



中國農產品交易

CHINA AGRI-PRODUCTS EXCHANGE

(Incorporated in Bermuda with limited liability)

Stock Code: 0149

2013 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*
Mr. Wong Koon Kui, Lawrence, *Chief Executive Officer*
Mr. Leung Sui Wah, Raymond
Mr. Yau Yuk Shing

Independent Non-executive Directors

Mr. Ng Yat Cheung, *JP*
Ms. Lam Ka Jen, Katherine
Mr. Lau King Lung

AUDIT COMMITTEE

Ms. Lam Ka Jen, Katherine, *Chairman*
Mr. Ng Yat Cheung, *JP*
Mr. Lau King Lung

REMUNERATION COMMITTEE

Mr. Ng Yat Cheung, *JP, Chairman*
Ms. Lam Ka Jen, Katherine
Mr. Lau King Lung
Mr. Chan Chun Hong, Thomas
Mr. Wong Koon Kui, Lawrence

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. Cheung Chin Wa, Angus

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
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
26 Burnaby Street
Hamilton HM 11
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 2013 (for the six months ended 30 June 2012: 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 2013, the Group recorded a turnover of approximately HK\$259.3 million (for the six months ended 30 June 2012: approximately HK\$128.0 million), representing a significant increase of approximately 103% compared to the corresponding period last year. The increase was mainly due to the recognition of property sales at 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 in Baisazhou, Wuhan (the “**Wuhan Baisazhou Market**”) in Hubei Province. Gross profit was approximately HK\$92.5 million (for the six months ended 30 June 2012: approximately HK\$65.8 million), representing a significant increase of approximately 40% compared to the corresponding period last year.

The profit attributable to owners of the Company was approximately HK\$38.1 million compared to approximately HK\$28.7 million for the corresponding period last year. The moderate growth was primarily attributable to the contribution of sales of certain properties but offset by the increase of finance cost for developing new projects of the Group.

Net gain in fair value of investment properties

The fair value gain on investment properties increased to approximately HK\$217.0 million (for the six months ended 30 June 2012: approximately HK\$213.3 million), mainly due to the continuous rise in property prices in the People’s Republic of China (the “**PRC**”) including particularly the positive effect of property selling prices at Yulin Market.

Administrative expenses and selling expenses

The Group recorded administrative expenses of approximately HK\$113.3 million (for the six months ended 30 June 2012: approximately HK\$113.1 million) and selling expenses of approximately HK\$10.0 million (for the six months ended 30 June 2012: approximately HK\$2.5 million). The increase in selling expenses was mainly due to the promotion expenses incurred at the Group’s agricultural produce exchanges and the marketing and promotion costs incurred at the Group’s Luoyang project in the period of 2013.

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 with income growth of approximately 19% compared to the income of the corresponding period of last year, contributing to an increase in the Group's income. Wuhan Baisazhou Market was also awarded as one of the first batch of key distribution centre of national agricultural markets issued by the Ministry of Commerce of the PRC in 2013.

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 market stalls and multi-storey godowns. Following completion of the construction at an adjacent parcel of land with an area of approximately 160,000 square metres acquired in February 2012, the Group has started the operations of phase two of Yulin Market with a satisfactory rental rate. During the period under review, Yulin Market has sold certain shops to existing tenants and investors, recognising property sale to the Group in the amount of approximately HK\$154.8 million. Both the property sales 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 storey market stalls and multi-storey godowns, is the major marketplace for the supply of fruit and meat in east 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\$32.4 million for the six months ended 30 June 2013 (for the six months ended 30 June 2012: approximately HK\$28.9 million), representing an increase of approximately 12% compared to the corresponding period last year.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Material Transactions

Land Acquisition at Kaifeng

On 10 January 2013, the Group won a bid at a tender for five parcels of land with approximately 408,000 square metres in total for the Kaifeng project at the consideration of approximately RMB116.3 million. The land is intended to be used to expand the Group's existing network of its agricultural wholesale markets in the PRC. Details of the transaction are disclosed in the Company's announcement dated 11 January 2013.

Land Acquisition at Huaian

On 15 January 2013, the Group won a bid at a tender for a parcel of land with approximately 53,000 square metres for the Huaian project at the consideration of RMB42.0 million. The land is intended to be used to expand the Group's existing network of its agricultural wholesale markets in the PRC. Details of the transaction are disclosed in the Company's announcement dated 16 January 2013.

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. Yulin Market is aimed 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. With the building up the agricultural market network, the management believes that the existing agricultural markets will continue to bring positive results to the Group.

Backed by the favourable policy in the PRC, the management believes that the rising demand for food and vegetables in various cities may have positive impact on our existing agricultural market and stimulate strong demand and transactions for agricultural markets. Coupling with the favourable government policies on the development of agricultural markets, the Group has strong confidence on its business model. The new projects in Luoyang city and Kaifeng city in Henan Province and Huaian city in Jiangsu Province will be a new driving force to the future development of the Group. 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 of agricultural 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 2013, the Group had total cash and cash equivalents amounting to approximately HK\$332.4 million (31 December 2012: approximately HK\$394.0 million) whilst total assets and net assets were approximately HK\$4,651.7 million (31 December 2012: approximately HK\$4,331.9 million) and approximately HK\$1,366.3 million (31 December 2012: approximately HK\$1,267.5 million), respectively. The change in the value of current assets from approximately HK\$886.0 million as at 31 December 2012 to approximately HK\$1,718.4 million as at 30 June 2013 was mainly due to the change of development plans to sale of properties in the Luoyang project and Qinzhou project. The Group's gearing ratio as at 30 June 2013 was approximately 1.25 (31 December 2012: approximately 1.0), being a ratio of the total of bank and other borrowings and promissory notes of approximately HK\$2,034.7 million (31 December 2012: approximately HK\$1,620.8 million), net of cash and cash equivalents of approximately HK\$332.4 million (31 December 2012: approximately HK\$394.0 million), to total shareholders' funds of approximately HK\$1,366.3 million (31 December 2012: approximately HK\$1,267.5 million).

Contingent Liabilities and Capital Commitments

As at 30 June 2013, outstanding capital commitment, contracted but not provided for, amounted to approximately HK\$255.0 million in relation to the purchase of property, plant and equipment, and construction contracts (31 December 2012: approximately HK\$441.7 million).

As at 30 June 2013, the Group pledged the land use rights and stock of properties with an aggregate carrying value of approximately HK\$1,324.8 million (31 December 2012: approximately HK\$1,334.2 million) to secure bank borrowings.

As at 30 June 2013, the Group had no significant contingent liability.

Employees and Remuneration Policies

As at 30 June 2013, the Group had 1,403 employees (31 December 2012: 942 employees), approximately 97% 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 2013, 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 2013 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 2013, 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 2013.
- (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 approximately 34.63% interest in PNG Resources was taken to be interested in such shares.

Save as disclosed above, as at 30 June 2013, 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 adopted a 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 Shares in issue and with an aggregate 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.

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 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.

As at 30 June 2013, no share options under the Scheme remained outstanding. During the period ended 30 June 2013, no share option was exercised, granted, lapsed and cancelled. As at the date of this interim report, the total number of Shares available for issue under the Scheme is 246,098,413 Shares, representing 10% of the existing issued share capital of the Company.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The Company had complied with the Corporate Governance Code during the period from 1 January 2013 to 30 June 2013 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, has also assumed the role of chief executive officer since 2 August 2010. To re-comply with code provision A.2.1 of the CG Code, with effect from 20 March 2013, Mr. Chan has resigned from the role of the chief executive officer of the Company but remains as the chairman of the Board and Mr. Wong Koon Kui, Lawrence was re-designated as the chief executive officer of the Company.

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 2013.

Change of Independent Non-executive Directors

On 16 May 2013, Mr. Lee Chun Ho retired as an independent non-executive Director, the chairman of the nomination committee and a member of each of the audit committee and the remuneration committee of the Company and Mr. Lau King Lung was appointed as an independent non-executive Director and the chairman of the nomination committee and a member of each of the audit committee and the remuneration committee of the Company.

Change in Information of Directors

The change in information of the Directors since the publication of the 2012 annual report are set out below pursuant to Rule 13.51B(1) of the Listing Rules:

Directors' Emoluments

With effect from 1 April 2013, the basic annual salary payable to Mr. Chan Chun Hong, Thomas has been increased by HK\$22,440, to Mr. Wong Koon Kui, Lawrence has been increased by HK\$52,800, to Mr. Leung Sui Wah, Raymond has been increased by HK\$40,680 and to Mr. Yau Yuk Shing has been increased by HK\$36,000, respectively.

CORPORATE GOVERNANCE AND OTHER INFORMATION *(Continued)*

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.

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, Ms. Lam Ka Jen, Katherine and Mr. Lau King Lung, and is chaired by Ms. Lam Ka Jen, Katherine, which has reviewed with the management the unaudited condensed consolidated interim results for the six months ended 30 June 2013.

Appreciations

I would like to take this opportunity to thank our customers, business partners 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

Hong Kong, 15 August 2013

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

**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 34, 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 2013 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated 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 2410¹ “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 had net cash outflows in operating activities of approximately HK\$237,492,000. 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

Certified Public Accountants

Wong Sze Wai, Basilia

Practising Certificate Number: P05806

Hong Kong, 15 August 2013

INTERIM RESULTS

The Board announces the unaudited condensed consolidated results of the Group for the six months ended 30 June 2013, together with the comparative figures for the corresponding period in 2012. These interim condensed consolidated financial statements were not audited, but have been reviewed by HLB Hodgson Impey Cheng Limited, the Group's external auditors, and the Audit Committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Notes	For the six months ended 30 June	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Turnover	3	259,267	127,990
Cost of operation		(166,766)	(62,152)
Gross profit		92,501	65,838
Other revenue and other net income		6,372	2,356
Net gain in fair value of investment properties		216,995	213,348
General and administrative expenses		(113,273)	(113,090)
Selling expenses		(10,007)	(2,484)
Profit from operations		192,588	165,968
Finance costs	4	(71,977)	(45,476)
Profit before taxation		120,611	120,492
Income tax	6	(61,331)	(55,760)
Profit for the period	5	59,280	64,732
Other comprehensive income/(loss)			
Exchange differences on translating foreign operations		39,560	(17,738)
Total comprehensive income for the period		98,840	46,994

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

For the six months ended 30 June 2013

		For the six months ended 30 June	
	Notes	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Profit attributable to:			
Owners of the Company		38,070	28,658
Non-controlling interests		21,210	36,074
		59,280	64,732
Total comprehensive income attributable to:			
Owners of the Company		76,184	14,096
Non-controlling interests		22,656	32,898
		98,840	46,994
Earnings per share			
— Basic	8	HK\$0.02	HK\$0.01
— Diluted	8	HK\$0.02	HK\$0.01

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	As at 30 June 2013 (Unaudited) HK\$'000	As at 31 December 2012 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	9	35,531	30,575
Investment properties	10	2,891,336	3,408,915
Goodwill		6,444	6,444
		2,933,311	3,445,934
Current assets			
Stock of properties		1,046,113	168,149
Trade and other receivables	11	330,474	313,930
Financial assets at fair value through profit or loss		9,413	5,410
Tax receivable		—	4,521
Cash and cash equivalents		332,389	393,954
		1,718,389	885,964
Current liabilities			
Deposits and other payables	12	740,018	947,899
Deposit receipts in advance		97,834	135,054
Bank and other borrowings	13	217,945	275,452
Government grants		2,906	2,860
Promissory notes		376,000	376,000
Income tax payable		20,281	7,581
		1,454,984	1,744,846
Net current assets/(liabilities)		263,405	(858,882)
Total assets less current liabilities		3,196,716	2,587,052
Non-current liabilities			
Bank and other borrowings	13	1,440,781	969,358
Deferred tax liabilities		389,589	350,188
		1,830,370	1,319,546
Net assets		1,366,346	1,267,506

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 30 June 2013

	Notes	As at 30 June 2013 (Unaudited) HK\$'000	As at 31 December 2012 (Audited) HK\$'000
Capital and reserves			
Share capital	14	24,610	24,610
Reserves		969,254	893,070
Total equity attributable to owners of the Company			
Non-controlling interests		372,482	349,826
Total equity			
		1,366,346	1,267,506

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Attributable to owners of the Company									Non-controlling interests	Total equity
	Share capital	Share premium	Capital redemption reserve	Contributed surplus	Shareholders' contribution	Options reserve	Exchange reserve	Accumulated losses	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (note a)	HK\$'000 (note b)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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
At 1 January 2013 (audited)	24,610	1,552,994	945	2,215,409	664	(15,021)	136,969	(2,998,890)	917,680	349,826	1,267,506
Exchange differences on translating foreign operations	–	–	–	–	–	–	38,114	–	38,114	1,446	39,560
Other comprehensive income for the period	–	–	–	–	–	–	38,114	–	38,114	1,446	39,560
Profit for the period	–	–	–	–	–	–	–	38,070	38,070	21,210	59,280
Total comprehensive income for the period	–	–	–	–	–	–	38,114	38,070	76,184	22,656	98,840
At 30 June 2013 (unaudited)	24,610	1,552,994	945	2,215,409	664	(15,021)	175,083	(2,960,820)	993,864	372,482	1,366,346

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 2013

	Notes	For the six months ended 30 June	
		2013	2012
		(Unaudited) HK\$'000	(Unaudited) HK\$'000
Net cash used in operating activities		(237,492)	(126,696)
Investing activities			
Purchase of financial assets at fair value through profit or loss		—	(2,313)
Payments for purchases of property, plant and equipment		(7,440)	(1,152)
Payments for purchase of investment properties		(207,410)	(83,416)
Bank interest received		1,006	1,510
Net cash used in investing activities		(213,844)	(85,371)
Financing activities			
Proceeds from new bank borrowings		119,207	93,239
Proceeds from new other borrowings		405,000	—
Repayments of bank borrowings		(116,697)	(96,300)
Interest paid		(11,655)	(23,866)
Net cash generated from/(used in) financing activities		395,855	(26,927)
Net decrease in cash and cash equivalents		(55,481)	(238,994)
Cash and cash equivalents at 1 January		393,954	533,194
Effect of foreign exchange rate changes		(6,084)	3,356
Cash and cash equivalents at 30 June		332,389	297,556

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 net cash outflows in operating activities of approximately HK\$237,492,000 as at 30 June 2013; and
- the Group had outstanding bank and other borrowings of approximately HK\$1,658,726,000 (note 13), out of which an aggregate of approximately HK\$217,945,000 due for repayment within the next twelve months after 30 June 2013.

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) 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.

(2) Necessary facilities

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

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

On 21 September 2012, the High Court of Hong Kong Special Administrative Region Court of First Instance (the "**Court**") granted an injunction order ("**Injunction Order**") until further order of the Court and/or hearing of the Company's inter parties summons on 5 October 2012. The Injunction Order restrained Ms. Wang Xiu Qun ("**Ms. Wang**") and Wuhan Tian Jiu Industrial and Commercial Development Co., Ltd. ("**Tian Jiu**") from indorsing, assigning, transferring or negotiating the two instruments (purportedly described as promissory notes in the sale and purchase agreement between the Company and each of Ms. Wang and Tian Jiu respectively) (the two instruments collectively as ("**Instruments**") to any third party.

On 5 October 2012, the Company obtained a court order from the Court to the effect that undertakings were given by Ms. Wang and Tian Jiu (the "**Undertakings**") not to indorse, assign, transfer or negotiate the Instruments, and enforce payment by presentation of the Instruments to the Company, in each case until final determination of the court action commenced by the Company against Ms. Wang and Tian Jiu in October 2011. The Court further ordered that there will be a continuation of the Injunction Order until further order.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

1. BASIS OF PREPARATION *(Continued)*

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

In March 2013, the Company, Ms. Wang and Tian Jiu applied jointly to the Court to discharge the Injunction Order without prejudice to the continuing effect of the Undertakings. Such application was granted by the Court. According to the legal advisers of the Company, the Undertakings and the Injunction Order have the same legal effect.

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 2012.

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 2013.

HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
Amendments to HKFRS 7	Disclosure — Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements Disclosure of Interests in Other Entities: Transition Guidance
HKAS 19 (as revised in 2011)	Employee Benefit
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle except for the amendments to HKAS 1
HK(IFRIC)-Int 20	Stripping Costs in Production Phase of Surface Mine

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 “Presentation of Items of Other Comprehensive Income” introduce new terminology for the statement of comprehensive income. Under the amendments to HKAS 1, a “statement of comprehensive income” is renamed as a “statement of profit or loss and other comprehensive income”. The amendments to HKAS 1 require items of other comprehensive income to be 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 do not change the option to present items of other comprehensive income either before tax or net of tax. The Group’s “condensed consolidated statement of comprehensive income” is renamed as “condensed consolidated statement of profit or loss and other comprehensive income” and presentation of items of other comprehensive income has been modified accordingly.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

HKFRS 13 Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the Interim Financial Statements. In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement requirements prospectively. The Group has provided these disclosures in note 15. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group’s assets and liabilities.

The application of other new and revised HKFRSs in the current interim period has had no material effect on the amounts reported in these Interim Financial Statements and/or disclosures set out in these Interim Financial Statements.

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 review 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 business segment for the six months ended 30 June 2013 and 2012:

	Property rental		Property sale		Consolidated	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Turnover						
External sales	104,490	88,421	154,777	39,569	259,267	127,990
Result						
Segment result	230,134	194,767	6,537	6,895	236,671	201,662
Unallocated corporate expenses					(48,236)	(36,966)
Other income					4,153	1,272
Profit from operations					192,588	165,968
Finance costs					(71,977)	(45,476)
Profit before taxation					120,611	120,492
Income tax					(61,331)	(55,760)
Profit for the period					59,280	64,732

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 segment as at 30 June 2013 and 31 December 2012:

	Property rental		Property sale		Consolidated	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Assets						
Segment assets	3,315,622	3,940,816	1,176,372	178,122	4,491,994	4,118,938
Unallocated corporate assets					159,706	212,960
Consolidated total assets					4,651,700	4,331,898
Liabilities						
Segment liabilities	1,118,754	1,602,100	322,578	85,453	1,441,332	1,687,553
Unallocated corporate liabilities					1,844,022	1,376,839
Consolidated total liabilities					3,285,354	3,064,392

4. FINANCE COSTS

	For the six months ended 30 June	
	2013 HK\$'000	2012 HK\$'000
Interest on bank advances and other borrowings wholly repayable within five years	60,227	23,866
Imputed interest promissory notes	—	21,610
Interest on promissory notes	11,750	—
	71,977	45,476

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. PROFIT FOR THE PERIOD

	For the six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Profit for the period has been arrived at after charging the following items:		
Depreciation	2,994	2,274
Unrealised (gain)/loss on financial assets through profit or loss	(3,998)	768

6. INCOME TAX

Taxation in the Interim Financial Statements represents:

	For the six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Current tax		
— PRC enterprise income tax	27,757	2,423
	27,757	2,423
Deferred tax		
Origination and reversal of temporary differences	33,574	53,337
	61,331	55,760

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

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 2012: Nil)

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the period attributable to owners of the Company of approximately HK\$38,070,000 (six months ended 30 June 2012: approximately HK\$28,658,000) and weighed average number of approximately 2,460,984,135 ordinary shares (period from 1 January 2012 to 30 June 2012: approximately 2,460,984,135). There were no diluted potential ordinary shares in issue during the six months ended 30 June 2013 and 2012.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**9. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT**

During the period under review, the Group's acquired property, plant and equipment at cost of approximately HK\$7,440,000 (six months ended 30 June 2012: approximately HK\$1,152,000).

10. INVESTMENT PROPERTIES

During the period under review, the Group's addition of investment properties at cost and exchange realignment of approximately HK\$207,410,000 and HK\$57,406,000. The Group's investment properties were fair valued by valuers at 30 June 2013.

During the period under review, the Group had investment properties transferred to stock of properties of approximately HK\$999,389,000.

During the period under review, investment properties with carrying amount of approximately HK\$1,324,773,000 (31 December 2012: approximately HK\$1,313,386,000) were pledged to banks for the Group's borrowings.

11. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period ranging from 30 days to its trade customers. Included in trade and other receivables are trade receivables of approximately HK\$559,000 (31 December 2012: approximately HK\$521,000) and their aged analysis at each reporting period is as follow:

	As at 30 June 2013 HK\$'000	As at 31 December 2012 HK\$'000
Less than 90 days	492	485
More than 90 days but less than 180 days	39	18
More than 180 days	28	18
Total trade receivables	559	521
Land auction deposits	30,323	29,846
Deposit for land acquisition	255,628	239,987
Other deposits	2,961	3,819
Prepayments	13,429	8,609
Amount due from non-controlling interest	12,912	12,709
Other receivables	14,662	18,439
	330,474	313,930

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. DEPOSITS AND OTHER PAYABLES

	As at 30 June 2013 HK\$'000	As at 31 December 2012 HK\$'000
Accrued charges	24,610	23,000
Construction payables	246,432	516,376
Interest payables	175,060	114,468
Other tax payables	43,153	39,893
Deposits and other payables	250,763	254,162
	740,018	947,899

13. BANK AND OTHER BORROWINGS

	As at 30 June 2013 HK\$'000	As at 31 December 2012 HK\$'000
Secured bank borrowings	408,726	399,810
Unsecured other borrowings	1,250,000	845,000
	1,658,726	1,244,810
Carrying amount repayable:		
Within one year	217,945	275,452
More than one year, but not exceeding two years	1,440,781	969,358
	1,658,726	1,244,810
Less: amounts due within one year shown under current liabilities	(217,945)	(275,452)
	1,440,781	969,358

- (a) Included in the above balances are bank borrowings with variable-rate borrowings of approximately HK\$408,726,000 (31 December 2012: approximately HK\$399,810,000) which carry interest adjustable for changes of borrowing rate offered by The People's Bank of China (the "PBOC"). The average rate charged by the banks during the period ranged from 5.8% to 7.8% (31 December 2012: 5.8% to 7.9% per annum) per annum. Interest is repriced every 30 days. The other borrowings of approximately HK\$1,250,000,000 (31 December 2012: HK\$845,000,000) were obtained from four (31 December 2012: two) independent third parties and carry interest fixed range from 10% to 12% (31 December 2012: 10% per annum) per annum.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**13. BANK AND OTHER BORROWINGS** (Continued)

- (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 2013 Per annum	As at 31 December 2012 Per annum
Effective interest rate:		
Fixed-rate borrowings	10% to 12%	10%
Variable-rate borrowings	5.8% to 7.8%	5.8% to 7.9%

- (c) The secured bank borrowings are secured by the land use rights included in investment properties and pledged bank deposit with a carrying amount of approximately HK\$1,324,773,000 (31 December 2012: HK\$1,334,153,000).

14. SHARE CAPITAL

	As at 30 June 2013		As at 31 December 2012	
	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 30 June/31 December	2,460,984,135	24,610	2,460,984,135	24,610

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

15. FAIR VALUE MEASUREMENT

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

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 condensed consolidated 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 30 June 2013 and 31 December 2012.

- 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 30 June 2013				
Financial assets at fair value through profit or loss	9,413	—	—	9,413
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 31 December 2012				
Financial assets at fair value through profit or loss	5,410	—	—	5,410

There were no transfer between Level 1 and 2 in both years.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**16. COMMITMENTS**

- (a) Capital commitments outstanding at 30 June 2013 not provided for in the Interim Financial Statements were as follows:

	As at 30 June 2013 HK\$'000	As at 31 December 2012 HK\$'000
Capital expenditure authorised and contracted for in respect of construction of:		
— acquisition of investment properties	255,007	441,653

- (b) At 30 June 2013, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 30 June 2013 HK\$'000	As at 31 December 2012 HK\$'000
Within one year	769	863
After one year but within five years	—	11
	769	874

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 rentals.

17. LITIGATION**(A) Writ issued in PRC by Ms. Wang and Tian Jiu against the Company ("PRC Action No.1")**

- (a) On 7 January 2011, the Company received a writ (the "**Writ**") issued by Ms. Wang and 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)*

17. LITIGATION *(Continued)*

(A) Writ issued in PRC by Ms. Wang and Tian Jiu against the Company ("PRC Action No.1") (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:

- (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 had been duly approved and registered with the relevant PRC government authorities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*17. LITIGATION *(Continued)***(A) Writ issued in PRC by Ms. Wang and Tian Jiu against the Company ("PRC Action No.1")** *(Continued)*(a) *(Continued)*(2) *(Continued)*

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

(d) Accordingly, the Acquisition was 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 was of the opinion that the Writ had 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, 18 August 2011 and 5 June 2012 at the Higher People's Court of Hubei Province in Wuhan. In May 2013 there was a change in presiding judges in this PRC court action, and on 10 July 2013, a further court hearing was convened during which the Higher People's Court of Hubei Province in Wuhan directed the parties to file further evidence.

(b) Further, on 18 November 2011, the Higher People's Court of Hubei Province 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 in PRC by the Company and Baisazhou Agricultural against Ms. Wang, Tian Jiu and others

(a) In or about May 2011, the Company and Baisazhou Agricultural commenced court proceedings at the Higher People's Court of Hubei Province, the PRC against, inter alia, Ms. Wang and Tian Jiu for the return of assets and operating profits of Baisazhou Agricultural which were unlawfully misappropriated etc.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

17. LITIGATION *(Continued)*

(C) Writ issued in PRC by Wuhan Long Xiang Trading Development Limited and Wubei Zhong An Enterprise Investment Company Limited

- (1) On 1 July 2011, Baisazhou Agricultural received a writ issued by Wuhan Long Xiang Trading Development Limited ("**Long Xiang**") (as plaintiff) against Baisazhou Agricultural (as defendant) ("**Long Xiang Action**") and filed with the Wuhan Intermediate People's Court, the PRC, together with the related court summons dated 20 June 2011.
- (2) It was alleged that Baisazhou Agricultural is obliged to make payment under a settlement agreement dated 16 August 2010 and a supplemental settlement agreement dated 19 August 2010 (the "**Settlement Agreements**") entered into between Long Xiang, Baisazhou Agricultural and another party known as Wubei Zhong An Enterprise Investment Company Limited ("**Zhong An**").
- (3) On 20 April 2012, the Wuhan Intermediate People's Court, which is the first instance court in the PRC, granted a judgment in favour of Long Xiang 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.
- (4) Subsequent to the judgment granted by the Wuhan Intermediate People's Court, Baisazhou Agricultural appealed to the Higher People's Court of Hubei Province.
- (5) Due to the overlapping of issues of another PRC court action between Baisazhou Agricultural (as defendant) and Zhong An (as plaintiff) in relation to the Settlement Agreements ("**Zhong An Action**") with the Long Xiang Action, the Higher People's Court of Hubei Province ordered that the Long Xiang Action be suspended, and the Zhong An Action to be retried.
- (6) On 22 May 2013 the Wuhan Intermediate People's Court delivered judgment upon retrying the Zhong An Action, and it maintained its judgment against Baisazhou Agricultural. In or about June 2013 Baisazhou Agricultural appealed to the Higher People's Court of Hubei Province, and is now awaiting the PRC court's further directions.

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

- (1) On or about 24 October 2011, the Company issued a Writ of Summons in the Court against Ms. Wang and Tian Jiu. The Company (as purchaser) is seeking damages from Ms. Wang and Tian Jiu (as vendors) for their breach of various provisions of the sale and purchase agreement ("**Sale and Purchase Agreement**") for the Acquisition.
- (2) The Instruments with an aggregate principal amount of HK\$376,000,000 are recorded at book value of approximately HK\$376,000,000, together with interest payable in the amount of HK\$470,000,000 included under other payables, are set out in the condensed consolidated statement of financial position as current liabilities in the 2013 interim report.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*17. LITIGATION *(Continued)***(D) Writ issued by the Company against Ms. Wang and Tian Jiu** *(Continued)*

- (3) On 21 September 2012, the Court granted an injunction order (the "**Injunction Order**") until further order of the Court and/or hearing of the Company's inter parties summons on 5 October 2012. The Injunction Order restrained Ms. Wang and Tian Jiu from indorsing, assigning, transferring or negotiating the Instruments to any third party.
- (4) On 5 October 2012, the Company obtained a court order from the Court to the effect that the Undertakings were given by Ms. Wang and Tian Jiu not to indorse, assign, transfer or negotiate the Instruments, and enforce payment by presentation of the Instruments to the Company, in each case until final determination of the court action commenced by the Company against Ms. Wang and Tian Jiu in October 2011. The Court further ordered that there will be a continuation of the Injunction Order until further order.
- (5) In March 2013, the Company, Ms. Wang and Tian Jiu applied jointly to the Court to discharge the Injunction Order without prejudice to the continuing effect of the Undertakings. Such application was granted by the Court. According to the legal advisers of the Company, the Undertakings and the Injunction Order have the same legal effect.
- (6) On 10 May 2013 the Court ordered the following amongst other things:
- (a) The Ms. Wong and Tian Jiu's application for setting aside the ex-parte order for leave to issue and serve the concurrent amended writ out of jurisdiction and the service of the concurrent amended writ on the defendants be refused; and
- (b) There will be an interim stay of 6 months or until the final outcome of the PRC Action No. 1, whichever is sooner.
- (7) On 13 May 2013, the Company appealed against the court order regarding paragraph (6) above, that is, the interim stay of the Action for 6 months or until final outcome of the PRC Action No.1 whichever is sooner. The Company's appeal was part-heard on 27 June 2013, and it is adjourned to be heard on 30 August 2013.
- (8) Under the Undertakings currently obtained by the Company, the Instruments will no longer fall due for payment by the Company on 5 December 2012.

(E) Writ issued in PRC by Mr. Yeung Guang Wu

On 15 July 2013, Baisazhou Agricultural received a writ issued by Mr. Yeung Guang Wu ("**Mr. Yeung**") (as plaintiff) against Baisazhou Agricultural (as defendant) and demand for construction payment RMB3,816,707 together with interest since August 2009.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. MATERIAL RELATED PARTY TRANSACTIONS

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

Transactions with key management personnel

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

	For the six months ended 30 June	
	2013 HK\$'000	2012 HK\$'000
Short-term employee benefits	5,793	4,650
Post-employment benefits	57	31
	5,850	4,681

19. COMPARATIVE FINANCIAL INFORMATION

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

20. EVENTS AFTER THE INTERIM PERIOD

The Company does not have material events after the end of the reporting period.

21. APPROVAL OF INTERIM FINANCIAL STATEMENT

The Interim Financial Statements were approved and authorised to issue by the Board on 15 August 2013.