



中國農產品交易

CHINA AGRI-PRODUCTS EXCHANGE

(Incorporated in Bermuda with limited liability)

Stock Code: 0149

2012 INTERIM REPORT

*Dedicated to developing Agriculture
Sincere in serving Agriculture*



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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

Hong Kong Law: DLA Piper Hong Kong
PRC Law: Zhong Lun Law Firm

Auditors

HLB Hodgson Impey Cheng Limited
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>

INTERIM DIVIDEND

The board of directors (the “**Board**” or “**Directors**”) of China Agri-Products Exchange Limited (the “**Company**” together with its subsidiaries, collectively the “**Group**”) does not recommend any payment of an interim dividend for the six months ended 30 June 2012 (for the six months ended 30 June 2011: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Summary of Financial Results

Turnover and profit attributable to owners of the Company

For the six months ended 30 June 2012, the Group recorded a turnover of approximately HK\$128.0 million (for the six months ended 30 June 2011: approximately HK\$62.4 million), representing a significant increase of approximately 105% compared to the corresponding period last year mainly due to the property sale of the agricultural and by-product exchange market in Yulin (the “**Yulin Market**”) in Guangxi Zhuang Autonomous Region (“**Guangxi**”) and the continuous turnover growth of the agricultural and by-product exchange market in Xuzhou (the “**Xuzhou Market**”) in Jiangsu Province and the agricultural and by-product exchange market in Baisazhou, Wuhan (the “**Wuhan Baisazhou Market**”) in Hubei Province, and gross profit of approximately HK\$75.5 million (for the six months ended 30 June 2011: approximately HK\$43.6 million), representing a significant increase of approximately 73% compared to the corresponding period last year.

The profit attributable to owners of the Company was approximately HK\$28.7 million compared to the loss attributable to owners of the Company of approximately HK\$74.4 million for the corresponding period last year. The turnaround is primarily attributable to the change of fair value of investment properties of the Group and the contribution of sales of certain properties.

Net gain in fair value of investment properties

The fair value gain on investment properties increased to approximately HK\$213.3 million (for the six months ended 30 June 2011: approximately HK\$159.1 million) mainly due to the continuous rise in property prices in the People’s Republic of China (the “**PRC**”) and especially for the rise of property selling price from Yulin Market.

Administrative expenses and selling expenses

The Group recorded administrative expenses of approximately HK\$113.1 million (for the six months ended 30 June 2011: approximately HK\$109.2 million) and selling expenses of approximately HK\$2.5 million (for the six months ended 30 June 2011: approximately HK\$53.9 million). The decrease in selling expenses was mainly due to the Group’s promotion expenses at the agricultural produce exchange in Wuhan Baisazhou Market in the period of 2011 not recurring in the first six months of 2012.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Review of Operations

The Group is principally engaged in the business of property rental and property sale in respect of agricultural produce exchange in the PRC.

Wuhan Baisazhou Market

Wuhan Baisazhou Market is located in the provincial capital of Hubei Province, a key gathering point for buyers and sellers of agricultural produce in central China, and owns and operates an agricultural produce exchange occupying a site area and total gross floor area of approximately 270,000 square metres and 160,000 square metres respectively. During the period under review, the total occupancy rate of Wuhan Baisazhou Market was satisfactory and the operations of Wuhan Baisazhou Market were stable, contributing to an increase in Group's income.

Yulin Market

Yulin Market, one of the flagship projects of the Group, is an agricultural wholesale market complex in Yulin city of Guangxi with various two-storey market stalls and a multi-storey godown. Following the acquisition of an adjacent piece of land with an area of approximately 160,000 square metres in February 2011, the Group has commenced the construction of phase two of Yulin Market. Positioned as a modern large-scale integrated wholesale food market in Guangxi, Yulin Market continued to expand its gross floor area by completing the construction of certain shops in phase one in 2012. During the period under review, the Group has sold certain shops to existing tenants and investors, generating a positive operating cash inflow to the Group in the amount of approximately HK\$39.6 million. Both the property sale and property rental performance of the Yulin Market are good, which present a powerful testament to the success of the Group's business model.

Xuzhou Market

The Group's agricultural wholesale market in Xuzhou, Jiangsu Province with various single-storey market stalls and a multi-storey godown is the major marketplace for the supply of fruit and seafood in east central China. Coupling with the continuous customer flow in Jiangsu Province, the business result of this project was very encouraging with a turnover of approximately HK\$28.9 million for the six months ended 30 June 2012 (for the six months ended 30 June 2011: approximately HK\$23.4 million), representing an increase of approximately 24% compared to the corresponding period last year.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Material Transactions

Prepayment of Kaifeng project

On 16 November 2011 and 18 April 2012, the Group entered into two agreements in relation to the development of Kaifeng project with the local government of Kaifeng city, Henan Province, the PRC. The aggregate amount of prepayment of Kaifeng project was approximately RMB55.0 million. Details of the transaction are referred in the Company's announcement dated 18 April 2012.

Prepayment of Luoyang project

On 21 February 2012 and 20 April 2012, the Group entered into two agreements in relation to the development of Luoyang project with the local government of Luoyang city, Henan Province, the PRC. The aggregate amount of prepayment of Luoyang project was approximately RMB51.5 million. Details of the transaction are referred in the Company's announcement dated 23 April 2012.

Future Plans and Prospects

The overall policy of urbanisation in the PRC will drive economic and population growth in various cities. Our existing projects are strategically located in the western, eastern and central China which are amongst the key locations to capture the growth momentum in China. The Yulin Market aims to serve the Northern Bay region of Guangxi which is being promoted to attract trade from many of the ASEAN countries; the Xuzhou Market is strategically located to serve the Long River Delta and Pan Pearl River Delta regions; whilst the Wuhan Baisazhou Market is the focus of the Group's development for central China.

Looking forward, the management believes that the PRC economic growth will continue to increase the demand for agricultural produce exchange markets. The Group will continue to strengthen our business model and upcoming revenue contribution from both existing projects and our new projects at Luoyang city and Kaifeng city in Henan Province. In addition, the Group will endeavor to negotiate, build and expand its network of agricultural produce wholesale markets by working on establishing partnerships in the PRC and exploring business opportunities in the management of agricultural by-products wholesale markets in different provinces in the PRC so as to deliver long-term benefits to the shareholders of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Liquidity and Financial Resources

As at 30 June 2012, the Group had total cash and cash equivalents amounting to approximately HK\$297.6 million (31 December 2011: approximately HK\$533.2 million) whilst total assets and net assets were approximately HK\$3,056.4 million (31 December 2011: approximately HK\$2,927.9 million) and approximately HK\$1,082.3 million (31 December 2011: approximately HK\$1,035.4 million), respectively. The Group's gearing ratio as at 30 June 2012 was approximately 0.8 (31 December 2011: approximately 0.6), representing a ratio of the total of bank and other borrowings and promissory notes of approximately HK\$1,126.7 million (31 December 2011: approximately HK\$1,122.3 million), net of cash and cash equivalents of approximately HK\$297.6 million (31 December 2011: approximately HK\$533.2 million), to total shareholders' funds of approximately HK\$1,082.3 million (31 December 2011: approximately HK\$1,035.4 million).

Contingent Liabilities and Capital Commitments

The Group's capital commitment, contracted but not provided for, amounted to approximately HK\$232.0 million in relation to the purchase of property, plant and equipment, and construction contracts as at 30 June 2012 (31 December 2011: approximately HK\$161.0 million).

As at 30 June 2012, the Group pledged the land use rights and bank deposits with an aggregate carrying value of approximately HK\$1,023.0 million (31 December 2011: approximately HK\$1,060.0 million) to secure bank borrowings.

As at 30 June 2012, the Group had no significant contingent liability and did not have any outstanding foreign exchange contracts, interest or currency swaps, other derivative financial instruments, options or convertible notes.

Number of Employees and Remuneration Policy

As at 30 June 2012, the Group had 852 employees (31 December 2011: 820 employees), approximately 96% of whom were located in the PRC. The Group's remuneration policy is reviewed periodically by the remuneration committee of the Company and the Board and remuneration is determined by reference to market terms, company performance, and individual qualifications and performance.

DISCLOSURE OF INTERESTS

Directors' Interests and Short Positions in Shares, Underlying Shares or Debentures of the Company and its Associated Corporations

As at 30 June 2012, none of the Directors or chief executive of the Company, nor any of their respective associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**") as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

Directors' Rights to Acquire Shares or Debentures

At no time during the period for the six months ended 30 June 2012 was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the Directors and the chief executive of the Company (including their respective spouse or children under the age of 18) to acquire benefits by means of the acquisition of the shares, underlying shares in, or debentures of, the Company or any of its associated corporations.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares or Underlying Shares

As at 30 June 2012, to the best knowledge of the Directors, the following persons (other than the Directors or chief executive of the Company) had, or were deemed or taken to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

DISCLOSURE OF INTERESTS *(Continued)*

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares or Underlying Shares *(Continued)*

Long positions in the shares of the Company

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 30 June 2012.
- (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.

DISCLOSURE OF INTERESTS *(Continued)*

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares or Underlying Shares *(Continued)*

Save as disclosed above, as at 30 June 2012, 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 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.

SHARE OPTION SCHEME

On 3 May 2012, the Company terminated the old share option scheme adopted on 4 June 2002 and adopted a new share option scheme (the "**Scheme**") for the primary purpose of providing incentive to selected eligible persons ("**Participants**") to take up options for their contribution to the Group. Under the Scheme, the Board may grant share options to the Participants to subscribe for shares of the Company ("**Share(s)**") 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 (i) the official closing price of the Shares as stated in the daily quotations sheets of the Stock Exchange for the date of offer of grant, which must be a business day; (ii) the average of the official closing price of the Shares as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of offer of grant; and (iii) the nominal value of a Share. The number of Shares in respect of which 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. Options granted to substantial shareholders or independent non-executive Directors in excess of 0.1% of the share capital of the Company and with a value in excess of HK\$5,000,000 must be approved in advance by the shareholders of the Company. The Scheme became effective on 3 May 2012 and will remain in force for a period of 10 years. 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 a share option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years from the date of grant.

During the six months ended 30 June 2012, no share option under the Scheme remained outstanding and no share option was granted, exercised, lapsed and cancelled.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The Company had complied with the Code on Corporate Governance Practices during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code (collectively the “**CG Code**”) during the period from 1 April 2012 to 30 June 2012 as set out in Appendix 14 to the Listing Rules, except for the following deviation:

Code provision A.2.1

Mr. Chan Chun Hong, Thomas, the chairman of the Board, also assumed the role of chief executive officer that deviates code provision A.2.1 of the CG Code. Mr. Chan has extensive executive and financial management experience and is responsible for overall corporate planning, strategic policy making and managing of day-to-day operations of the Group which is of great value in enhancing the efficiency to cope with the dynamic business environment. Furthermore, there are various experienced individuals in charge of the daily business operation and the Board comprises three executive Directors and three independent non-executive Directors with balance of skill and experience appropriate for the Group’s further development. The Company does not propose to comply with code provision A.2.1 of the CG Code for the time being but will continue to review such deviation to enhance the best interest of the Group as a whole.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2012.

Model Code for Securities Transactions by Directors

The Company had adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions. Having made specific enquiries of all Directors, the Company confirmed that all Directors had complied with the required standards set out in the Model Code throughout the period under review.

CORPORATE GOVERNANCE AND OTHER INFORMATION *(Continued)*

Audit Committee

The Company has an audit committee (the “**Audit Committee**”), which was established in accordance with the requirements 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 the independent non-executive Directors, namely Mr. Ng Yat Cheung, Mr. Lee Chun Ho and Ms. Lam Ka Jen, Katherine, and is chaired by Ms. Lam Ka Jen, Katherine. The Audit Committee has reviewed with the management and HLB Hodgson Impey Cheng Limited (“**HLB**”) the unaudited condensed consolidated interim results for the six months ended 30 June 2012.

Appreciations

I would like to take this opportunity to thank our customers, business partners, institutional investors and other shareholders for the continued support they gave to the Group during the period. I would also like to thank my fellow Board members and all staff for their hard work and contribution to the Group.

By Order of the Board

China Agri-Products Exchange Limited

中國農產品交易有限公司

Chan Chun Hong, Thomas

Chairman and Chief Executive Officer

Hong Kong, 22 August 2012

INDEPENDENT REVIEW REPORT



國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

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

Chartered Accountants
Certified Public Accountants

INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF CHINA AGRI-PRODUCTS EXCHANGE LIMITED

(incorporated in Bermuda with limited liability)

We have reviewed the interim financial information set out on pages 14 to 36, which comprises the condensed consolidated statement of financial position of China Agri-Products Exchange Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") at 30 June 2012 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

INDEPENDENT REVIEW REPORT *(Continued)*

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Material Uncertainty Concerning Going Concern Basis of Accounting

Without qualifying our conclusion, we draw attention to note 1(b) to the interim financial information which indicates that the Group's consolidated current liabilities exceeded its consolidated current assets by approximately HK\$819,415,000. Notwithstanding the above, the interim financial information have been prepared on a going concern basis, the validity of which is dependent on the Group's ability to extend its short-term borrowings upon maturity, obtain long-term financing facilities to re-finance its short-term borrowings, and derive adequate operating cash flows from its existing operations in order for the Group to meet its financial obligations as they fall due and to finance its future working capital and financial requirements. These conditions, along with other matters as set forth in note 1(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 Limited

Chartered Accountants

Certified Public Accountants

Hon Koon Fai Alex

Practising Certificate Number: P05029

Hong Kong, 22 August 2012

INTERIM RESULTS

The Board announces the unaudited condensed consolidated results of the Group for the six months ended 30 June 2012, together with the comparative figures for the corresponding period in 2011. These interim condensed consolidated financial statements were not audited, but have been reviewed by HLB, the Group's external auditors, and the Audit Committee.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Notes	For the six months ended 30 June	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000 (restated)
Turnover	3	127,990	62,419
Cost of operation		(52,460)	(18,814)
Gross profit		75,530	43,605
Other net income		2,356	4,925
Net gain in fair value of investment properties		213,348	159,118
General and administrative expenses		(113,090)	(109,164)
Selling expenses		(2,484)	(53,922)
Profit from operations		175,660	44,562
Finance costs	4	(45,476)	(41,382)
Profit before taxation		130,184	3,180
Income tax	6	(65,452)	(41,997)
Profit/(loss) for the period from continuing operations	5	64,732	(38,817)
Discontinued operation			
Loss for the period from discontinued operation		—	(1,483)
		64,732	(40,300)
Other comprehensive (loss)/income			
Exchange differences on translating foreign operations		(17,738)	16,806
Total comprehensive income/(loss) for the period		46,994	(23,494)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

For the six months ended 30 June 2012

		For the six months ended 30 June	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000 (restated)
Notes			
Profit/(loss) attributable to:			
		28,658	(74,444)
		36,074	34,144
		64,732	(40,300)
Total comprehensive income/(loss) attributable to:			
		14,096	(61,963)
		32,898	38,469
		46,994	(23,494)
Earnings/(loss) per share			
From continuing and discontinued operations			
	8(a)	HK\$0.01	HK\$(0.79)
	8(b)	HK\$0.01	HK\$(0.79)
From continuing operations			
	8(a)	HK\$0.01	HK\$(0.77)
	8(b)	HK\$0.01	HK\$(0.77)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Notes	As at 30 June 2012 (Unaudited) HK\$'000	As at 31 December 2011 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	9	29,848	30,444
Investment properties	10	2,284,065	2,009,755
Intangible assets		—	—
Goodwill		6,444	6,444
		2,320,357	2,046,643
Current assets			
Stock of properties		212,889	245,730
Trade and other receivables	11	219,376	97,730
Financial assets at fair value through profit or loss		6,179	4,646
Cash and cash equivalents		297,556	533,194
		736,000	881,300
Current liabilities			
Other payables	12	416,145	396,523
Deposit receipts in advance		131,899	130,244
Bank and other borrowings	13	614,843	583,179
Government grants		2,809	2,838
Promissory notes		364,694	353,387
Income tax payable		25,025	15,037
		1,555,415	1,481,208
Net current liabilities		(819,415)	(599,908)
Total assets less current liabilities		1,500,942	1,446,735

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2012

	Notes	As at 30 June 2012 (Unaudited) HK\$'000	As at 31 December 2011 (Audited) HK\$'000
Non-current liabilities			
Bank and other borrowings	13	147,175	185,717
Deferred tax liabilities		271,422	225,667
		418,597	411,384
Net assets			
		1,082,345	1,035,351
Capital and reserves			
Share capital	14	24,610	24,610
Reserves		745,243	731,147
Total equity attributable to owners of the Company			
		769,853	755,757
Non-controlling interests		312,492	279,594
Total equity			
		1,082,345	1,035,351

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Attributable to owners of the Company								Non-controlling interests	Total equity	
	Share capital	Share premium	Capital redemption reserve	Contributed surplus	Shareholders' contribution	Other reserve	Exchange reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (note a)	HK\$'000 (note b)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2011 (audited)	49,387	1,080,247	945	2,215,409	664	—	82,143	(3,340,878)	87,917	187,354	275,271
Exchange differences on translating foreign operations	—	—	—	—	—	—	12,481	—	12,481	4,325	16,806
Other comprehensive income for the period	—	—	—	—	—	—	12,481	—	12,481	4,325	16,806
(Loss)/profit for the period	—	—	—	—	—	—	—	(74,444)	(74,444)	34,144	(40,300)
Total comprehensive income/(loss) for the period	—	—	—	—	—	—	12,481	(74,444)	(61,963)	38,469	(23,494)
Issue of shares	30,000	45,000	—	—	—	—	—	—	75,000	—	75,000
Transaction costs related to issued shares	—	(1,974)	—	—	—	—	—	—	(1,974)	—	(1,974)
At 30 June 2011 (unaudited)	79,387	1,123,273	945	2,215,409	664	—	94,624	(3,415,322)	98,980	225,823	324,803
At 1 January 2012 (audited)	24,610	1,552,994	945	2,215,409	664	(15,021)	120,724	(3,144,568)	755,757	279,594	1,035,351
Exchange differences on translating foreign operations	—	—	—	—	—	—	(14,562)	—	(14,562)	(3,176)	(17,738)
Other comprehensive loss for the period	—	—	—	—	—	—	(14,562)	—	(14,562)	(3,176)	(17,738)
Profit for the period	—	—	—	—	—	—	—	28,658	28,658	36,074	64,732
Total comprehensive (loss)/income for the period	—	—	—	—	—	—	(14,562)	28,658	14,096	32,898	46,994
At 30 June 2012 (unaudited)	24,610	1,552,994	945	2,215,409	664	(15,021)	106,162	(3,115,910)	769,853	312,492	1,082,345

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

For the six months ended 30 June 2012

Notes:

- (a) 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.

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	For the six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Notes		
Net cash used in operating activities	(126,696)	(123,964)
Investing activities		
Payments for purchases of property, plant and equipment	(1,152)	(4,535)
Payments for investment properties	(83,416)	(72,957)
Purchase of financial assets at fair value through profit or loss	(2,313)	—
Dividend received	—	47
Bank interest received	1,510	245
Net cash used in investing activities	(85,371)	(77,200)
Financing activities		
Proceeds from new bank and other borrowings	93,239	367,324
Repayments of bank and other borrowings	(96,300)	(39,895)
Net proceeds from issue of shares	—	73,206
Interest paid	(23,866)	(21,103)
Net cash (used in)/generated from financing activities	(26,927)	379,352
Net (decrease)/increase in cash and cash equivalents	(238,994)	178,188
Cash and cash equivalents at 1 January	533,194	81,539
Effect of foreign exchange rate changes	3,356	(23,389)
Cash and cash equivalents at 30 June	297,556	236,338

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

(a) Statement of compliance

The unaudited condensed consolidated interim financial statements (the “**Interim Financial Statements**”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Listing Rules and with Hong Kong Accounting Standard (the “**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

(b) Basis of preparation of Interim Financial Statements

Going concern basis

In preparing the Interim 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\$819,415,000 as at 30 June 2012; and
- the Group had outstanding bank and other borrowings of approximately HK\$762,018,000 (note 13), out of which an aggregate of approximately HK\$614,843,000 due for repayment within the next twelve months after 30 June 2012.

The directors adopted the going concern basis in the preparation of the Interim 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 source of external funding

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

Subsequent to the reporting period, the Company entered into the conditional loan agreement (“**New Loan Agreement**”) with True Noble Limited (“**True Noble**”) on 16 July 2012 (as supplemented on 31 July 2012) in relation to the provision of a proposed loan facility of not exceeding the sum of HK\$670 million to the Company at an interest rate of 10% per annum (“**New Loan Facility**”) during the period commencing upon the fulfillment or waiver (as the case may be) of all the conditions to the New Loan Agreement set out in the section head “Conditions of the New Loan Agreement” in the Company’s announcement dated 16 July 2012, and expiring on 30 September 2014 to, inter alia, repay the full amount of the three outstanding loan facilities in the aggregate sum of HK\$320 million granted by True Noble to the Group pursuant to the three loan agreements dated 25 March 2009 (which was amended by the amendment deed dated 14 September 2010), 10 March 2011 and 28 March 2011, respectively (“**Existing Loan Facilities**”). Details of the transaction were disclosed in the Company’s announcements dated 16 July 2012 and 31 July 2012.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

1. BASIS OF PREPARATION (Continued)

(b) Basis of preparation of Interim Financial Statements (Continued)

Going concern basis (Continued)

- (2) Attainment of profitable and positive cash flow operations

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

- (3) Necessary facilities

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

In the opinion of the directors, the 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 Interim Financial Statements on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have been 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 Interim Financial Statements.

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

The Interim Financial Statements has been prepared under the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

The accounting policies used in the Interim Financial Statements is consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“**new and revised HKFRSs**”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 January 2012.

HKFRS 1 Amendments	First time Adoption of Hong Kong Financial Reporting Standards-Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 Amendments	Disclosures — Transfers of Financial Assets
HKAS 12 Amendments	Deferred Tax — Recovery of Underlying Assets

The adoption of these new and revised HKFRSs had no significant financial effect on these Interim Financial Statements.

Standards and interpretations in issue but not yet effective

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

HKFRS 7 Amendments	Disclosures — offsetting Financial Assets and Financial Liabilities ²
HKFRS 9	Financial Instruments ⁴
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 ¹
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 ³
HK(IFRIC)-Int 20	Stripping Costs in Production Phase of Surface Mine ²

¹ Effective for annual periods beginning on or after 1 July 2012.

² Effective for annual periods beginning on or after 1 January 2013.

³ Effective for annual periods beginning on or after 1 January 2014.

⁴ Effective for annual periods beginning on or after 1 January 2015.

The directors of the Company are in the process to assess the impact on the Group’s Interim Financial Statements in relation to application of these new and revised HKFRSs.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

3. SEGMENT REPORTING

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

Segment revenue and results

An analysis of the Group's revenues and results by reportable segments for the six months ended 30 June 2012 and 2011:

	Continuing operations				Discontinued operation		Consolidated	
	Property rental		Property sale		Restaurant operation		2012	2011
	2012	2011	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover								
External sales	88,421	62,419	39,569	—	—	13,558	127,990	75,977
Result								
Segment result	204,459	74,430	6,895	—	—	(1,222)	211,354	73,208
Unallocated corporate expenses							(36,966)	(30,413)
Other income							1,272	284
Profit from operations							175,660	43,079
Finance costs							(45,476)	(41,382)
Profit before taxation							130,184	1,697
Income tax							(65,452)	(41,997)
Profit/(loss) for the period							64,732	(40,300)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

3. SEGMENT REPORTING (Continued)

Segment assets and liabilities

An analysis of the Group assets and liabilities by reportable segments as at 30 June 2012 and 31 December 2011:

	Continuing operations				Discontinued operation		Consolidated	
	Property rental		Property sale		Restaurant operation			
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Assets								
Segment assets	2,684,808	2,222,943	212,889	245,730	—	—	2,897,697	2,468,673
Unallocated corporate assets							158,660	459,270
Consolidated total assets							3,056,357	2,927,943
Liabilities								
Segment liabilities	943,612	945,402	113,854	89,394	—	—	1,057,466	1,034,796
Unallocated corporate liabilities							916,546	857,796
Consolidated total liabilities							1,974,012	1,892,592

4. FINANCE COSTS

For the six months
ended 30 June

	2012 HK\$'000	2011 HK\$'000
Continuing operations:		
Interest on bank advances and other borrowings wholly repayable within five years	23,866	21,103
Interest on promissory notes	21,610	20,279
	45,476	41,382
Discontinued operation:	—	—
	45,476	41,382

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

5. PROFIT/(LOSS) FOR THE PERIOD

	For the six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
Continuing operations:		
Profit/(loss) for the period has been arrived at after charging the following items:		
Depreciation	2,274	2,327
Fair value loss on financial assets at fair value through profit or loss	768	2,200
Discontinued operation:		
Depreciation	—	349

6. INCOME TAX

Taxation in the Interim Financial Statements represents:

	For the six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
Continuing operations:		
Current tax		
— PRC enterprise income tax	2,423	2,217
— Land Appreciation Tax	9,692	—
	12,115	2,217
Deferred tax		
Origination and reversal of temporary differences	53,337	39,780
	65,452	41,997
Discontinued operation:		
Current tax		
— PRC enterprise income tax	—	2
	—	2
Deferred tax		
	—	—
	—	2

No provision for Hong Kong Profits Tax has been made in the Interim Financial Statements as the Group had no assessable profits in both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

7. DIVIDENDS

The directors do not propose the payment of any interim dividend in respect of the period under review (six months ended 30 June 2011: Nil)

8. 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 period attributable to owners of the Company of approximately HK\$28,658,000 (2011: loss approximately HK\$74,444,000) and the weighted average number of 2,460,984,135 ordinary shares (2011: 93,855,105 (restated)) in issue during the period. The basic loss per share for 2011 had been adjusted for the effects of the share consolidation and rights issue completed during the year ended 31 December 2011.

For continuing operations

The calculation of basic earnings/(loss) per share is based on the earnings/(loss) for the period attributable to owners of the Company of approximately HK\$28,658,000 (2011: loss approximately HK\$72,961,000) and the weighted average number of 2,460,984,135 ordinary shares (2011: 93,855,105 (restated)) in issue during the period. The basic loss per share for 2011 had been adjusted for the effects of the share consolidation and rights issue completed during the year ended 31 December 2011.

For discontinued operation

For the period ended 2011, the calculation of basic loss per share is based on the loss for the period attributable to owners of the Company of approximately HK\$1,483,000 and the weighted average number of 93,855,105 (restated) ordinary shares. The basic loss per share for 2011 had been adjusted for the effects of the share consolidation and rights issue completed during the year ended 31 December 2011.

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share for the periods ended 30 June 2012 and 2011 is the same as the basic earnings/(loss) per share as there was no dilutive event during the periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

9. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the period under review, the Group acquired property, plant and equipment at cost of approximately HK\$1,152,000 (six months ended 30 June 2011: approximately HK\$4,535,000).

10. INVESTMENT PROPERTIES

During the period under review, the Group's addition of investment properties at cost and exchange loss realignment were of approximately HK\$83,416,000 and HK\$22,454,000 respectively. The Group's investment properties were fair valued by valuers at 30 June 2012.

During the period under review, investment properties with carrying amount of approximately HK\$1,002,879,000 (31 December 2011: approximately HK\$1,039,219,000) were pledged to banks for the Group's borrowings.

11. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30 days to its trade customers. Included in trade and other receivables are trade receivables of approximately HK\$308,000 (31 December 2011: approximately HK\$417,000) and their aging analysis at each reporting period is as follow:

	As at 30 June 2012 HK\$'000	As at 31 December 2011 HK\$'000
Less than 90 days	231	311
More than 90 days but less than 180 days	29	81
More than 180 days	48	25
Total trade receivables	308	417
Other deposits	191,996	77,170
Prepayments	6,206	3,803
Other receivables	20,866	16,340
	219,376	97,730

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

12. OTHER PAYABLES

	As at 30 June 2012 HK\$'000	As at 31 December 2011 HK\$'000
Accrued charges	17,129	11,712
Construction payable	29,677	37,909
Deposits	23,892	20,839
Other tax payable	27,360	22,924
Other payables	318,087	303,139
	416,145	396,523

13. BANK AND OTHER BORROWINGS

	As at 30 June 2012 HK\$'000	As at 31 December 2011 HK\$'000
Secured bank borrowings	348,698	355,386
Unsecured other borrowings	413,320	413,510
	762,018	768,896
Carrying amount repayable:		
Within one year	614,843	583,179
More than one year, but not exceeding two years	147,175	185,717
	762,018	768,896
Less: amounts due within one year shown under current liabilities	(614,843)	(583,179)
	147,175	185,717

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

13. BANK AND OTHER BORROWINGS (Continued)

- (a) Included in the above balances are bank borrowings with variable-rate borrowings of approximately HK\$348,698,000 (31 December 2011: approximately HK\$355,386,000) 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 period ranged from 5.8% to 7.9% per annum (31 December 2011: 5.4% to 8% per annum). Interest is repriced every 30 days. The other borrowings of approximately HK\$413,320,000 (31 December 2011: approximately HK\$413,510,000) were obtained from three (31 December 2011: three) independent third parties and carry interest fixed at 6% to 8% per annum (31 December 2011: 6% to 8% per annum).
- (b) The ranges of effective interest rates (which equal to contracted interest rates) on the Group's borrowings are as follows:

	As at 30 June 2012 Per annum	As at 31 December 2011 Per annum
Effective interest rate:		
Fixed-rate borrowings	6% to 8%	6% to 8%
Variable-rate borrowings	5.8% to 7.9%	5.4% to 8%

- (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\$1,023,275,000 (31 December 2011: approximately HK\$1,060,669,000).

14. SHARE CAPITAL

Notes	As at 30 June 2012		As at 31 December 2011	
	Number of shares	Nominal value HK\$'000	Number of shares	Nominal value HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	30,000,000,000	300,000	30,000,000,000	300,000
Ordinary shares, issued and fully paid:				
At 1 January	2,460,984,135	24,610	493,865,859	49,387
Issue of shares upon placing (i)	—	—	300,000,000	30,000
Capital reorganisation (ii)	—	—	(714,479,274)	(78,593)
Issue of shares upon rights issue (iii)	—	—	2,381,597,550	23,816
At 30 June/31 December	2,460,984,135	24,610	2,460,984,135	24,610

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

14. SHARE CAPITAL (Continued)

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

- (i) On 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.
- (ii) 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 the 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.
- (iii) 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

15. COMMITMENTS

- (a) Capital commitments outstanding at 30 June 2012 not provided for in the Interim Financial Statements were as follows:

	As at 30 June 2012 HK\$'000	As at 31 December 2011 HK\$'000
Capital expenditure authorised and contracted for in respect of construction of:		
— investment properties	231,953	161,282

- (b) At 30 June 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 30 June 2012 HK\$'000	As at 31 December 2011 HK\$'000
Within one year	762	385
After one year but within five years	40	846
	802	1,231

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 extensions options. None of the leases includes contingent rental.

16. LITIGATION

- (A) **Court proceedings between Ms. Wang Xiu Qun, Wuhan Tian Jiu Industrial and Commercial Development Co., Ltd. and the Company in the PRC**

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

16. LITIGATION (Continued)

(A) **Court proceedings between Ms. Wang Xiu Qun, Wuhan Tian Jiu Industrial and Commercial Development Co., Ltd. and the Company in the PRC** (Continued)

(a) (Continued)

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

- (1) it is alleged that Baisazhou Agricultural forged a share transfer agreement (the "**Contended Agreement**") in relation to the acquisition of Baisazhou Agricultural (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 Baisazhou Agricultural forged the related documentation for filing with the PRC Ministry of Commerce and the Hubei Province Administration of Industry and Commerce (the "**Hubei AIC**"), and that such documentation and the Contended Agreement involved forged signatures; and
- (3) it is alleged that the PRC Ministry of Commerce and the Hubei AIC approved the Acquisition and processed the related filings on the basis of the above forged documents.

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

16. LITIGATION (Continued)

(A) Court proceedings between Ms. Wang Xiu Qun, Wuhan Tian Jiu Industrial and Commercial Development Co., Ltd. and the Company in the PRC (Continued)

(a) (Continued)

- (1) The Board had previously received letters from Ms. Wang and Tian Jiu through their legal representatives in the PRC and Hong Kong on 25 November 2010 and 14 December 2010 (the "Letters") respectively. The allegations set out in the Letters are substantially the same as those set out in the Writ.
- (2) The Board, upon receipt of the Letters and again upon receipt of the Writ, sought legal advice from its PRC and Hong Kong legal advisers. The Company's legal advisers advised that:
 - (a) The PRC legal advisers previously retained by the Company for the purposes of the Acquisition had confirmed in their legal opinion dated 30 November 2007 that the Acquisition had been approved by the relevant PRC government authorities in accordance with PRC laws and regulations.
 - (b) The shareholding changes in Baisazhou Agricultural have been duly approved and registered with the relevant PRC government authorities.
 - (c) Subsequent to the registration of the above shareholding changes, Baisazhou Agricultural has obtained the necessary new business licence from the relevant PRC government authority.
 - (d) Accordingly, the Acquisition is legal and valid.

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

Court hearings were convened on 18 July 2011 and 18 August 2011 at the Higher People's Court of Hubei Province in Wuhan. On 5 June 2012, further court hearing was convened to hear further evidence regarding the case and the Company is now awaiting further directions and decision of the Higher People's Court of Hubei Province in Wuhan.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

16. LITIGATION (Continued)

(A) Court proceedings between Ms. Wang Xiu Qun, Wuhan Tian Jiu Industrial and Commercial Development Co., Ltd. and the Company in the PRC (Continued)

- (b) The Company and Baisazhou Agricultural sought 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 Baisazhou Agricultural 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 Baisazhou Agricultural and thus of no material effect on the Group as a whole.

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

- (1) On 1 July 2011, Baisazhou Agricultural received a writ (the "**Long Xiang Writ**") issued by Wuhan Long Xiang Trading Development Limited ("**Long Xiang**") (as plaintiff) against Baisazhou Agricultural (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 Baisazhou Agricultural is obliged to make payment under a settlement agreement and a supplemental settlement agreement entered into between Long Xiang, Baisazhou Agricultural and another party known as Wubei Zhong An Enterprise Investment Company Limited on 16 August 2010 and 19 August 2010 respectively.
- (3) On 20 April 2012, the Wuhan Intermediate People's Court, which is the first instance court in the PRC, granted a judgment under which Baisazhou Agricultural was obliged to repay RMB20,659,176 together with interest at the borrowing rate offered by the People's Bank of China for the period from 19 August 2010 to 16 May 2011 to Long Xiang as damages for economic loss suffered.

Subsequent to the judgment granted by the Wuhan Intermediate People's Court, Baisazhou Agricultural appealed to the Higher People's Court of Hubei Province. The Company will continue to take all such necessary action as advised by its 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

17. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Interim Financial Statements, the Group entered into the following material related party transactions:

Transactions with key management personnel

Remuneration for key management personnel of the Group including amount paid to the Company's directors and certain of the highest paid employees.

	For the six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
Short-term employee benefits	4,650	4,004
Post-employment benefits	31	28
	4,681	4,032

18. EVENTS AFTER THE INTERIM PERIOD

Subsequent to the reporting period, the Company entered into a New Loan Agreement with True Noble on 16 July 2012 (as supplemented on 31 July 2012) in relation to the provision of the New Loan Facility during the period upon the fulfillment or waiver (as the case may be) of the conditions precedent set out in the New Loan Agreement and up to 30 September 2014 to, inter alia, repay the full amount of the Existing Loan Facilities, details of which were set out in the Company's announcements dated 16 July 2012 and 31 July 2012.

19. COMPARATIVE FIGURES

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

20. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised to be issued by the Board on 22 August 2012.