

The Directors do not recommend any payment of final dividend for the year ended 31 December 2011 (2010: Nil). No interim dividend was paid to the shareholders of the Company during the year under review (2010: Nil).

REVIEW OF OPERATIONS

During the year under review, the Group was principally engaged in the business of agricultural produce exchanges and property sale in the PRC. The Group ceased and disposed of its restaurant business in December 2011.

Agricultural produce exchanges

*Wuhan Baisazhou agricultural and by-product exchange market (the "**Wuhan Baisazhou Market**")*

The Wuhan Baisazhou Market, being located in the provincial capital of Hubei Province, is one of the largest agricultural produce exchange operators in the PRC. The Wuhan Baisazhou Market is situated at the Hongshan District of Wuhan with a site area of approximately 270,000 square metres and a total gross floor area of approximately 160,000 square metres.

During the year under review, the operations of the Wuhan Baisazhou Market contributed to the increase of turnover to the Group. In mid 2011, the market carried out a series of marketing campaigns aimed at attracting buying and selling parties to carry out trades in the market.

*Yulin agricultural and by-product exchange market (the "**Yulin Market**")*

The Yulin Market is one of the largest agricultural produce exchanges in Guangxi, the PRC. It has various two-storey market stalls at the leasing stage and a multi-storey godown. In 2011, the occupancy rate of the Yulin Market of the shops and warehouses was an encouraging 90% on average. Both the truck traffic volume and transaction volume of agricultural products in the Yulin Market were satisfactory. During the year under review, some of the shops were sold and contributed to the turnover increase of the Group in 2011.

In order to expand market share of agricultural produce exchange in Guangxi, the Group acquired an adjacent piece of land with an area of approximately 160,000 square metres in February 2011, expanding the land (i.e. to be occupied by the Yulin Market) to more than 400,000 square metres. The Group has commenced construction of phase two of the Yulin Market which when completed (which is planned for April 2012) will be a new income driver to the Group in 2012.

*Xuzhou agricultural and by-product exchange market (the "**Xuzhou Market**")*

The Xuzhou Market occupies approximately 200,000 square metres, being located in northern part of Jiangsu Province at the eastern area of the PRC. It consists of various single-storey market stalls and a multi-storey godown. The Xuzhou Market is the major marketplace for the supply of fruit and seafood in Xuzhou city and the northern part of Jiangsu Province. The operating performance of the Xuzhou Market was satisfactory and its income increased by approximately 27% in 2011 compared with the previous year.

MATERIAL ACQUISITIONS AND DISPOSAL

Acquisition of lands

On 28 February 2011, the Group acquired an adjacent piece of land in Yulin, Guangxi of approximately 160,000 square metres for a consideration of approximately RMB62.7 million for the extension of the Yulin Market, which will expand its existing operations. Construction is in progress.

On 3 November 2011, the Group won a bid at the tender for a piece of land in Qinzhou, Guangxi of approximately 150,000 square metres for a consideration of approximately RMB21.7 million for the planned development of a new agricultural exchange project.

Disposal of restaurant operations

The total turnover of the Group's two restaurants located in Shenzhen and Beijing was approximately HK$32.3 million (2010: approximately HK$30.6 million) and the operating loss after income tax was approximately HK$1.8 million (2010: approximately: HK$2.5 million). Due to the continuous operating loss of our restaurant operations and in order to focus on the agricultural produce exchange business, the Group disposed of all its restaurant operations in December 2011 recording a gain of approximately HK$6.5 million. The net gain after tax of such discontinuing operations was approximately HK$4.7 million. Details of the disposal were referred to in the Company's announcement dated 16 December 2011.

FUND RAISING AND CAPITAL REORGANISATION

Placing of new shares under specific mandates

On 9 November 2010, the Company entered into placing agreements to place a total of 300 million shares, on a fully underwritten basis, and 300 million shares, on a best efforts basis, to independent third parties at a price of HK$0.25 per share under the specific mandates which the Board then sought and obtained approval from shareholders at a special general meeting of the Company held on 21 December 2010. Completion of the placing of all the 300 million fully underwritten shares took place on 5 January 2011 and net proceeds of approximately HK$73.1 million were raised for the 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 remaining 300 million best efforts placing shares were not issued and the relevant agreement was terminated in March 2011.

Capital reorganisation and rights issue

On 9 June 2011, the Company announced, inter alia, the following proposals of capital reorganisation (the "**Capital Reorganisation**"), which took effect on 1 August 2011 pursuant to a special resolution passed at the special general meeting of the Company held on the same date, and a proposed rights issue (the "**Rights Issue**"):

(a) the consolidation of the issued shares of the Company (the "**Share Consolidation**") whereby every 10 shares of nominal value of HK$0.10 each in the issued share of the Company was to be consolidated into one consolidated share of nominal value of HK$1.00 (the "**Consolidated Share**");

(b) the reduction of the issued share capital of the Company (the "**Capital Reduction**") whereby (i) the nominal value of all the issued Consolidated Shares was to be reduced from HK$1.00 each to HK$0.01 each (the "**Adjusted Shares**") and the nominal value of the issued share capital of the Company was accordingly to be reduced to the extent of HK$0.99 per Consolidated Share in issue; and (ii) any aggregated number of fractional Consolidated Shares in the issued share capital of the Company arising from the Share Consolidation was to be cancelled;

(c) the subdivision of every one authorised but unissued share of the Company of par value HK$0.10 into 10 Adjusted Shares of HK$0.01 each; and

(d) upon the Capital Reorganisation becoming effective, the Board also proposed to raise gross proceeds of approximately HK$464.4 million, before expenses, by way of the Rights Issue. Pursuant to the Rights Issue, the Company would allot and issue 2,381,597,550 rights shares (the "**Rights Shares**") at the subscription price of HK$0.195 per Rights Share, on the basis of 30 Rights Shares for every one Adjusted Share. The estimated net proceeds of the Rights Issue would be approximately HK$452.2 million and were intended to be applied as to approximately HK$200 million for expansion of the Group's agricultural produce exchanges, approximately HK$150 million for the repayment of interest-bearing debts and the remaining balance of approximately HK$102.2 million as general working capital of the Group.

The Directors continue to explore any opportunity with potential investors to raise further funds to explore appropriate new borrowing facilities in order to further strengthen the shareholders' base and further enhance the development of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2011, the Group had total cash and cash equivalents amounting to approximately HK$533.2 million (2010: approximately HK$81.5 million) whilst total assets and net assets were approximately HK$2,927.9 million (2010: approximately HK$1,691.9 million) and approximately HK$1,035.4 million (2010: approximately HK$275.3 million), respectively. The Group's gearing ratio as at 31 December 2011 was approximately 0.6 (2010: approximately 2.8), being a ratio of total bank and other borrowings and promissory notes of approximately HK$1,122.3 million (2010: approximately HK$854.9 million), net of cash and cash equivalents of approximately HK$533.2 million (2010: approximately HK$81.5 million) to shareholders' funds of approximately HK$1,035.4 million (2010: approximately HK$275.3 million).

CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

As at 31 December 2011, outstanding capital commitments, contracted but not provided for, amounted to approximately HK$161 million (2010: Nil) in relation to the purchase of property, plant and equipment, and construction contracts. As at 31 December 2011, the Group had pledged the investment properties and bank deposit with carrying amount of approximately HK$1,039 million and approximately HK$21 million, respectively (2010: approximately HK$595.6 million and nil, respectively) to secure bank loans. As at 31 December 2011, the Group had no significant contingent liabilities (2010: Nil).

The Group did not have any outstanding foreign exchange contracts, interest or currency swaps or other financial derivatives as at 31 December 2011. The revenue, operating costs and bank deposits of the Group were mainly denominated in Renminbi and Hong Kong dollars. Therefore, the Group was not exposed to any material foreign currency exchange risk.

PROSPECTS

Looking forward to 2012, 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. The Group will continue to focus on intensifying its investment in agricultural produce exchanges in the PRC to further entrench its commitment in supporting the "Vegetable Basket Project". In order to continue support the agricultural sector, the PRC Central Government once again issued the No.1 document at the beginning of the year 2012 with an emphasis on the development of the agricultural sector.

With the strategic position of our existing first tier agricultural produce exchanges, the Group will endeavour to negotiate, build and expand its network of wholesale market platforms by establishing partnerships in the PRC especially in Hubei Province, Jiangsu Province and Guangxi. With the favourable support of the agricultural logistic business from the Central Government and our professional experience in the industry, the Group is confident that this strategy and business model will deliver long term benefits to the shareholders of the Company.

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2011, the Group had 820 (2010: 734) employees, approximately 95.0% 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 DIRECTORS

Executive Directors

Mr. CHAN Chun Hong, Thomas, aged 48, 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. Mr. Chan is also a member of each of remuneration committee and 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, 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 46, joined the Group as an executive Director in February 2009 and was appointed as a member of the remuneration committee of the Company. He has over 17 years of experience in key financial positions in a number of Hong Kong listed companies and has more than four 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 44, joined the Company as an executive Director and chief financial officer in June 2010. Mr. Leung was appointed as an authorised representative of the Company in February 2012 and a member of the nomination committee of the Company in August 2010. He had over 20 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 56, 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. On 16 March 2012, Mr. Ng was also appointed as the chairman of the remuneration 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 VST Holdings Limited and Tao Heung Holdings Limited, both companies listed on the main board of the Stock Exchange. He resigned as an independent non-executive director of Pan Asia Mining Limited (formerly known as Intelli-Media Group (Holdings) Limited), a listed company in Hong Kong, on 1 March 2009.

Mr. LEE Chun Ho, aged 68, 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. On 16 March 2012, Mr. Lee was also appointed as the chairman of the 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 46, joined the Company as an independent non-executive Director in February 2009, and was also appointed as 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 nine years of experience in the finance and investment banking industry. Ms. Lam has worked in an international public accounting firm for over seven years and is a qualified chartered accountant in Canada and a member of The Hong Kong Institute of Certified Public Accountants.

SENIOR MANAGEMENT

Mr. WONG Koon Kui, Lawrence is the general manager of the Group and is responsible for leading and managing the overall development and operation of the Group's projects in Mainland China.

He holds a Master Degree of Business Administration. In the meantime, Mr. Wong is the member of the Royal Institution of Chartered Surveyors and the Chartered Institute of Marketing. Mr. Wong has an all-rounded experience in real estate industry for 25 years. Prior to joining the Group, he had worked for some well known international professional firms and Hong Kong listed property development companies and engaged in quality commercial real estate projects and deluxe complex coverings of grade A office buildings, shopping mall, hotel and residential accommodations.

Mr. CHAN Yu Chau joined the Group as an assistant general manager. He is currently the deputy managing director of Wuhan Baisazhou. He is responsible for the overall operation and development of Wuhan Baisazhou. Mr. Chan is a member of The Royal Institution of Chartered Surveyors (MRICS). Mr. Chan is also a vice Chairman of Society of Shopping Mall Professionals (China). Prior to joining the Group, he has over 21 years of experience in real estate development and has more than 10 years marketing management experience in top 10 Hong Kong listed companies engaged in grade A office, shopping mall and deluxe complex international projects in the PRC.

Mr. NG Cheuk Wing serves as an assistant general manager of the Group. He has also been appointed as director of two subsidiaries of the Group, namely Yulin Hong-Jin Agricultural By-product Wholesale Marketplace Limited in Guangxi and Wuhan Baisazhou in Hubei. Besides, Mr. Ng is also the incumbent general manager of Yulin Hong-Jin Logistics Development Limited and responsible for the whole phase II development of the Yulin Hong-Jin Agricultural By-product Wholesale Marketplace in Guangxi.

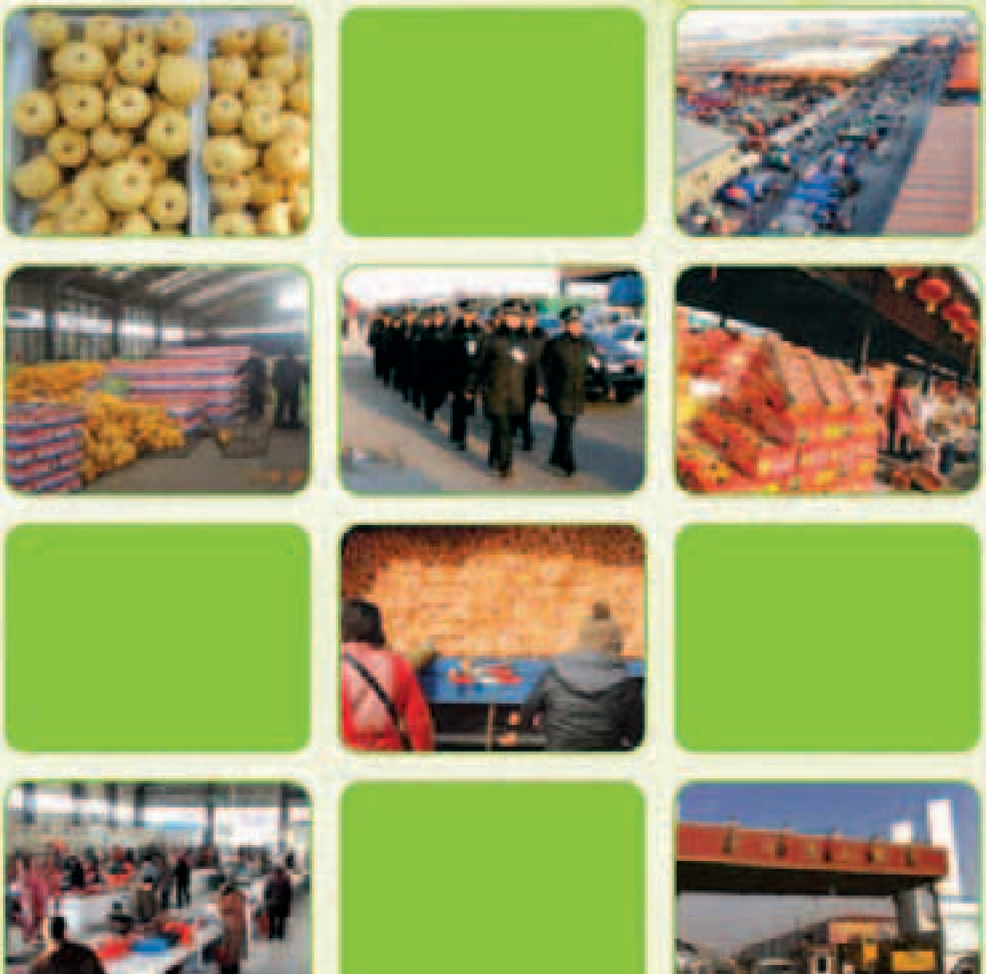
Mr. Ng graduated from City University of Hong Kong and holds a Bachelor (Hons) degree in Building Surveying. He is a member of The Royal Institution of Chartered Surveyors (MRICS). Prior to joining the Group, Mr. Ng has over 17 years of project management experience in building and construction industry, both in Hong Kong and the PRC.

Mr. CHOW Wai Min joined the Group as an assistant general manager (sales and marketing) in May 2011. He has over 20 years sales and marketing experience in property market gained from Hong Kong and Mainland China. Mr. Chow holds a Bachelor degree in Social Science from the Chinese University of Hong Kong.

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 22 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 business manager. He is currently the general manager of Qinzhou Hong-Jin Agricultural By-product Wholesale Market Company Limited. Mr. Au holds Certificate of Civil Engineering and Electronic Engineering respectively. He has over 31 years of experience in construction industry with more than 16 years of experience in project management in Hong Kong and the PRC.

以誠強農 以信惠農



Xuzhou
Agricultural By-product Central Wholesale Market

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 2011, except for the following deviation:

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 ("**Mr. Chan**"), the chairman of the Board, has also assumed the role of chief executive officer of the Company since 2 August 2010. Mr. Chan has extensive executive and financial management experience to accomplish his roles which is of great value in enhancing the efficiency to cope with the dynamic and challenging business environment. Furthermore, there are various experienced individuals in charge of the daily business operational units and the Board comprises three executive Directors and three independent non-executive Directors with balance of skill and experience appropriate for the Group's continuous development. However, the Company continues to review from time to time as this regard or will identify any other suitable personnel to take up the role of the chief executive officer, as and when appropriate, and will make further announcement in due course.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its code of conduct regarding the securities transactions by the Directors on the terms no less exacting than the required standard set forth in the Model Code for the Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Having made specific enquiries of all Directors, the Company confirmed that all Directors had 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

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 page 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 with specific terms of reference which were reviewed and updated in March 2012 pursuant to the recent amendments to the CG Code (as implemented in January and April 2012, respectively).

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, the appointment of company secretary and auditors, evaluating the effectiveness of internal controls, reviewing adequacy of resources, qualification and experience of staff, delegating of authority to committees and reviewing the Group's overall corporate governance arrangements. Apart from these, the Board will also be responsible for performing the corporate governance duties and has adopted specified corporate governance policies in March 2012 pursuant to the recent amendments to the CG Code. 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 the 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	**Attendance**
Executive Directors	
Mr. Chan Chun Hong, Thomas	4/4
Mr. Leong Weng Kin	4/4
Mr. Leung Sui Wah, Raymond	4/4
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, the Chairman of the Board, has assumed the role of the chief executive officer of the Company since 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 executive and financial management experience to accomplish his roles 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 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.

The Remuneration Committee was chaired by Mr. Chan until 16 March 2012 and Mr. Ng Yat Cheung was appointed as the chairman of the Remuneration Committee in place of Mr. Chan effectively from 16 March 2012.

The Remuneration Committee has discharged 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 to the Board 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

The existing nomination committee of the Company (the "**Nomination Committee**") comprises two executive Directors, namely Mr. Chan, 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 acted as the chairman of the Nomination Committee until 16 March 2012 and Mr. Lee Chun Ho was appointed as the chairman of the Nomination Committee in place of Mr. Chan on 16 March 2012. No meeting was held by Nomination Committee during the year under review.

The Nomination Committee continues 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 annually;

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 the appointment or reappointment of Directors and succession planning for Directors, in particular the chairman and chief executive.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprising 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 takes the chair of the Audit Committee.

The Audit Committee is mainly responsible for, inter alia, 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 and the management of the Company.

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 2011 and the annual results for the year ended 31 December 2011 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 2011, 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 as the issues on 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 any opportunities with potential investors to enhance its 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 year of 2011, the Company appointed professional advisers, BMS Risk Advisory Services Limited ("**BMS**") to perform the ongoing monitoring of the systems of internal control of the Group. BMS reported that no material internal control weakness was identified from the reviews. Taking into consideration the recommendations made by BMS, the Board continued to meet from time to time during the year to review the effectiveness of the Group's system of internal control so as to reinforce its system to safeguard the Company's assets and to assure against material financial misstatement. The Board confirmed 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

The financial statements for the year ended 31 December 2011 were audited by HLB Hodgson Impey Cheng whose term of office will expire upon the forthcoming annual general meeting. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganised as HLB Hodgson Impey Cheng Limited. The Audit Committee has recommended to the Board that HLB Hodgson Impey Cheng Limited be nominated for appointment as the auditors of the Company at the forthcoming annual general meeting.

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 2011 are set out as follows which has been reviewed and approved by the Audit Committee based on the scopes of their works:

Services rendered	Fees paid/payable HK$'000
Audit services	900
Non-audit services	250
Total	1,150

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.

Yulin

Hong-Jin Agricultural By-product Wholesale Market

以誠強農 以信惠農

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 2011.

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. Its subsidiaries are principally engaged in the business of property rental, property sale and restaurant operation. During the year, the restaurant operation business was discontinued.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2011 and the state of affairs of the Company and of the Group are set out in the consolidated financial statements on pages 35 to 107.

The Board did not recommend the payment of any final dividend for the year ended 31 December 2011 (2010: Nil). No interim dividend was paid to the shareholders of the Company during the year under review (2010: 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 108.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 32 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2011, 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 30 and 32, respectively to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of the movements in the investment properties of the Group during the year are set out in note 18 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2011.

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

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. Leong Weng Kin and Ms. Lam Ka Jen, Katherine 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 2011, 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 "**2002 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 2002 Scheme, the Board may grant share options to the Participants to subscribe for shares of the Company 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 of the Company 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 of the Company 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 of the Company. 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 2002 Scheme became effective on 4 June 2002 which will remain in force for a period of 10 years 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 10 years from the date of grant.

Subject to 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 2002 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 2002 Scheme are set out in note 33 to the consolidated financial statements.

As at 31 December 2011, no share options under the 2002 Scheme remained outstanding. During the year ended 31 December 2011, no share option was exercised, granted, lapsed and cancelled. The 2002 Scheme was refreshed at the last annual general meeting of the Company held on 6 May 2011. As at the date of this annual report, the total number of shares of the Company available for issue under the 2002 Scheme is 7,938,658 shares, representing 0.32% of the existing issued share capital of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARE OR DEBENTURES

Save as disclosed in the paragraph headed under "Share Option Scheme" as set out above and in note 33 to the financial statements, at no time during the year was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the Directors and chief executive of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2011, 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 positions in the shares and 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:

Long positions in the shares

Name of shareholders	**Capacity**	**Total number of shares held**	**Approximate percentage of the Company's total issued share capital** (Note a) %
PNG Resources Holdings Limited ("**PNG Resources**") (Note b)	Interest of a controlled corporation	694,612,174	28.22
Wai Yuen Tong Medicine Holdings Limited ("**WYT**") (Note c)	Interest of a controlled corporation	694,612,174	28.22
Simsen International Corporation Limited	Beneficial owner	240,000,000	9.75

Notes:

(a) The percentage stated represented the number of shares over the total number of 2,460,984,135 shares in the issued share capital of the Company as at 31 December 2011.

(b) PNG Resources, through Onger Investments Limited, its indirect wholly-owned subsidiary, was taken to be interested in such shares.

(c) WYT, through Gain Better Investments Limited, its indirect wholly-owned subsidiary, which held 49.59% interest in PNG Resources was taken to be interested in such shares.

Save as disclosed above, as at 31 December 2011, there were 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 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 19 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 processes and internal controls. The Audit Committee, comprises 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 2011 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 reviewed by the Remuneration Committee on the basis of their merit, qualifications and competence.

The Company has adopted the 2002 Scheme as an incentive to the Directors and eligible participants, which will expire on 3 June 2012. Details of the Scheme are set out in the section head "Share Option Scheme" contained in this annual report and note 33 to the consolidated financial statements. The Board will seek approval from the shareholders of the Company to terminate the 2002 Scheme and adopt a new share option scheme for a period of 10 years at the forthcoming annual general meeting of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2011, the percentages of sales and purchases attributable to the Group's five largest customers and five largest suppliers were less than 30%.

At no time during the year did a Director or any of his/her 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.

DONATIONS

During the year, the Group made charitable donations of approximately HK$0.4 million (2010: Nil).

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 2011 and up to the date of this annual report.

EVENTS AFTER THE REPORTING PERIOD

The Group and the Company had no significant event took place subsequent to the end of the reporting period.

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 Touche Tohmatsu, 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 financial statements for the year ended 31 December 2011 were audited by HLB Hodgson Impey Cheng whose term of office will expire upon the forthcoming annual general meeting. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganised as HLB Hodgson Impey Cheng Limited. A resolution for the appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Chan Chun Hong, Thomas
Chairman and Chief Executive Officer

16 March 2012

Independent Auditors' Report

HLB 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 107, which comprise the consolidated and company statements of financial position as at 31 December 2011, 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 2011 and of the Group's profit 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's consolidated current liabilities exceeded its consolidated current assets by approximately HK$599,908,000. 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, 16 March 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Notes	**2011** **HK$'000**	2010 HK$'000 (restated)
Turnover	5	**211,845**	99,349
Cost of operation		**(101,793)**	(23,750)
Gross profit		**110,052**	75,599
Other revenue and other net income	6	**31,518**	7,014
Net gain in fair value of investment properties		**553,440**	1,060
General and administrative expenses		**(259,276)**	(101,832)
Selling expenses		**(53,556)**	(464)
Other operating expenses		**—**	(285,295)
Profit/(loss) from operations		**382,178**	(303,918)
Finance costs	7(a)	**(89,906)**	(73,224)
Profit/(loss) before taxation	7	**292,272**	(377,142)
Income tax	8	**(81,534)**	43,335
Profit/(loss) for the year from continuing operations		**210,738**	(333,807)
Discontinued operation			
Profit/(loss) for the year from discontinued operation		**4,699**	(2,460)
Profit/(loss) for the year		**215,437**	(336,267)
Other comprehensive income/(loss), net of income tax			
Exchange differences on translating foreign operations		**50,803**	34,894
Total comprehensive income/(loss) for the year		**266,240**	(301,373)
Profit/(loss) attributable to:			
Owners of the Company		**117,717**	(325,689)
Non-controlling interests		**97,720**	(10,578)
		215,437	(336,267)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000 (restated)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**157,807**	(300,209)
Non-controlling interests		**108,433**	(1,164)
		266,240	(301,373)
Earnings/(loss) per share			
From continuing and discontinued operations			
— Basic	15(a)	**HK$0.14**	HK$(6.77)
— Diluted	15(b)	**HK$0.14**	HK$(6.77)
From continuing operations			
— Basic	15(a)	**HK$0.13**	HK$(6.72)
— Diluted	15(b)	**HK$0.13**	HK$(6.72)

The notes on pages 43 to 107 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	17	**30,444**	27,334
Investment properties	18	**2,009,755**	1,523,227
Intangible assets	19	**—**	—
Goodwill	20	**6,444**	6,444
		2,046,643	1,557,005
Current assets			
Inventories	22	**—**	1,384
Stock of properties	23	**245,730**	—
Trade and other receivables	24	**97,730**	39,978
Financial assets at fair value through profit or loss	25	**4,646**	11,976
Cash and cash equivalents	26	**533,194**	81,539
		881,300	134,877
Current liabilities			
Trade and other payables	27	**396,523**	380,161
Deposit receipts in advance		**130,244**	9,969
Bank and other borrowings	28	**583,179**	165,454
Government grants	29	**2,838**	4,529
Promissory notes	30	**353,387**	—
Income tax payable	31(a)	**15,037**	76,712
		1,481,208	636,825
Net current liabilities		**(599,908)**	(501,948)
Total assets less current liabilities		**1,446,735**	1,055,057
Non-current liabilities			
Bank and other borrowings	28	**185,717**	357,810
Promissory notes	30	**—**	331,629
Deferred tax liabilities	31(b)	**225,667**	90,347
		411,384	779,786
Net assets		**1,035,351**	275,271

Consolidated Statement of Financial Position

As at 31 December 2011

	Notes	**2011** **HK$'000**	2010 HK$'000
Capital and reserves attributable to owners of the Company			
Share capital	32	**24,610**	49,387
Reserves		**731,147**	38,530
Total equity attributable to owners of the Company		**755,757**	87,917
Non-controlling interests		**279,594**	187,354
Total equity		**1,035,351**	275,271

Approved and authorised for issue by the board of directors on 16 March 2012.

Chan Chun Hong, Thomas
Director

Leung Sui Wah, Raymond
Director

The notes on pages 43 to 107 form part of these financial statements.

Statement of Financial Position

As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Investments in subsidiaries	21	**271,080**	271,080
Current assets			
Other receivables	24	**587,399**	233,134
Cash and cash equivalents	26	**325,760**	5,629
		913,159	238,763
Current liabilities			
Other payables	27	**123,183**	92,200
Bank and other borrowings	28	**305,000**	—
Promissory notes	30	**353,387**	—
		781,570	92,200
Net current assets		**131,589**	146,563
Total assets less current liabilities		**402,669**	417,643
Non-current liabilities			
Promissory notes	30	—	331,629
Net assets		**402,669**	86,014
Capital and reserves			
Share capital	32	**24,610**	49,387
Reserves	32	**378,059**	36,627
Total equity		**402,669**	86,014

Approved and authorised for issue by the board of directors on 16 March 2012.

Chan Chun Hong, Thomas
Director

Leung Sui Wah, Raymond
Director

The notes on pages 43 to 107 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	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$'000	Other reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 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 translation 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
At 1 January 2011	49,387	1,080,247	945	2,215,409	664	—	82,143	(3,340,878)	87,917	187,354	275,271
Exchange differences on translation into presentation currency	—	—	—	—	—	—	40,090	—	40,090	10,713	50,803
Other comprehensive income for the year	—	—	—	—	—	—	40,090	—	40,090	10,713	50,803
Profit for the year	—	—	—	—	—	—	—	117,717	117,717	97,720	215,437
Total comprehensive income for the year	—	—	—	—	—	—	40,090	117,717	157,807	108,433	266,240
Placing of shares	30,000	45,000	—	—	—	—	—	—	75,000	—	75,000
Transaction cost related to placing of shares	—	(1,974)	—	—	—	—	—	—	(1,974)	—	(1,974)
Rights issue, net of transaction cost	23,816	429,721	—	—	—	—	—	—	453,537	—	453,537
Share capital reorganisation	(78,593)	—	—	—	—	—	—	78,593	—	—	—
Disposals of subsidiaries	—	—	—	—	—	—	(1,509)	—	(1,509)	(13,810)	(15,319)
Change in ownership interests in subsidiaries	—	—	—	—	—	(15,021)	—	—	(15,021)	(2,383)	(17,404)
At 31 December 2011	24,610	1,552,994	945	2,215,409	664	(15,021)	120,724	(3,144,568)	755,757	279,594	1,035,351

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000 (restated)
Operating activities			
Profit/(loss) for the year			
From continuing operations		**210,738**	(333,807)
From discontinued operation		**4,699**	(2,460)
		215,437	(336,267)
Adjustments for:			
Income tax expense/(credit) recognised in statement of comprehensive income		**81,536**	(43,313)
Depreciation	7(c)	**6,188**	5,672
Amortisation of intangible assets	7(c)	**—**	5,673
Impairment loss on intangible assets	7(c)	**—**	180,442
Impairment loss on goodwill	7(c)	**—**	5,181
Impairment loss on trade and other receivables	7(c)	**—**	88,279
Reversal of other payable	6	**(20,024)**	—
Fair value change on financial assets through profit or loss		**5,140**	(132)
Fair value gain on investment properties		**(553,440)**	(1,060)
Finance costs	7(a)	**89,906**	73,224
Interest income	6	**(752)**	(975)
Dividend income from listed securities	6	**(69)**	(193)
Loss on disposal of property, plant and equipment	7(c)	**360**	6,184
Gain on disposal on held-to-maturity financial assets		**—**	(419)
Gain on disposal of subsidiaries	36	**(6,484)**	—
Operating loss before changes in working capital		**(182,202)**	(17,704)
Increase in inventories		**(468)**	(247)
Increase in trade and other receivables		**(65,886)**	(110,911)
Decrease of stock of properties		**57,569**	—
Increase in deposit receipts in advance		**120,275**	3,691
Increase in trade and other payables		**6,478**	94,107
Cash used in operations		**(64,234)**	(31,064)
Tax paid			
PRC enterprise income tax (paid)/received		**(16,774)**	4,548
Net cash used in operating activities		**(81,008)**	(26,516)

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000 (restated)
Investing activities			
Proceeds from disposal of financial assets through profit or loss		**2,385**	6,196
Purchase of financial assets at fair value through profit or loss		**(158)**	(1,087)
Payments for purchases of property, plant and equipment		**(16,185)**	(8,737)
Payments for investment properties		**(153,696)**	(22,865)
Dividend received		**69**	193
Bank interest received		**752**	975
Proceeds from disposal of held-to-maturity financial assets		**—**	6,487
Net cash outflow of acquisition of subsidiaries' share		**(22,756)**	—
Net cash outflow of disposal of subsidiaries		**(1,631)**	—
Net cash used in investing activities		**(191,220)**	(18,838)
Financing activities			
Proceeds from new bank borrowings		**38,254**	29,594
Proceeds from new other borrowings		**330,000**	—
Repayments of bank borrowings		**(63,891)**	(45,845)
Repayment of other borrowings		**(75,000)**	(63,200)
Net proceeds from issue of shares		**73,026**	98,221
Net proceeds from rights issue		**453,537**	—
Interest paid		**(23,740)**	(34,172)
Net cash generated from/(used in) financing activities		**732,186**	(15,402)
Net increase/(decrease) in cash and cash equivalents		**459,958**	(60,756)
Cash and cash equivalents at 1 January	26	**81,539**	155,701
Effect of foreign exchange rate changes		**(8,303)**	(13,406)
Cash and cash equivalents at 31 December	26	**533,194**	81,539

The notes on pages 43 to 107 form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2011

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, property sale and restaurant operation. During the year, the restaurant operation business was discontinued (note 12).

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 (the "**HKICPA**"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and by the Hong Kong Companies Ordinance. 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 net current liabilities of approximately HK$599,908,000 as at 31 December 2011; and

— the Group had outstanding bank and other borrowings of approximately HK$768,896,000 (note 28), out of which an aggregate of approximately HK$583,179,000 is due for repayment within the next twelve months after 31 December 2011.

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.

(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.

Notes to the Financial Statements

For the year ended 31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(i) Going concern basis (Continued)

(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. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

(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.

(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.

Notes to the Financial Statements

For the year ended 31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

Changes in the Group's ownership interests in existing subsidiaries

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, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interest in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried 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 Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). 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.

Notes to the Financial Statements

For the year ended 31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Basis of consolidation *(Continued)*

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

(i) Business combinations

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 the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

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

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

— liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and

— 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 reassessment, 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 and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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, when applicable, on the basis specified in another HKFRS.

When the consideration transferred by the Group 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 included 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 against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

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.

Notes to the Financial Statements

For the year ended 31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Basis of consolidation *(Continued)*

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

(i) Business combinations (Continued)

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.

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 at the acquisition date that, if known, would have affected the amounts recognised at that date.

The policy described above is applied to all business combinations that take place on or after 1 January 2010.

(ii) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

Notes to the Financial Statements

For the year ended 31 December 2011

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.

If an investment property become a stock of properties because its use has changed as evidenced by the commencement of development with view to sale, any difference the carrying amount and the fair value of the property at the date of transfer is recognised in profit or loss. Subsequent to the changes, the property is stated at lower of deemed cost, equivalent to the fair value at the date of transfer, and net realisable value.

(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(v)).

Notes to the Financial Statements

For the year ended 31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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.

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 constriction 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 amortisation are reviewed annually.

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

Notes to the Financial Statements

For the year ended 31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

(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.

Notes to the Financial Statements

For the year ended 31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of assets *(Continued)*

(i) Impairment of receivables (Continued)

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.

(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) (see note 2(w)); 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).

Notes to the Financial Statements

For the year ended 31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of assets *(Continued)*

(ii) Impairment of other assets (Continued)

— 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.

— 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.

Notes to the Financial Statements

For the year ended 31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Stock of properties

Stock of properties, which are held for trading, is stated at the lower of cost and net realisable value. Net realisable value is determined by reference to sale proceeds received after the end of reporting period less selling expense, or by management estimate based on the prevailing market conditions.

(k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 2(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.

(l) 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.

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 2011

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) 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 recognised in accordance with note 2(s)(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.

(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.

Notes to the Financial Statements

For the year ended 31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Interest-bearing borrowings

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

(n) Trade and other payables

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

(o) Cash and cash equivalents

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

(p) Employee benefits

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

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

(ii) Share-based payments

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

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

(iii) Termination benefits

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

Notes to the Financial Statements

For the year ended 31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Share options granted to consultants

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

(r) Income tax

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the 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.

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.

Notes to the Financial Statements

For the year ended 31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Income tax *(Continued)*

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in 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 profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(ii) Revenue from properties sale

Revenue from properties sale is recognised on the execution of binding sale agreement or when the relevant occupation permit or certificate of compliance is issued by the respective building authority, whichever is the later.

(iii) Revenue from property ancillary services

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

(iv) Commission income from agricultural exchange market

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

(v) Sales of goods and beverages

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

(vi) Interest income

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

(vii) Government subsidies

Government subsidies that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

(viii) Dividend income

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

Notes to the Financial Statements

For the year ended 31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the 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.

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 consolidated statement of comprehensive income on disposal.

(v) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use 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 preparing the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(w) Discontinued operations

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Related parties

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

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

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

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

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

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

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

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

(y) Segment reporting

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) 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

The following new and revised Standards and Interpretations issued by the HKICPA have been applied by the Group in the current year and have affected the amounts reported in these consolidated financial statements. The application of these new and revised HKFRSs has had no material impact on the Group's financial performance and positions for the current and prior years, but may affect the accounting for future transactions or arrangement.

Amendments to HKAS 1 Presentation of Financial Statements (as part of Improvements to HKFRSs issued in 2010)

The amendments to HKAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. In the current year, for each component of equity, the Group has chosen to present such an analysis in the consolidated statement of changes in equity. Such amendments have been applied retrospectively, and hence the disclosures in these consolidated financial statements have been modified to reflect the change (see the consolidated statement of changes in equity).

HKAS 24 Related Party Disclosures (as revised in 2009)

HKAS 24 (as revised in 2009) has been revised on the following two aspects: (a) HKAS 24 (as revised in 2009) has changed the definition of a related party and (b) HKAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities.

The Group is not government-related entities. The application of the revised definition of related party set out in HKAS 24 (as revised in 2009) in the current year has resulted in the identification of related parties that were not identified as related parties under the previous Standard. Specifically, associates of the ultimate holding company of the Company are treated as related parties of the Group under the revised Standard whilst such entities were not treated as related parties of the Group under the previous Standard.

Notes to the Financial Statements

For the year ended 31 December 2011

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

(Continued)

Amendments to HKFRS 3 Business Combinations

As part of Improvements to HKFRSs issued in 2010, HKFRS 3 was amended to clarify that the measurement choice regarding non-controlling interests at the date of acquisition is only available in respect of non-controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other types of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by other Standards. In addition, HKFRS 3 was amended to provide more guidance regarding the accounting for share-based payment awards held by the acquiree's employees. Specifically, the amendments specify that share-based payment transactions of the acquiree that are not replaced should be measured in accordance with HKFRS 2 Share-based Payment at the acquisition date ('market-based measure').

Amendments to HKAS 32 Classification of Rights Issue

The amendments address the classification of certain rights issue denominated in a foreign currency as either equity instruments or as financial liabilities. Under the amendments, rights, options or warrants issued by an entity for the holders to acquire a fixed number of the entity's equity instruments for a fixed amount of any currency are classified as equity instruments in the financial statements of the entity provided that the offer is made pro rata to all of its existing owners of the same class of its non-derivative equity instruments. Before the amendments to HKAS 32, rights, options or warrants to acquire a fixed number of an entity's equity instruments for a fixed amount in foreign currency were classified as derivatives. The amendments require retrospective application.

Amendments to HK (IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement

The Interpretation addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of HKAS 19; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions.

HK (IFRIC)-Int 19 Extinguishing Financial Liabilities with Equity Instruments

The Interpretation provides guidance on the accounting for the extinguishment of a financial liability by the issue of equity instruments. Specifically, under HK (IFRIC)-Int 19, equity instruments issued under such arrangement will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the consideration paid will be recognised in profit or loss.

Notes to the Financial Statements

For the year ended 31 December 2011

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

(Continued)

Except for the amendments to HKAS 1 described earlier, the application of Improvements to HKFRSs issued in 2010 has not had any material effect on amounts reported in the consolidated financial statements.

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

HKFRS 1 Amendments	First time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 7 Amendments	Disclosures — Transfers of Financial Assets[1]
HKFRS 7 Amendments	Disclosures — Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 1 Amendments	Presentation of Items of Other Comprehensive Income[3]
HKAS 12 Amendments	Deferred Tax — Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefit[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
HKAS 32 Amendments	Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC) — Int 20	Stripping Costs in Production Phase of Surface Mine[2]

[1] Effective for annual periods beginning on or after 1 July 2011.
[2] Effective for annual periods beginning on or after 1 January 2013.
[3] Effective for annual periods beginning on or after 1 July 2012.
[4] Effective for annual periods beginning on or after 1 January 2012.
[5] Effective for annual periods beginning on or after 1 January 2014.
[6] Effective for annual periods beginning on or after 1 January 2015.

The amendments to HKFRS 7 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 anticipate that the application of the amendments to HKFRS 7 will affect the Group's disclosures regarding transfers of financial assets in the future.

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

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

Notes to the Financial Statements

For the year ended 31 December 2011

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

(Continued)

The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. 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 recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value 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 2015, with earlier application permitted.

The directors anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities (e.g. the Group's investments in redeemable notes that are currently classified as available-for-sale investments may have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK (SIC) — Int 12 Consolidation — Special Purpose Entities. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures and HK (SIC) — Int 13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

Notes to the Financial Statements

For the year ended 31 December 2011

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

(Continued)

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. The application of HKFRS 10 may result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated (e.g. the Group's investment in associates may become the Group's subsidiaries based on the new definition of control and the related guidance in HKFRS 10). In addition, the application of HKFRS 11 may result in changes in the accounting of the Group's jointly controlled entities that are currently accounted for using proportionate consolidation. Under HKFRS 11, those jointly controlled entities will be classified as a joint operation or joint venture, depending on the rights and obligations of the parties to the joint arrangement. However, the directors have not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 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 affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to HKAS 12 are effective for annual periods beginning on or after 1 January 2012. The directors anticipate that the application of the amendments to HKAS 12 in future reporting periods may result in adjustments to the amounts of deferred tax liabilities recognised in prior years regarding the Group's investment properties of which the carrying amounts are presumed to be recovered through sale. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

Notes to the Financial Statements

For the year ended 31 December 2011

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

(Continued)

The amendments to HKAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to HKAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. The directors anticipate that the amendments to HKAS 19 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the amendments to HKAS 19 may have impact on amounts reported in respect of the Group's defined benefit plans. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

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 18(a).

Notes to the Financial Statements

For the year ended 31 December 2011

4. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

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

(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.

(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 2011

5. TURNOVER

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

	2011 HK$'000	2010 HK$'000
Continuing operations:		
Gross rental income	**78,454**	69,589
Revenue from property ancillary services	**26,807**	6,585
Commission income from agricultural exchange market	**36,362**	23,175
Revenue from property sales	**70,222**	—
	211,845	99,349
Discontinued operation:		
Sales of food and beverages	**32,315**	30,603
	244,160	129,952

6. OTHER REVENUE AND OTHER NET INCOME

	2011 HK$'000	2010 HK$'000
Continuing operations:		
Other revenue		
Interest income	**752**	965
Dividend income	**69**	193
PRC government subsidies (note (a))	**6,999**	4,315
Reversal of other payable	**20,024**	—
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	**3,674**	990
	31,518	7,014
Discontinued operation:		
Interest income	**6**	10
	31,524	7,024

(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 2011

7. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived after charging:

(a) Finance costs

	2011 HK$'000	2010 HK$'000
Continuing operations:		
Interest on bank advances and other borrowings wholly repayable within five years	**49,348**	35,037
Interest on promissory notes	**40,558**	38,187
	89,906	73,224
Discontinued operation:	**—**	—
	89,906	73,224

(b) Staff costs (including directors' emoluments)

	2011 HK$'000	2010 HK$'000
Continuing operations:		
Contributions to defined contribution retirement plans	**389**	221
Salaries, wages and other benefits	**55,477**	26,708
	55,866	26,929
Discontinued operation:		
Salaries, wages and other benefits	**4,795**	3,988
	60,661	30,917

Notes to the Financial Statements

For the year ended 31 December 2011

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

(c) Other items

	2011 HK$'000	2010 HK$'000
Continuing operations:		
Other amortisation of intangible assets*	—	5,673
Depreciation	**5,367**	3,571
Impairment loss on goodwill*	—	5,181
Impairment loss on intangible assets*	—	180,442
Impairment loss on trade and other receivables*	—	88,279
Loss on disposal on property, plant and equipment	**360**	6,184
Auditor's remuneration		
— audit services	**900**	900
— other services	**250**	304
Operating lease charges: minimum lease payments		
— property rental	**1,275**	1,176
Fair value loss on financial assets at fair value through profit or loss	**5,140**	—
Cost of stock of properties	**57,886**	—
Discontinued operation:		
Depreciation	**821**	2,101
Operating lease charges: minimum lease payments — property rental	**3,773**	3,482
Cost of inventories	**20,753**	20,271

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

8. INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(a) Continuing operations

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

	2011 HK$'000	2010 HK$'000
Current tax		
— PRC enterprise income tax	**9,037**	2,929
— Land Appreciation Tax ("**LAT**")	**16,669**	—
	25,706	2,929
Over provision in prior year		
— PRC enterprise income tax	**(72,770)**	—
	(72,770)	—
Deferred tax		
Origination/(reversal) of temporary difference	**128,598**	(46,264)
	81,534	(43,335)

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 2011 and 2010. PRC Enterprise Income Tax is computed according to the relevant legislation interpretations and practices in respect thereof during the year. PRC Enterprise Income Tax rate is 25% (2010: 25%).

The provision of LAT is estimated according to requirements set for the relevant PRC Taxes and regulation. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

Notes to the Financial Statements

For the year ended 31 December 2011

8. INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

(a) Continuing operations *(Continued)*

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

	2011 HK$'000	**%**	2010 HK$'000	%
Profit/(loss) before taxation	**292,272**		(377,142)	
Notional tax on profit/(loss) before taxation calculation at the rates applicable to profit/(loss) in the jurisdictions concerned	**73,068**	**25.0**	(94,285)	(25.0)
PRC LAT	**16,669**	**5.7**	—	—
Effect of different tax rates in other tax jurisdiction	**19,571**	**6.7**	6,601	1.8
Tax effect of non-deductible expenses	**51,815**	**17.7**	36,558	9.7
Tax effect of non-taxation income	**(6,819)**	**(2.3)**	(1,774)	(0.5)
Overprovision in prior year	**(72,770)**	**(24.9)**	—	—
Tax effect of unrecognised tax losses	**—**	**—**	9,565	2.5
Income tax expense/(credit) for the year (relating to continuing operations)	**81,534**	**27.9**	(43,335)	(11.5)

(b) Discontinued operation

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

	2011 HK$'000	2010 HK$'000
Current tax		
— PRC enterprise income tax	**2**	22
Deferred tax	**—**	—
	2	22

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

	2011 HK$'000	**%**	2010 HK$'000	%
Profit/(loss) before taxation	**4,701**		(2,438)	
Notional tax on profit/(loss) before taxation calculation at the rates applicable to profit/(loss) in the jurisdictions concerned	**1,175**	**25.0**	(610)	(25.0)
Effect of different tax rates in other tax jurisdiction	**(506)**	**(10.8)**	48	2.0
Tax effect of non-deductible expenses	**404**	**8.6**	509	20.9
Tax effect of non-taxation income	**(1,071)**	**(22.8)**	—	—
Tax effect of unrecognised tax losses	**—**	**—**	75	3.1
Income tax expense for the year (relating to discontinued operation)	**2**	**—**	22	1.0

Notes to the Financial Statements

For the year ended 31 December 2011

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$'000**	**Total 2011 HK$'000**
Executive directors:				
Chan Chun Hong, Thomas				
(Chairman and Chief Executive Officer)	**714**	**51**	**12**	**777**
Leong Weng Kin	**127**	**10**	**7**	**144**
Leung Sui Wah, Raymond (note b)	**1,067**	**83**	**12**	**1,162**
Independent non-executive directors:				
Ng Yat Cheung	**120**	**—**	**—**	**120**
Lee Chun Ho	**120**	**—**	**—**	**120**
Lam Ka Jen, Katherine	**120**	**—**	**—**	**120**
	2,268	**144**	**31**	**2,443**

	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 and Chief Executive Officer)	611	45	12	668
Ying Yat Man (note a)	70	1,428	7	1,505
Leong Weng Kin	122	9	7	138
Leung Sui Wah, Raymond (note b)	—	577	7	584
Independent non-executive directors:				
Ng Yat Cheung	120	—	—	120
Lee Chun Ho	120	—	—	120
Lam Ka Jen, Katherine	120	—	—	120
	1,163	2,059	33	3,255

During the years ended 31 December 2011 and 2010, 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) Director resigned on 2 August 2010

(b) Director was appointed on 8 June 2010

Notes to the Financial Statements

For the year ended 31 December 2011

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2010: two) are directors whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other three (2010: three) individuals are as follows:

	2011	2010
	HK$'000	HK$'000
Salaries and other benefits	**3,941**	1,981
Retirement schemes contributions	**24**	36
	3,965	2,017

The emoluments of three (2010: three) individuals with the highest emoluments are within the following bands:

	2011	2010
	Number of individuals	Number of individuals
Nil to HK$1,000,000	**1**	3
HK$1,000,001 to HK$1,500,000	**1**	—
Over HK$1,500,000	**1**	—

During the years ended 31 December 2011 and 2010, 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.

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.

Notes to the Financial Statements

For the year ended 31 December 2011

12. DISCONTINUED OPERATION

On 16 December 2011, Action Rich Investments Limited, a direct wholly-owned subsidiary of the Company entered into the conditional sale and purchase agreement that restaurant operations were discontinued following the disposal of All Know Investments Limited ("**All Know**"), a then indirect wholly-owned subsidiary of the Company, and its subsidiaries (collectively known as the "**All Know Group**"), which carried out all of the Group's restaurant operation. The disposal of the restaurant operation is consistent with the Group's long-term policy to focus it activities in the property rental. The disposal was completed on 28 December 2011, on which date control of the restaurant operation passed to the acquired. Details of the assets and liabilities disposed of, and the calculation of the profit on disposal, are disclosed in note 36.

Analysis of profit/(loss) for the year from discontinued operation

The comparative profit/(loss) and cash flows from discontinued operation have been re-presented to include those operations classified as discontinued in the current year.

	2011	2010
	HK$'000	HK$'000
Profit/(loss) for the year from discontinued operation:		
Turnover	**32,315**	30,603
Cost of operation	**(20,753)**	(20,271)
Gross profit	**11,562**	10,332
Other revenue and other net income	**6**	10
General and administrative expenses	**(13,351)**	(12,780)
Loss before taxation	**(1,783)**	(2,438)
Income tax	**(2)**	(22)
	(1,785)	(2,460)
Gain on disposal of operation (note 36)	**6,484**	—
Profit/(loss) for the year from discontinued operation	**4,699**	(2,460)
Profit/(loss) for the year from discontinued operation attributable to :		
Owners of the Company	**4,707**	(2,454)
Non-controlling interest	**(8)**	(6)
	4,699	(2,460)
Profit/(loss) for the year from discontinued operation include the following:		
Depreciation	**821**	2,101
Auditor's remuneration	**12**	12
Cash flow from discontinued operation		
Net cash outflow from operating activities	**(1,041)**	(38,272)
Net cash inflow from investing activities	**6**	10
Net cash inflow from financing activities	**—**	—
Net cash outflow	**(1,035)**	(38,262)

Notes to the Financial Statements

For the year ended 31 December 2011

13. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company includes a loss of approximately HK$209,908,000 (2010: approximately HK$227,173,000) which has been dealt with in the financial statements of the Company.

14. DISTRIBUTION OF CONTRIBUTED SURPLUS TO OWNERS OF THE COMPANY

The directors did not recommend the payment of any dividend in respect of the years ended 31 December 2011 and 2010 respectively.

15. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

For continuing and discontinued operations

The calculation of basic earnings/(loss) per share is based on the earnings/(loss) for the year attributable to owners of the Company of approximately HK$117,717,000 (2010: loss approximately HK$325,689,000) and the weighted average number of 840,390,812 ordinary shares (2010: 48,080,719 (restated)) in issue during the year after adjusting the effects of the share consolidation and rights issue. The basic loss per share for 2010 had been adjusted accordingly.

For continuing operations

The calculation of basic earnings/(loss) per share is based on the earnings/(loss) for the year attributable to owners of the Company of approximately HK$113,018,000 (2010: loss approximately HK$323,229,000) and the weighted average number of 840,390,812 ordinary shares (2010: 48,080,719 (restated)) in issue during the year after adjusting the effects of the share consolidation and rights issue. The basic loss per share for 2010 had been adjusted accordingly.

For discontinued operation

The calculation of basic earnings/(loss) per share is based on the earnings/(loss) for the year attributable to owners of the Company of approximately HK$4,699,000 (2010: loss approximately HK$2,460,000) and the weighted average number of 840,390,812 ordinary shares (2010: 48,080,719 (restated)) in issue during the year after adjusting the effects of the share consolidation and rights issue. The basic loss per share for 2010 had been adjusted accordingly.

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share for the years ended 31 December 2011 and 2010 were the same as basic earnings/(loss) per share as there was no diluted event during the years.

Notes to the Financial Statements

For the year ended 31 December 2011

16. SEGMENT REPORTING

The Group has two reportable segments under HKFRS 8, (i) property rental and (ii) property sales. 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.

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:

	Continuing operations				**Discontinued operation**			
	Property rental		**Property sale**		**Restaurant operation**		**Consolidated**	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Turnover								
External sales	**141,623**	99,349	**70,222**	—	**32,315**	30,603	**244,160**	129,952
Result								
Segment result	**435,564**	(239,879)	**6,297**	—	**(1,240)**	(1,691)	**440,621**	(241,570)
Unallocated corporate expenses							**(60,228)**	(59,627)
Gain on disposal of subsidiaries	**—**	—	**—**	—	**—**	—	**6,484**	—
Impairment loss on goodwill	**—**	(5,181)	**—**	—	**—**	—	**—**	(5,181)
Profit/(loss) from operations							**386,877**	(306,378)
Finance costs							**(89,906)**	(73,224)
Profit/(loss) before taxation							**296,971**	(379,602)
Income tax							**(81,534)**	43,335
Profit/(loss) for the year							**215,437**	(336,267)

The accounting policies of the reportable segments are the same as the Group's accounting policies describe in note 2 to the financial statements, business segment represents the profit/(loss) from each segment without allocation of central administrative costs and directors' salaries impairment loss on goodwill, gain on disposal of subsidiaries, 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 (2010: Nil).

Notes to the Financial Statements

For the year ended 31 December 2011

16. SEGMENT REPORTING *(Continued)*

Segment assets and liabilities

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

	Continuing operations				Discontinued operation			
	Property rental		Property sale		Restaurant operation		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Assets								
Segment assets	**2,222,943**	1,611,797	**245,730**	—	**—**	14,520	**2,468,673**	1,626,317
Unallocated corporate assets							**459,270**	65,565
Consolidated total assets							**2,927,943**	1,691,882
Liabilities								
Segment liabilities	**945,402**	868,086	**89,394**	—	**—**	1,143	**1,034,796**	869,229
Unallocated corporate liabilities							**857,796**	547,382
Consolidated total liabilities							**1,892,592**	1,416,611

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 note 20; and

— all liabilities are allocated to reportable segments other than corporate liabilities, promissory notes and deferred tax liabilities..

Other segment information

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

	Continuing operations				Discontinued operation					
	Property rental		Property sale		Restaurant operation		Unallocated		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Capital expenditure										
— others	**164,554**	29,393	**—**	—	**5,327**	2,209	**—**	—	**169,881**	31,602
Depreciation and amortisation	**5,205**	8,815	**—**	—	**821**	2,101	**162**	429	**6,188**	11,345
Impairment loss										
— intangible assets	**—**	180,442	**—**	—	**—**	—	**—**	—	**—**	180,442
— goodwill	**—**	5,181	**—**	—	**—**	—	**—**	—	**—**	5,181
— trade and other receivables	**—**	88,279	**—**	—	**—**	—	**—**	—	**—**	88,279

Notes to the Financial Statements

For the year ended 31 December 2011

16. SEGMENT REPORTING *(Continued)*

Information about major customers

For the year ended 2010, included in revenues arising from property rental operations of approximately HK$99,349,000 are revenues of approximate HK$41,354,000 which arose from sales to the Group's largest customer.

For the year ended 2011, no other single customers contributed 10% or more to the Group's revenue.

Geographical information

As at the end of reporting period, over 90% of revenue of the Group were generated from external customers located in the People's Republic of China (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 or additions to property, plant and equipment is presented.

Revenue from major products and services

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

17. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings HK$'000	**Furniture, equipment and motor vehicles** HK$'000	**Leasehold improvements** HK$'000	**Total** HK$'000
Cost:				
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 and 1 January 2011	2,224	28,411	6,963	37,598
Exchange adjustments	114	1,930	1,204	3,248
Additions	—	9,605	6,580	16,185
Disposals	—	(644)	—	(644)
Disposal of subsidiaries	—	(4,323)	(13,495)	(17,818)
At 31 December 2011	**2,338**	**34,979**	**1,252**	**38,569**
Accumulated depreciation:				
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/written off	—	(6,716)	—	(6,716)
At 31 December 2010 and 1 January 2011	416	4,425	5,423	10,264
Exchange adjustments	39	863	788	1,690
Charge for the year	59	5,366	763	6,188
Disposals/written off	—	(284)	—	(284)
Disposal of subsidiaries	—	(3,137)	(6,596)	(9,733)
At 31 December 2011	**514**	**7,233**	**378**	**8,125**
Carrying amount:				
At 31 December 2011	**1,824**	**27,746**	**874**	**30,444**
At 31 December 2010	1,808	23,986	1,540	27,334

At 31 December 2011, the Group had not applied for the relevant building certificates in respect of the buildings of approximately HK$1,824,000 (2010: HK$1,808,000) owned by the Group.

Notes to the Financial Statements

For the year ended 31 December 2011

18. INVESTMENT PROPERTIES

	The Group	
	2011	2010
	HK$'000	HK$'000
Completed investment properties	**1,834,527**	1,365,788
Investment properties under construction	**175,228**	157,439
	2,009,755	1,523,227

	The Group	
	2011	2010
	HK$'000	HK$'000
At 1 January	**1,523,227**	1,439,562
Additions	**153,696**	22,865
Transferred to stock of properties	**(303,299)**	—
Fair value gain	**553,440**	1,060
Exchange adjustments	**82,691**	59,740
At 31 December	**2,009,755**	1,523,227

(a) Valuation of investment properties

The investment properties amounted of approximately HK$2,009,755,000 of the Group were stated at fair value as at 31 December 2011. 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:

	2011	2010
	HK$'000	HK$'000
In the PRC		
— medium-term leases	**2,009,755**	1,523,227

Notes to the Financial Statements

For the year ended 31 December 2011

18. 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$4,528,000 (2010: approximately HK$3,349,000) amounted to approximately HK$73,926,000 (2010: approximately HK$46,025,000).

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

	2011	2010
	HK$'000	HK$'000
Within 1 year	**32,019**	27,389
After 1 year but within 5 years	**21,539**	20,836
Over 5 years	**469**	2,038
	54,027	50,263

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 2011, the land use rights in respect of investment properties with a total carrying amount of approximately HK$1,039,219,000 (2010: approximately HK$595,561,000) were pledged to banks for the Group's bank borrowings, details of which are set out in note 28.

(e) At 31 December 2011, 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 2011

19. INTANGIBLE ASSETS

	The Group	
	2011	2010
	HK$'000	HK$'000
Operating right		
Cost:		
At 1 January	**1,497,917**	1,437,830
Exchange adjustments	**63,586**	60,087
At 31 December	**1,561,503**	1,497,917
Accumulated amortisation:		
At 1 January	**73,630**	65,533
Charge for the year	**—**	5,673
Exchange adjustments	**3,126**	2,424
At 31 December	**76,756**	73,630
Accumulated impairment loss:		
At 1 January	**1,424,287**	1,189,925
Impairment loss	**—**	180,442
Exchange adjustments	**60,460**	53,920
At 31 December	**1,484,747**	1,424,287
Carry amount:		
At 31 December	**—**	—

(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 Wuhan Baisazhou Agricultural By-product Grand Market Company Limited ("**Wuhan 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 Wuhan Baisazhou acquired at the date of the completion of acquisition.

(b) During the year ended 31 December 2010, the recoverable amount of operating right is determined based on value-in-use calculations. The impairment review of the operating right is based on the expected future cash flows and based on the financial budgets approved by management covering a 5-year period. Cash flows beyond 5-year period is extrapolated using an estimated growth rate of 3%. Discount rate of 14% 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 HK$180,442,000 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 2011

20. GOODWILL

	The Group	
	2011	2010
	HK$'000	HK$'000
Cost:		
At 1 January and 31 December	**25,017**	25,017
Accumulated impairment loss:		
At 1 January	**18,573**	13,392
Impairment loss	**—**	5,181
At 31 December	**18,573**	18,573
Carrying amount:		
At 31 December	**6,444**	6,444

Note:

At the end of the reporting period, the Group assessed the recoverable amount of goodwill, and determined that no impairment has been provided for goodwill associated with certain of the Group's property rental activities for the year ended 31 December 2011 (2010: approximately HK$5,181,000). 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.

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:

	2011	2010
	HK$'000	HK$'000
Property rental	**6,444**	6,444

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.

Notes to the Financial Statements

For the year ended 31 December 2011

21. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2011	2010
	HK$'000	HK$'000
Unlisted, at cost	**1,005,433**	1,005,433
Less: Impairment loss (note 21(b))	**(734,353)**	(734,353)
	271,080	271,080

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.

Name of Company	Place of incorporation registration and operation	Particulars of issued and fully paid ordinary share capital/ registered capital	Proportion of ownership interest and voting power: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
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
Excellent Win Investments Limited	Hong Kong	HK$1	100%	—	100%	Investment holding
Fully Wealth Investment Limited	Hong Kong	HK$1	100%	—	100%	Investment holding
Global Max Holdings Limited	Hong Kong	HK$100	100%	—	100%	Investment holding
Lanston Investment Limited	Hong Kong	HK$100	100%	—	100%	Investment holding
Novel Talent Limited	British Virgin Islands/ Hong Kong	US$1	100%	100%	—	Investment holding
Silver Mark Investments Limited	Hong Kong	HK$1	100%	—	100%	Investment holding
Shiney Day Investments 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
徐州源洋商貿發展有限公司 (note (i))	The PRC	RMB61,220,000	51%	—	51%	Property leasing
武漢白沙洲農副產品大市場有限公司 (note (i))	The PRC	RMB50,000,000	100%	90%	10%	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
玉林宏進物流發展有限公司 (note (ii))	The PRC	RMB80,000,000	100%	—	100%	Property leasing
欽州宏進農副產品批發市場有限公司 (note (ii))	The PRC	RMB47,814,480	100%	—	100%	Property leasing
開封宏進農副產品批發市場有限公司 (note (ii))	The PRC	USD3,484,500	100%	—	100%	Property leasing

Notes to the Financial Statements

For the year ended 31 December 2011

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	
	2011	2010
	HK$'000	HK$'000
Raw materials — restaurant food and beverage	**—**	1,384

23. STOCK OF PROPERTIES

	The Group	
	2011	2010
	HK$'000	HK$'000
Completed properties	**245,730**	—

Notes to the Financial Statements

For the year ended 31 December 2011

24. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade debtors, net	**417**	773	**—**	—
Amounts due from subsidiaries (note 24 (d))	**—**	—	**586,977**	232,831
Loans and receivables	**417**	773	**586,977**	232,831
Other deposits	**77,170**	13,144	**—**	—
Prepayments	**3,803**	3,375	**422**	303
Other receivables	**16,340**	22,686	**—**	—
Trade and other receivable, net	**97,730**	39,978	**587,399**	233,134

(a) Impairment of other receivables

For the year ended 2010, provision for impairment loss of other receivables for the amount of approximately HK$88,279,000 in the consolidated 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.

(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	
	2011	2010
	HK$'000	HK$'000
Less than 90 days	**311**	587
More than 90 days but less than 180 days	**81**	34
More than 180 days	**25**	152
	417	773

The Group generally allows an average credit period of 30 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.

Notes to the Financial Statements

For the year ended 31 December 2011

24. TRADE AND OTHER RECEIVABLES *(Continued)*

(c) Ageing of past due but not impaired

	2011 HK$'000	2010 HK$'000
Less than 3 months past due	**25**	100
More than 3 months past due	**—**	52
	25	152

Receivables that were past due but not impaired relate to a number of independent customers/tenants 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 2011 HK$'000	2010 HK$'000
Due from subsidiaries	**2,067,658**	1,515,623
Less: Provision for impairment	**(1,480,681)**	(1,282,792)
	586,977	232,831

The amounts due from subsidiaries are unsecured, interest-free and repayable on demand. Impairment losses provided for amounts due from subsidiaries are due to the subsidiaries are in prolonged net liabilities position. These loss events have impacts on the estimated future cashflows of the amounts due from subsidiaries.

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

	The Company 2011 HK$'000	2010 HK$'000
At 1 January	**1,282,792**	1,187,760
Impairment loss recognised	**197,889**	95,032
At 31 December	**1,480,681**	1,282,792

Notes to the Financial Statements

For the year ended 31 December 2011

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group	
	2011	2010
	HK$'000	HK$'000
Listed investments:		
— Equity securities listed in Hong Kong	**4,646**	10,939
— Equity securities listed outside Hong Kong	**—**	1,037
Fair value	**4,646**	11,976

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.

26. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at banks and in hand (note a)	**511,744**	81,539	**325,760**	5,629
Pledged bank deposit (note b)	**21,450**	—	**—**	—
	533,194	81,539	**325,760**	5,629

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 0.5% to 2.1% (2010: 0.36% to 1.17%) per annum and have original maturity of three months or less.

Included in cash at banks and in hand as at 31 December 2011 is an amount denominated in Renminbi ("**RMB**") of RMB122,051,000 (equivalent to approximately HK$150,611,000) (2010: RMB35,915,000, equivalent to approximately HK$42,514,000). Renminbi is not freely convertible into other currencies.

(b) Pledged bank deposits represents deposits pledged to banks to secure banking facilities granted to the Group. Deposits have been pledged secure short-term bank loans and therefore classified as current assets. The pledged bank deposits will be released upon the settlements relevant bank borrowings.

Notes to the Financial Statements

For the year ended 31 December 2011

27. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables (note 27(a))	**—**	1,274	**—**	—
Amount due to subsidiaries (note 27(b))	**—**	—	**30,272**	33,618
Accrued Charges	**11,712**	11,614	**—**	—
Construction payable	**37,909**	39,555	**—**	—
Deposits	**20,839**	15,786	**—**	—
Other tax payable	**22,924**	34,825	**—**	—
Other payables	**303,139**	277,107	**92,911**	58,582
	396,523	380,161	**123,183**	92,200

(a) Ageing analysis

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

	The Group	
	2011	2010
	HK$'000	HK$'000
Within 90 days	**—**	1,274
After 90 days but within 180 days	**—**	—
	—	1,274

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

Notes to the Financial Statements

For the year ended 31 December 2011

28. BANK AND OTHER BORROWINGS

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Secured bank borrowings	**355,386**	365,508	**—**	—
Unsecured other borrowings	**413,510**	157,756	**305,000**	—
	768,896	523,264	**305,000**	—

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Carrying amount repayable:				
Within one year	**583,179**	165,454	**305,000**	—
More than one year, but not exceeding five years	**185,717**	357,810	**—**	—
	768,896	523,264	**305,000**	—
Less: amounts due within one year shown under current liabilities	**(583,179)**	(165,454)	**(305,000)**	—
	185,717	357,810	**—**	—

(a) Included in the above balances are bank borrowings of variable-rate of approximately HK$355,386,000 (2010: approximately HK$365,508,000) which carry interest adjustable for changes of borrowing rate offered by The People's Bank of China. The average rate charged by the banks during the year ranged from 5.4% to 8% (2010: 5.9% to 6.3% per annum) per annum. Interest is repriced every 30 days. The other borrowings of approximately HK$413,510,000 (2010: approximately HK$157,756,000) were obtained from three (2010: one) independent third parties and carry interest fixed from approximately 6% to 8% (2010: 6.4% 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:

	2011	2010
	HK$'000	HK$'000
Effective interest rate:		
Fixed-rate borrowings	**6% to 8%**	6.4% to 10%
Variable-rate borrowings	**5.4% to 8%**	5.9% to 6.3%

(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$1,060,669,000 (2010: HK$595,561,000) as set out in note 18.

29. GOVERNMENT GRANTS

During the year ended 31 December 2011, the Group recognised government grants of approximately HK$4,529,000 (2010: Nil) in the consolidated statement of comprehensive income. At 31 December 2011, the Group has unused government grants of approximately HK$2,838,000 (2010: approximately HK$4,529,000) in relation to the construction of qualifying assets. The government grants will be recognised upon construction of qualifying assets and the government grants are not repayable.

Notes to the Financial Statements

For the year ended 31 December 2011

30. PROMISSORY NOTES

The Group and the Company

On 5 December 2007, the Company issued two promissory notes with an aggregate amount of HK$376,000,000 as part of the consideration for the acquisition of Wuhan 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 2011 is set out below:

	2011 **HK$'000**	2010 HK$'000
At 1 January	**331,629**	312,242
Interest charged	**40,558**	38,187
Interest payable	**(18,800)**	(18,800)
At 31 December	**353,387**	331,629

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

31. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Income tax in the consolidated statement of financial position 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 2011 are as follows:

	Fair value adjustments of intangible assets HK$'000	**Fair value adjustments of investment properties and stock of properties** HK$'000	**Total** HK$'000
Deferred tax arising from:			
At 1 January 2010	45,651	86,393	132,044
Exchange adjustments	878	3,689	4,567
(Credited)/debited to consolidated statement of comprehensive income	(46,529)	265	(46,264)
At 31 December 2010 and 1 January 2011	—	90,347	90,347
Exchange adjustments	—	6,722	6,722
Debited to consolidated statement of comprehensive income	—	128,598	128,598
At 31 December 2011	—	225,667	225,667

Notes to the Financial Statements

For the year ended 31 December 2011

31. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

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

	2011 **HK$'000**	2010 HK$'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	**225,667**	90,347
	225,667	90,347

(c) Deferred taxation not recognised

At the end of the reporting period, the Group and the Company has estimated tax losses of approximately HK$15,047,000 (2010: HK$13,064,000) that are available for offsetting against future taxable profits. The estimated tax losses do not expire under current tax legislation. No deferred tax asset has been recognised due to the unpredictability of the future profit stream. The Group and the Company had no other significant deferred tax assets/liabilities not recognised as at the end of reporting period.

32. CAPITAL AND RESERVES

(a) The Group

Details of movements in capital and reserves of the Group are set out in the consolidated statement of changes in equity on page 40.

(b) The Company

	Share capital HK$'000	**Share premium** HK$'000	**Capital redemption reserve** HK$'000	**Contributed surplus** HK$'000	**Shareholders contribution** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 January 2010	29,187	1,002,226	945	588,812	664	(1,406,868)	214,966
Issue of share	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)
At 31 December 2010 and 1 January 2011	49,387	1,080,247	945	588,812	664	(1,634,041)	86,014
Placing of shares	30,000	45,000	—	—	—	—	75,000
Transaction costs related to placing of shares	—	(1,974)	—	—	—	—	(1,974)
Rights issue, net of transaction cost	23,816	429,721	—	—	—	—	453,537
Share capital reorganisation	(78,593)	—	—	—	—	78,593	—
Loss for the year	—	—	—	—	—	(209,908)	(209,908)
	24,610	1,552,994	945	588,812	664	(1,765,356)	402,669

Notes to the Financial Statements

For the year ended 31 December 2011

32. CAPITAL AND RESERVES *(Continued)*

(c) Authorised and issued share capital

	Notes	**2011** Number of shares	Nominal value HK$'000	2010 Number of shares	Nominal value HK$'000
Authorised:					
Ordinary shares of HK$0.01 (2010: HK$0.10) each		**30,000,000,000**	**300,000**	3,000,000,000	300,000
Ordinary shares, issued and fully paid:					
At 1 January		**493,865,859**	**49,387**	2,918,658,596	29,187
Issue of shares upon placing	(i)	**—**	**—**	2,020,000,000	20,200
Share repurchased	(ii)	**—**	**—**	(6)	—
Share consolidated	(iii)	**—**	**—**	(4,444,792,731)	—
Issue of share upon placing	(iv)	**300,000,000**	**30,000**	—	—
Capital reorganisation	(v)	**(714,479,274)**	**(78,593)**	—	—
Issue of shares upon rights issue	(vi)	**2,381,597,550**	**23,816**	—	—
At 31 December		**2,460,984,135**	**24,610**	493,865,859	49,387

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) During the year ended 31 December 2010, 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) In 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.

(ii) 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 herein after defined).

(iii) Pursuant to an ordinary resolution passed by the shareholders of the Company at a special general meeting on 3 November 2010, every 10 issued and unissued shares of HK$0.01 each in share capital of the Company be consolidated into one share of HK$0.10 each.

Notes to the Financial Statements

For the year ended 31 December 2011

32. CAPITAL AND RESERVES *(Continued)*

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

(iv) On 9 November 2010, the Company entered into a placing agreement under which the Company agreed to place up to a total of 300,000,000 shares to independent third parties on a fully underwritten basis, through a placing agent, 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$73,026,000 were raised for repayment of loan, reduction of the Group's debt and gearing level and for expansion and further development of the Group's agricultural produce exchanges.

(v) Pursuant to a special resolution passed on 1 August 2011, a capital reorganisation ("**Capital Reorganisation**") became effective in which involves: (i) the consolidation of share(s) in the issued share capital of Company whereby every ten shares of nominal value of HK$0.10 each in the issued share capital of the Company has been consolidated into one consolidated share of nominal value of HK$1.00 (the "**Consolidated Share**"); (ii) the reduction of the Company's issued share capital whereby (a) the nominal value of all the issued Consolidated Shares was reduced from HK$1.00 each to HK$0.01 each (the "**Adjusted Shares**") and the issued share capital of the Company was accordingly be reduced to the extent of HK$0.99 per Consolidated Share in issue; and (b) any aggregated number of fractional Consolidated Shares in the issued share capital of the Company arising from the share consolidation be cancelled; (iii) the share subdivision whereby every one authorised but unissued Company's share of par value HK$0.10 was subdivided into ten Adjusted Shares of HK$0.01 each; and (iv) applying the credit arising from the capital reduction to set off the accumulated loss of the Company.

(vi) Upon the Capital Reorganisation becoming effective and a special resolution passed on 1 August 2011, the Company proposed to raise gross proceeds of approximately HK$464,400,000, before expenses, by way of the Rights Issue. Pursuant to the Rights Issue, the Company shall allot and issue 2,381,597,550 Rights Shares at the subscription price (i.e. HK$0.195 per Rights Share), on the basis of thirty (30) Rights Shares for every one (1) Adjusted Share held on the record date. Dealings in Rights Shares commenced on 7 September 2011. The net proceeds were raised for expansion of the Group's agricultural produce exchanges, repayment of interest-bearing debts and used as general working capital of the Group.

(d) Nature and purpose of reserves

(i) Share premium

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

(ii) Capital redemption reserve

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

(iii) Contributed surplus

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

Notes to the Financial Statements

For the year ended 31 December 2011

32. CAPITAL AND RESERVES *(Continued)*

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

(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(u).

(vi) Other reserve

The other reserve of the Group was the changes in the Group's ownership interests in its subsidiaries that do not result in the loss of control.

(e) Distributability of reserves

At 31 December 2011, the aggregate amount of reserves available for distribution to equity shareholders of the Company was nil (2010: Nil).

(f) Capital management

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

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

The Group monitors its capital structure on the basis of 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. Capital comprises total equity attributable to equity shareholders of the Company. The Group's overall strategy remains unchanged from prior year.

Notes to the Financial Statements

For the year ended 31 December 2011

32. CAPITAL AND RESERVES *(Continued)*

(f) Capital management *(Continued)*

The gearing ratio as at 31 December 2011 and 2010 was as follows:

	Notes	**2011** **HK$'000**	2010 HK$'000
Current liabilities			
— Bank and other borrowings	28	**583,179**	165,454
— Promissory notes	30	**353,387**	—
Non-current liabilities			
— Bank and other borrowings	28	**185,717**	357,810
— Promissory notes	30	**—**	331,629
Total debt		**1,122,283**	854,893
Less: Cash and cash equivalents	26	**(533,194)**	(81,539)
Net debt		**589,089**	773,354
Total equity		**1,035,351**	275,271
Gearing ratio		**56.9%**	280.9%

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

33. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company adopted a share option scheme (the "**2002 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 Group and any business consultants, agents, legal or financial advisers of the Group (the "**Participants**") to take up options for their contribution to the Group. The 2002 Scheme will expire on 3 June 2012. Under the 2002 Scheme, the board of directors (the "**Board**") may grant options to the Participants to subscribe for shares in the Company for a consideration of HK$1 for each lot of share options granted. The exercise price is to be determined by the Board and shall not be less than the highest of:

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

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

Notes to the Financial Statements

For the year ended 31 December 2011

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

(c) the nominal value of a share.

Pursuant to the 2002 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 10% of the issued share capital of the Company as at the date of adoption of the 2002 Scheme. Subject to the issue of a circular and the approval of the shareholders of the Company in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may refresh the limit at any time to 10% of the total number of shares in issue as at the date of approval by the shareholders of the Company in general meeting. Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2002 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.

No options have been granted, exercised, lapsed or cancelled during the years ended 31 December 2011 and 2010 and there were no outstanding share options granted under the 2002 Scheme as at 31 December 2010 and 2011.

Notes to the Financial Statements

For the year ended 31 December 2011

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation, and arises principally from the carrying amount of the respective financial assets as stated in the consolidated statement of financial position 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 36.2% (2010: approximately 61.5%) of the trade receivables and the largest trade receivable was approximately 11% (2010: approximately 32.1%) 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.

In relation to the Group's deposits with bank, the Group limits its exposure to credit risk by placing deposits with financial institutions with high credit rating and no recent history of default. The directors consider that the Group's credit risk on the bank deposits is low. Management continues to monitor the position and will take appropriate action if their ratings should change. As at 31 December 2011 and 2010, the Group has no significant concentration of credit risk in relation to deposits with bank.

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

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. As at 31 December 2011 and 2010, there were no unutilised banking facilities.

Notes to the Financial Statements

For the year ended 31 December 2011

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

(b) Liquidity risk *(Continued)*

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

			2011		
	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	**396,523**	**396,523**	**396,523**	**—**	**—**
Bank and other borrowings	**768,896**	**768,896**	**583,179**	**135,717**	**50,000**
Promissory notes	**353,387**	**394,800**	**394,800**	**—**	**—**
	1,518,806	**1,560,219**	**1,374,502**	**135,717**	**50,000**

			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	380,161	380,161	380,161	—	—
Bank and other borrowings	523,264	523,264	165,454	203,331	154,479
Promissory notes	331,629	413,600	18,800	394,800	—
	1,235,054	1,317,025	564,415	598,131	154,479

Notes to the Financial Statements

For the year ended 31 December 2011

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

(b) Liquidity risk *(Continued)*

The Company

	2011				
	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**
Other payables	**123,183**	**123,183**	**123,183**	—	—
Bank and other borrowings	**305,000**	**305,000**	**305,000**	—	—
Promissory notes	**353,387**	**394,800**	**394,800**	—	—
	781,570	**822,983**	**822,983**	—	—

	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
Other payables	92,200	92,200	92,200	—	—
Promissory notes	331,629	413,600	18,800	394,800	—
	423,829	505,800	111,000	394,800	—

(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 0.5% to 2.1% as at 31 December 2011 (2010: approximately 0.36% to 1.17%).

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

The Group is exposed to fair value interest rate risk in relation to fixed-rate other borrowings and promissory notes (see notes 28 and 30 for details).

The Group is exposed to cash flow interest rate risk in respect of its variable-rate bank and other borrowings (see note 28) and bank balances (see note 26) 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.

Notes to the Financial Statements

For the year ended 31 December 2011

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

(c) Interest rate risk *(Continued)*

Sensitivity analysis

At 31 December 2011, 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$2,357,000 (2010: approximately HK$4,417,000). Other components of equity would not be affected (2010: 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 2010.

(d) Currency risk

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

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

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

(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

	2011		2010	
	United States dollars '000	**Hong Kong dollars '000**	United States dollars '000	Hong Kong dollars '000
Trade and other receivables	**—**	**1,710**	—	654
Cash and cash equivalents	**1,066**	**366,656**	3,948	8,104
Financial assets at fair value through profit or loss	**—**	**1,343**	—	7,681
Trade and other payables	**—**	**(111,930)**	—	(66,887)
Promissory notes	**—**	**(353,387)**	—	(331,629)
Other borrowings	**—**	**(305,000)**	—	—
Overall exposure to currency risk	**1,066**	**(400,608)**	3,948	(382,077)

Notes to the Financial Statements

For the year ended 31 December 2011

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

(d) Currency risk *(Continued)*

(i) Exposure to currency risk (Continued)

The Company

	2011		2010	
	United States dollars '000	**Hong Kong dollars '000**	United States dollars '000	Hong Kong dollars '000
Trade and other receivables	—	—	—	—
Cash and cash equivalents	—	**325,760**	6	5,621
Trade and other payables	—	**(92,898)**	—	(58,569)
Promissory notes	—	**(353,387)**	—	(331,629)
Other borrowings	—	**(305,000)**	—	—
Overall exposure to currency risk	—	**(425,525)**	6	(384,577)

(ii) Sensitivity analysis

The following table indicates the approximate change in the Group's profit/(loss) after tax and retained profits in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period.

The Group

	2011		2010	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit 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	**5%**	**(53)**	5%	(197)
	(5%)	**53**	(5%)	197
Hong Kong Dollars	**5%**	**20,030**	5%	19,104
	(5%)	**(20,030)**	(5%)	(19,104)

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 2010.

Notes to the Financial Statements

For the year ended 31 December 2011

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

(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$232,000 (2010: approximately HK$599,000). This is mainly due to the changes in financial assets at fair value through profit or loss.

(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 amortised 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 2011 and 2010.

- 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 2011				
Financial assets at fair value through profit or loss	**4,646**	—	—	**4,646**
At 31 December 2010				
Financial assets at fair value through profit or loss	11,976	—	—	11,976

Notes to the Financial Statements

For the year ended 31 December 2011

35. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES

During the year ended 31 December 2011, the Group acquired part of its interest in Global Max Holdings Limited ("**Global Max**") and it subsidiaries ("**Global Max Group**"), indirect hold 10% in Wuhan Baisazhou.

The Group acquired 50% equity interest in Global Max from an independent third party and amount due to shareholder of approximately HK$5,352,000 for a cash consideration HK$22,756,000. The Group then increased its ownership in Global Max from 50% to 100%. The Group recognised a decrease in non-controlling interest at of approximately HK$2,383,000 and decrease in other reserve of approximately HK$15,021,000.

After the completion of acquisition, the Group's interest in Wuhan Baisazhou was increased by 5%.

36. DISPOSAL OF SUBSIDIARIES

On 16 December 2011, the Group entered into a conditional sales and purchase agreement to dispose of the entire issued share capital of All Know and assignment of the amount advanced by the Group to All Know Group (the "**Sale Loan**") at consideration of HK$2. All Know Group carried out the restaurant operation. The transaction was completed on 28 December 2011.

Analysis of assets and liabilities over which control was lost on 28 December 2011:

	HK$'000
Current assets	
Inventories	1,852
Trade and other receivables	8,134
Cash and cash equivalents	1,631
Non-current assets	
Property, plant and equipment	8,085
Current liabilities	
Trade and other payables	(10,839)
Income tax payable	(28)
Amount due to the Group	(1,056,396)
Net liabilities disposal of	(1,047,561)

Gain on disposal of subsidiaries:

	HK$'000
Consideration received and receivable	—
Sale Loan	(1,056,396)
Net liabilities disposal	1,047,561
Non-controlling interests	13,810
Cumulative exchange difference in respect of the net assets of the subsidiaries reclassified from equity to profit or loss on loss of control of subsidiaries	1,509
Gain on disposal	6,484

The gain on disposal is included in the profit for the year from discontinued operations in the consolidated statement of comprehensive income (note 12).

Notes to the Financial Statements

For the year ended 31 December 2011

36. DISPOSAL OF SUBSIDIARIES *(Continued)*

Net cash outflow on disposal of subsidiaries:

	HK$'000
Consideration received in cash and cash equivalents	—
Less: cash and cash equivalent balances disposed of	(1,631)
Cash outflow on disposal of subsidiaries	(1,631)

37. COMMITMENTS

(a) Capital commitments outstanding at 31 December 2011 not provided for in the financial statements were as follows:

	The Group	
	2011	2010
	HK$'000	HK$'000
Capital expenditure authorised and contracted for in respect of acquisition of:		
— Investment properties	**161,282**	—

(b) At 31 December 2011, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2011	2010
	HK$'000	HK$'000
Within one year	**385**	3,131
After one year but within five years	**846**	9,700
	1,231	12,831

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.

Notes to the Financial Statements

For the year ended 31 December 2011

38. LITIGATION

(A) Writ issued by Ms. Wang Xiu Qun and Wuhan Tian Jiu Industrial and Commercial Development Co., Ltd. against the Company

(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 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 Wuhan Baisazhou forged a share transfer agreement (the "**Contended Agreement**") in relation to the acquisition of Wuhan Baisazhou (the "**Acquisition**") wherein the consideration for the Acquisition was understated and the manner of settlement of the consideration was inaccurately described;

(2) it is alleged that Wuhan Baisazhou 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.

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 Wuhan Baisazhou all relevant profits of Wuhan Baisazhou 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 Wuhan Baisazhou had been duly approved and registered with the relevant PRC government authorities.

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

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

Notes to the Financial Statements

For the year ended 31 December 2011

38. LITIGATION *(Continued)*

(A) Writ issued by Ms. Wang Xiu Qun and Wuhan Tian Jiu Industrial and Commercial Development Co., Ltd. against the Company *(Continued)*

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 Wuhan Baisazhou's own management of the operation and management of the Baisazhou exchange, the Board was of the opinion that the Writ had no material effect on the current operation of Wuhan Baisazhou or of the Group as a whole.

According to the Summons, a court hearing would convened on 2 June 2011 in relation to the writ but the Higher People's Court of Hubei Province adjourned the Summons due to the Company requiring more time for studying the relevant information.

(b) The Company and Wuhan Baisazhou sought verbal legal advice from its PRC legal advisers and it has commenced 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.

(c) On or about 18 November 2011, the Higher People's Court of Hubei Province, the PRC made an interim order that the 8% equity interests held by the Company in Wuhan Baisazhou be subject to a freezing order pending determination of the Writ. Having considered the preliminary legal opinion of the Company's PRC legal advisers, the Board is of the view that the freezing order does not affect the daily operation and management of Baisazhou exchange, or the operation of Wuhan Baisazhou and thus of no material effect on the Group as a whole. The Company will continue to take all such necessary action as advised by its PRC legal advisers.

(B) Writ issued by Wuhan Long Xiang Trading Development Limited

(1) On 1 July 2011, Wuhan Baisazhou received a writ (the "**Long Xiang Writ**") issued by Wuhan Long Xiang Trading Development Limited ("**Long Xiang**") (as plaintiff) against Wuhan Baisazhou (as defendant) and filed with the Wuhan Intermediate People's Court, the PRC, together with the related court summons dated 20 June 2011 (the "**Long Xiang Summons**").

(2) It was alleged that Wuhan Baisazhou is obliged to make payment under a settlement agreement and a supplemental settlement agreement entered into between Long Xiang, Wuhan Baisazhou and another party known as Wubei Zhong An Enterprise Investment Company Limited on 16 August 2010 and 19 August 2010 respectively.

(3) According to the Long Xiang Summons, a court hearing was scheduled on 15 August 2011 and has been adjourned due to the court requiring more time for studying the relevant information. The Company and Wuhan Baisazhou are now investigating the matter and seeking legal advice from their PRC legal advisers. Wuhan Baisazhou will vigorously defend against the Long Xiang Writ and take such other necessary action(s) in the PRC as advised by their PRC legal advisers.

(C) Writ issued by the Company against Ms. Wang and Tian Jiu

On or about 24 October 2011, the Company issued a Writ of Summons in the Hong Kong Court of First Instance against Ms. Wang and Tian Jiu. The Company is seeking damages from Ms. Wang and Tian Jiu for their breach of various provisions of the sale and purchase agreement (as vendors) for the Acquisition.

Notes to the Financial Statements

For the year ended 31 December 2011

39. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed else where 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 in note 10, is as follows:

	2011	2010
	HK$'000	HK$'000
Short-term employee benefits	**6,353**	5,903
Post-employment benefits	**55**	69
	6,408	5,972

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 2011 and 2010 are set out in note 33.

40. EVENT AFTER THE REPORTING PERIOD

The Group and the Company had no significant event after the reporting period.

41. COMPARATIVE FINANCIAL INFORMATION

Certain comparative figures have been restated to conform with current year's presentation.

42. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 16 March 2012.

Five Year Financial Summary

	Year ended 31 December				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000 (restated)	HK$'000	HK$'000	HK$'000
Results					
Revenue	**211,845**	99,349	104,117	168,050	45,929
Profit/(loss) before taxation	**296,971**	(379,602)	(390,135)	(894,937)	(9,053)
Income tax (expense)/credit	**(81,534)**	43,335	76,610	216,604	(5,289)
Profit/(loss) for the year	**215,437**	(336,267)	(313,525)	(678,333)	(14,342)
Attributable to:					
Owners of the Company	**117,717**	(325,689)	(296,330)	(613,387)	(15,098)
Non-controlling interests	**97,720**	(10,578)	(17,195)	(64,946)	756
	215,437	(336,267)	(313,525)	(678,333)	(14,342)

	As at 31 December				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**2,927,943**	1,691,882	1,860,327	1,459,231	2,353,801
Total liabilities	**(1,892,592)**	(1,416,611)	(1,381,904)	(995,743)	(1,573,371)
	1,035,351	275,271	478,423	463,488	780,430
Attributable to:					
Owners of the Company	**755,757**	87,917	289,905	392,965	653,826
Non-controlling interests	**279,594**	187,354	188,518	70,523	126,604
	1,035,351	275,271	478,423	463,488	780,430