A LEADING BRAND OF AGRICULTURAL PRODUCE EXCHANGES AND LOGISTIC CENTRES IN CHINA

2013 ANNUAL REPORT

中國農產品交易
CHINA AGRI-PRODUCTS EXCHANGE

Dedicated to developing Agriculture
Sincere in serving Agriculture

(Incorporated in Bermuda with limited liability)

Stock Code: 0149


宏进茶叶

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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
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

0149

HOMEPAGE

http://www.cnagri-products.com

CHAIRMAN'S STATEMENT

*On behalf of the board of directors (the "**Board**" or the "**Directors**") of China Agri-Products Exchange Limited (the "**Company**", together with its subsidiaries, collectively the "**Group**"), I am pleased to present this annual report for the year ended 31 December 2013 to our shareholders. Despite facing a challenging external economic environment, the Company maintained a growth momentum during the year under review. The Group recorded a turnover of approximately HK$408.5 million, representing an increase of approximately 42.1% from approximately HK$287.5 million for last year. The profit attributable to owners of the Company was approximately HK$155.0 million as compared to approximately HK$145.7 million for the previous year. The moderate increment was mainly due to the increased recognition of sale of shops at Yulin Agricultural and By-Product Exchange Market ("**Yulin Market**") in Yulin City, Guangxi Zhuang Autonomous Region ("**Guangxi**"), the People's Republic of China (the "**PRC**") and the outstanding operating performance of Wuhan Baisazhou Agricultural and By-Product Exchange Market ("**Wuhan Baisazhou Market**") in Wuhan City, Hubei Province, the PRC.*

BUSINESS ENVIRONMENT AND AGRICULTURAL PRODUCE EXCHANGES

Backed by the PRC Central Government's "Vegetable Basket Project", "The 12th National Five-Year Plan" and "Number 1 Policy of 2014", local government authorities in the PRC aimed to modernize, centralize and systemize the distribution of agricultural produce. The Group, being one of the leading developers and operators of agricultural produce exchanges in the PRC, is positioned to capitalize on this tremendous opportunity. Given the favorable policy backdrop, we vigorously expanded our agricultural produce exchange network. During the year under review and up to the date of this report, the Group has successfully acquired certain parcels of land in the PRC through public auctions, including parcels of land in Panjin City, Luoyang City, Kaifeng City and Huaian City, respectively. The acquisitions did not only strengthen our leading position within the PRC's agricultural produce exchange business but also expanded our business footprint to other parts of the country. The increase in the Group's land bank will strongly and comfortably support our future development.

For the year under review, the Group delivered a satisfactory performance driven by the property sales and rental revenue arising from our reputable agricultural produce exchanges. Turnover from the Wuhan Baisazhou Market increased steadily and its performance was encouraging. The Group has partially completed the extension of the phase two development of the Yulin Market. This formed a new income growth driver for the Group in 2013. During the year, the performance from property management and property sale were both satisfactory. Xuzhou Agricultural and By-Product Exchange Market ("**Xuzhou Market**") in Xuzhou City, Jiangsu Province, the PRC, continued to provide steady income for the Group during the year under review. Luoyang Agricultural and By-Product Exchange Market ("**Luoyang Market**") is the Group's new flagship agricultural produce exchange market project in Henan Province. This strategic move into Henan Province is a milestone for the Group, developing new project in central China. The Group had partially completed the construction of the Luoyang project, contemplating the trial run of the Luoyang Market in late 2013.

Apart from their strong business performance, our agricultural wholesale markets also received high recognition from the authorities. During the year under review, Wuhan Baisazhou Market, Yulin Market and Xuzhou Market were ranked amongst the top of national agricultural wholesale markets (in terms of transaction amount) by China Agricultural Wholesale Market Association.

FUND RAISING ACTIVITIES

To support and expedite future development, fund raising activities were conducted during the year under review. We issued placing shares in November 2013 and proposed an issue of rights shares and bonus shares in December 2013.

CORPORATE STRATEGY

Looking forward, modernizing and centralizing the distribution of agricultural produce is expected to continue to be a top priority for the Chinese government. Sharing this objective, the Group will continue to co-operate with local government authorities to develop modernized and well-structured agricultural produce exchanges. Following the launch of our successful business projects, such as Wuhan Baisazhou Market, Yulin Market and Xuzhou Market, we are confident to overcome future challenges whilst continuing to grow our business. We believe that the new projects in Luoyang City, Kaifeng City, Huaian City, Qinzhou City and Panjin City will allow the Group to strategically expand its agricultural produce exchanges business into other cities to enhance its market share and facilitate the steady and sustainable growth of the Group's business. With the enormous business opportunities from the "Vegetable Basket Project", "The 12th National Five-Year Plan" and "Number 1 Policy of 2014", on the one hand, the Group will benefit from the favorable business environment, on the other hand, the agricultural industry will also benefit by the Group's modernized and systemized agricultural produce exchanges. As a result, a "win-win" and sustainable business environment will be cultivated. We will continue to identify business opportunities carefully to extend our footprint across the PRC by replicating our business model in a prudent yet proactive manner in order to maximize the benefit of our shareholders.

APPRECIATION

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

Chan Chun Hong, Thomas
Chairman

Hong Kong, 4 March 2014

Management Discussion and Analysis

Turnover and gross profits

For the year ended 31 December 2013, the Group recorded a turnover of approximately HK$408.5 million, representing a remarkable increase of approximately HK$121.0 million or approximately 42.1% increase from approximately HK$287.5 million last year. The increase was mainly attributable to the increase in turnover of the Group's agricultural produce exchange markets and continuing sales recognition of certain property sales of the Yulin Market.

The gross profit of the Group increased by approximately 19.6% to approximately HK$192.0 million from approximately HK$160.6 million last year. The gross profit margin of the Group for the year was approximately 47.0%, compared to approximately 55.9% last year. The slight drop in gross profit margin was mainly due to the property sale margin being lower than that of the agricultural produce exchange market operation business.

Net gain in fair value of investment properties

The net gain in fair value of investment properties of approximately HK$671.1 million (2012: approximately HK$538.3 million) was mainly due to the increase in market value of the Group's property projects in the PRC and growth in property management income from our projects.

Administrative expenses, selling expenses and finance cost

General and administrative expenses were approximately HK$245.9 million (2012: approximately HK$236.2 million). The slight increase was attributable to the Group's administrative expenses and business development costs. Selling expenses were approximately HK$42.8 million (2012: approximately HK$12.7 million) and the increase

was attributable to marketing and promotion expenses incurred at the newly constructed agricultural produce exchange market: Luoyang Market in 2013. Finance costs were approximately HK$164.8 million (2012: approximately HK$103.3 million) and such increase was due to obtaining new interest bearing debts in 2013.

Profit attributable to the owners of the Company

The profit attributable to owners of the Company for the year was approximately HK$155.0 million as compared to approximately HK$145.7 million last year. The moderate increment was mainly due to sales recognition of shops at the Yulin Market as well as the outstanding operating performance from the Wuhan Baisazhou Market.

DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: Nil). No interim dividend for 2013 was paid to the shareholders of the Company during the year (2012: Nil).

REVIEW OF OPERATIONS

The Group is principally engaged in the management and sales of agricultural produce exchange markets in the PRC. Both the operating performance and market ranking of our markets were satisfactory in 2013.

WUHAN

BAISAZHOU

Wuhan Baisazhou Agricultural and By-Product Exchange Market

Located in the provincial capital of Hubei Province, Wuhan Baisazhou Market is one of the largest agricultural produce exchange operators in the PRC. Wuhan Baisazhou Market is situated in the Hongshan District of Wuhan City, with a site area of approximately 270,000 square metres, and a total gross floor area of approximately 160,000 square metres. In 2013, Wuhan Baisazhou Market was awarded "Top 10 National Agricultural Wholesale Markets" (in terms of transaction amount) by China Agricultural Wholesale Market Association. This award is a testament to the Group's effort and expertise in being a top-tier agricultural produce market operator in the PRC.

During the year under review, turnover of the Wuhan Baisazhou Market continued to rise with 23.6% compared with that of 2012. Operating performance was encouraging as the Wuhan Baisazhou Market has established its reputation and track record to customers and tenants.

Yulin Agricultural and By-Product Exchange Market

YULIN

Yulin Market is one of the largest agricultural produce exchanges in Guangxi, the PRC. It has various types of market stalls and multi-storey godown. The Group successfully acquired two parcels of land of approximately 160,000 square metres in February 2011 and approximately 73,000 square metres in December 2012, respectively. Yulin Market has a land reserve of approximately 73,000 square metres for future development. The Group has partially completed the construction of an extension to the phase two development of Yulin Market which became a new growth driver for the Group in 2013. In the year under review, Yulin Market was ranked "Top 75 National Agricultural Wholesale Markets" (in terms of transaction amount) by China Agricultural Wholesale Market Association. As a new member of the agricultural produce market, this award proved Yulin Market's capability in becoming one of the key agricultural produce exchange markets in the Guangxi region.

During the year under review, the majority of the shops were sold and resultantly contributed to the Group's increase in turnover in 2013. Both agricultural produce exchange market operation and property sale performance were satisfactory, achieving a revenue growth of approximately 27.1% and 73.3% respectively as compared with last year.

LUOYANG

Luoyang Agricultural and By-Product Exchange Market

Luoyang Market is the new flagship project of the Group and the first agricultural produce exchange market project in Henan Province, the PRC. Henan Province was the third most populous province in the PRC with more than 94 million people according to 2010 National Census and the fifth largest provincial economy among the 31 provinces and municipalities in the PRC according to the 2012 National Bureau Statistics. The strategic move into Henan Province is a notable milestone for the Group's future development in central China. The Group plans to build various types of market stalls and multi-storey shops. The Group successfully acquired two parcels of land: approximately 133,000 square metres in August 2012, and approximately 122,000 square metres in October 2013 respectively. The construction of the Luoyang Market has been partially completed. The Luoyang Market has commenced its trial run in late 2013 and is expected to become a key business driver for the Group in 2014.

XUZHOU

Xuzhou Agricultural and By-Product Exchange Market

Xuzhou Market occupies approximately 200,000 square metres, and is located in the northern part of Jiangsu Province. The market houses various market stalls and godowns. Xuzhou Market is the major marketplace for the supply of fruit and seafood in the city, and the northern part of Jiangsu Province, the PRC. Xuzhou Market was ranked “Top 50 National Agricultural Wholesale Market” (in terms of transaction amount) by China Agricultural Wholesale Market Association in 2013.

The operating performance of Xuzhou Market was steady and satisfactory. Income in 2013 increased by approximately 12.1% as compared to last year.

MATERIAL ACQUISITIONS

Acquisition of Lands

On 10 January 2013, the Group won a bid at the tender for five parcels of land in Kaifeng City of Henan Province of approximately 408,000 square metres for a total consideration of approximately RMB116.3 million for the development of new agricultural produce exchange project in Henan Province. Details were disclosed in the Company's announcement dated 11 January 2013.

On 15 January 2013, the Group won a tender bid for a parcel of land in Huaian City, Jiangsu Province, aggregating approximately 53,000 square metres for a consideration of RMB42.0 million and will be developed into a new agricultural produce exchange market. Details were disclosed in the Company's announcement dated 16 January 2013.

On 21 October 2013, the Group won a tender bid for a parcel of land in Luoyang City, Henan Province, aggregating approximately 122,000 square metres for a consideration of approximately RMB43.1 million. This land will be developed as an extension to the existing agricultural produce exchange market. Details were disclosed in the Company's announcement dated 23 October 2013.

EVENT AFTER THE REPORTING PERIOD

Acquisition of Lands

On 12 January 2014, the Group won a bid at the tender for three parcels of land in Panjin City of Liaoning Province, aggregating approximately 160,000 square metres for a consideration of approximately RMB29.1 million. This site will be developed into a new agricultural produce exchange market. Details were disclosed in the Company's announcement dated 20 January 2014.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2013, the Group had total cash and cash equivalents amounting to approximately HK$267.4 million (2012: approximately HK$394.0 million) whilst total assets and net assets were approximately HK$5,698.8 million (2012: approximately HK$4,331.9 million) and approximately HK$1,620.8 million (2012: approximately HK$1,267.5 million), respectively. The Group's gearing ratio as at 31 December 2013 was approximately 1.3 (2012: approximately 1.0), being a ratio of total bank and other borrowings and promissory notes of approximately HK$2,442.0 million (2012: approximately HK$1,620.8 million), net of cash and cash equivalents of approximately HK$267.4 million (2012: approximately HK$394.0 million) to shareholders' funds of approximately HK$1,620.8 million (2012: approximately HK$1,267.5 million).

CAPITAL COMMITMENT, PLEDGE AND CONTINGENT LIABILITIES

As at 31 December 2013, outstanding capital commitments, contracted but not provided for, amounted to approximately HK$590.5 million (2012: approximately HK$441.7 million) in relation to the purchase of property, plant and equipment, and construction contracts. As at 31 December 2013, the Group had no significant contingent liabilities (2012: Nil).

As at 31 December 2013, the Group pledged the shares and all assets of certain subsidiaries and the loans owned by these subsidiaries to the Company to a subsidiary of Wang On Group Limited. Details of the said pledges were disclosed in the Company's announcement dated 16 July 2012. The Group also pledged certain investment properties and stock of properties with carrying amount of approximately HK$1,836.0 million (2012: approximately HK$1,313.4 million for investment properties and approximately HK$20.8 million for bank deposit) to certain banks for secured bank loans.

The Group did not have any outstanding foreign exchange contracts, interest or currency swaps or other financial derivatives as at 31 December 2013. The revenue, operating costs and bank deposits of the Group are mainly denominated in Renminbi and Hong Kong dollars. Therefore, the Group is not exposed to any material foreign currency exchange risk.

FUND RAISING ACTIVITIES

Placing of new shares under general mandate

On 6 November 2013, the Company issued under the general mandate of the Company a total of 490 million new shares of the Company ("**Share(s)**") at a price of HK$0.112 per Share under a placing through a placing agent. The aggregate net proceeds of approximately HK$53.1 million was raised for the future development of existing and/or new agricultural produce exchange markets and for the general working capital of the Group. Details of the placing were disclosed in the announcements of the Company dated 25 October 2013 and 6 November 2013, respectively.

Capital reorganisation, rights issue and bonus issue

On 19 December 2013, the Company announced, inter alia, a capital reorganisation (the "**Capital Reorganisation**") which became effective on 18 February 2014 pursuant to a special resolution passed at the special general meeting (the "**SGM**") of the Company held on 17 February 2014 and a rights issue (the "**Rights Issue**") and bonus issue (the "**Bonus Issue**") which were approved at the SGM by an ordinary resolution. Under the Capital Reorganisation, the Rights Issue and the Bonus Issue:

(a) the issued shares of the Company were consolidated by way of the consolidation (the "**Share Consolidation**") of every forty shares of nominal value of HK$0.01 each in the issued share capital of the Company into one consolidated share of nominal value of HK$0.40 (the "**Consolidated Share(s)**");

(b) the issued share capital of the Company was reduced (the "**Capital Reduction**") whereby (i) the nominal value of each of the issued Consolidated Shares was reduced from HK$0.40 to HK$0.01 (the "**Adjusted Share(s)**") and the issued share capital of the Company was reduced to the extent of HK$0.39 per Consolidated Share; and (ii) any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation was to be cancelled;

(c) the credit arising from the Capital Reduction was applied to set off the accumulated loss of the Company;

(d) upon the Capital Reorganisation becoming effective, the Board also proposed to raise gross proceeds of approximately HK$514.6 million, before expenses, by way of the Rights Issue under which the Company would allot and issue 1,106,619,045 rights shares (the "**Rights Share(s)**") at the subscription price of HK$0.465 per Rights Share, on the basis of fifteen Adjusted Shares for every one Adjusted Share held at 4:00 p.m. on 28 February 2014 (i.e. the record date, being the date by reference to which entitlements to the Rights Issue would be determined); and

(e) subject to the satisfaction of the conditions of the Rights Issue, 73,774,603 bonus shares ("**Bonus Share(s)**") would be issued on the basis of one Bonus Share for every fifteen Rights Shares taken up under the Rights Issue.

The estimated net proceeds raised from the Rights Issue would be approximately HK$495.5 million and is intended to apply (i) as to approximately HK$450 million for development of existing and future agricultural exchange projects, of which approximately HK$300 million would be utilised for the acquisitions of land in the PRC and approximately HK$150 million would be utilised for the payments of construction costs of the agricultural produce exchange market in the PRC; and (ii) as to the remaining balance of approximately HK$45.5 million would be utilised for general working capital of the Group. Details of the Capital Reorganisation, the Rights Issue and the Bonus Issue were disclosed in the announcements of the Company dated 19 December 2013, 13 January 2014, 22 January 2014, 23 January 2014, 17 February 2014 and 20 February 2014, respectively.

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2013, the Group had 1,509 (2012: 942) employees, approximately 96.5% of whom were located in the PRC. The Group's remuneration policy is reviewed periodically and remuneration is determined by reference to market terms, company performance, and individual qualifications and performance.

PROSPECTS

Looking forward to 2014, the Group will continue to build a nationwide agricultural produce exchange network by leveraging on its leading position in the industry, readily replicable business model, well developed management system and quality customer services. The Group has started the planning of Kaifeng project in Henan Province and Qinzhou project in Guangxi, thereby boosting our growth driver in 2014.

Under the "Number 1 Policy of 2014", agricultural developments will once again be the priority policy goal imposed by the PRC central government. The policy underscores the importance of rural reform and will expedite the development of modern agriculture through subsidies and investment in infrastructure. To capture the opportunities arising from the favorable government policy, the Group will continue to intensify its investment in agricultural by-productswholesale markets in the PRC.

Facilitated by our leading position in agricultural produce exchange markets, the Group will endeavor to negotiate, build and expand the network of sizable wholesale market platform by establishing partnership or direct investment in the various provinces. In light of our proven and successful business model, our professional experience, our leadership in the industry, and the significant increase in our land bank, the Group is confident to deliver long term benefits to the shareholders of the Company.

Board of Directors and Senior Management

BOARD OF DIRECTOR

EXECUTIVE DIRECTORS

Mr. CHAN Chun Hong, Thomas, aged 50, joined the Group as an executive director of the Group in February 2009 and is the chairman and an authorised representative of the Company. Mr. Chan is the chairman of the executive committee and a member of each of the remuneration committee and the nomination committee of the Company. He has extensive experience in strategic planning and day-to-day operation management. Mr. Chan is an executive director of Wang On Group Limited, Wai Yuen Tong Medicine Holdings Limited and PNG Resources Holdings Limited, and an independent non-executive director of Shanghai Prime Machinery Company Limited, all of which are companies listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Mr. Chan graduated from the Hong Kong Polytechnic University with a degree in Accountancy and is a fellow member of The Association of Chartered Certified Accountants and an associate member of The Hong Kong Institute of Certified Public Accountants.

Mr. WONG Koon Kui, Lawrence, aged 50, joined the Group in May 2011 and was appointed as an executive director of the Group and the managing Director in December 2012 and was re-designated as the chief executive officer of the Company with effect from 20 March 2013. Mr. Wong is a member of the executive committee and the remuneration committee of the Company. Mr. Wong holds a Master Degree of Business Administration and is a member of the Royal Institution of Chartered Surveyors and the Chartered Institute of Marketing. He has an all-rounded experience in real estate industry for over 25 years. Prior to joining the Group, he worked for certain well known international professional firms and Hong Kong listed property development companies and engaged in quality commercial real estate projects and deluxe complex coverings of grade A office buildings, shopping mall, hotel and residential accommodation.

Mr. LEUNG Sui Wah, Raymond, aged 46, joined the Group as an executive director of the Group and the chief financial officer in June 2010. Mr. Leung was appointed as an authorised representative of the Company in February 2012. He is a member of the executive committee and the nomination committee of the Company. Mr. Leung had over 22 years of experience in corporate finance, accounting and company secretarial matters in Hong Kong and the PRC. He holds a Master degree in Business Administration and Master of Arts from The University of Hong Kong and City University of Hong Kong, respectively. He is a fellow member of The Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants, an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He is also a full member of Chartered Institute of Purchasing and Supply and Certified Information Security Manager of Information Systems Audit and Control Association.

Mr. YAU Yuk Shing, aged 49, joined the Group in April 2012 and was appointed as an executive director of the Group in December 2012. Mr. Yau is a member of the executive committee of the Company. He has more than 21-year management experience in property development, engineering and construction businesses. Prior to joining the Group, Mr. Yau worked for certain companies with a wide spread of experience in real estate industry and project management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. NG Yat Cheung, *JP*, aged 58, joined the Company as an independent non-executive Director in February 2009. He is a member of each of the audit, remuneration and nomination committee of the Company. On 16 March 2012, Mr. Ng was also appointed as the chairman of the remuneration committee of the Company. He holds an associate degree in arts in business data processing from Chabot College in the United States. He holds offices as a director with a number of private companies which are principally engaged in technology, property development, insurance, finance and property holding. Mr. Ng is an independent non-executive director of VST Holdings Limited and Tao Heung Holdings Limited, both companies are listed on the main board of the Stock Exchange and of Jia Meng Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange.

Ms. LAM Ka Jen, Katherine, aged 48, joined the Company as an independent non-executive Director in February 2009. She is a member of each of the audit, remuneration and nomination committee of the Company. In September 2009, Ms. Lam was appointed as the chairman of the audit committee of the Company. She has over 9 years of experience in the finance and investment banking industry. Ms. Lam has worked in an international public accounting firm for over 7 years and is a qualified chartered accountant in Canada and a member of The Hong Kong Institute of Certified Public Accountants.

Mr. LAU King Lung, aged 67, joined the Company as an independent non-executive Director in May 2013. He is the chairman of the nomination committee and a member of each of the audit committee and the remuneration committee of the Company. Mr. Lau has over 40 years' experience in planning, design and contracting of civil engineering and building works in Hong Kong or the PRC. Mr. Lau is a chartered engineer with his profession registration both in the United Kingdom and Hong Kong. He participated in the design of the initial systems of the Mass Transit Railway in Hong Kong after his graduation from civil engineering department of Imperial College, University of London for 6 years with Freeman Fox and Partners, London.

SENIOR MANAGEMENT

Mr. CHEUNG Wai Kai, aged 58, joined the Group in April 2013. He is an operations director of the Group and a director of a subsidiary of the Group, namely Xuzhou Yuen Yeung Trading Development Limited in the PRC. Mr. Cheung is an executive director of PNG Resources Holdings Limited, a company listed on the main board of the Stock Exchange. Mr. Cheung has extensive experience in general management and business management.

Mr. NG Shing Yin, aged 46, joined the Group in January 2014. He is a business development director and is responsible for business development of the Group in the PRC. Mr. Ng is a member of The Royal Institute of Chartered Surveyors, The Hong Kong Institute of Construction Manager and The Chartered Institute of Building, and is an associate member of The Hong Kong Institute of Engineers. Mr. Ng holds a Master Degree of Business Administration in University of Surrey, a Bachelor Degree of Laws in University of London and a Bachelor Degree of Science in Building in City University of Hong Kong. Mr. Ng has over 20 years of experience in real estate development and general management in Hong Kong and the PRC.

Mr. NG Cheuk Wing, aged 45, joined the Group in April 2009. He is a general manager (external affairs) and a director of two subsidiaries of the Group, namely Yulin Hong-Jin Agricultural By-product Wholesale Marketplace Limited in Guangxi and Wuhan Baisazhou Agricultural By-product Grand Market Limited in Hubei.

Mr. Ng graduated from City University of Hong Kong and holds a Bachelor (Hons) Degree in Building Surveying. He is a member of The Royal Institution of Chartered Surveyors and an incorporate member of the Chartered Institute of Building. Prior to joining the Group, Mr. Ng has over 18 years of project management experience in building and construction industry, both in Hong Kong and the PRC.

Mr. NG Tze Doi, aged 50, joined the Group in May 2011 and is a general manager (central 1 region). He is responsible for the project management and project development of PRC central district (including Henan, Shanxi and Shaanxi province). He holds a Graduate Diploma in Law and Business from Hong Kong Shue Yan University and a Master Degree in Arbitration and Dispute Resolution from City University of Hong Kong and is awarded a common professional examination certificate in Law. Prior to joining the Group, Mr. Ng has over 15 years of experience in legal, marketing, human resources and property management in Hong Kong and the PRC.

Mr. WONG Ka Kit, aged 41, joined the Group in August 2009. He is a general manager (western region) of the Group and a director of Yulin Hong-Jin Agricultural By-product Wholesale Marketplace Limited in Guangxi, a subsidiary of the Group. He is responsible for the business operations of Guangxi.

Mr. Wong holds a Master Degree in Business Administration from Hong Kong Baptist University and a Bachelor (Hons) Degree in Accountancy from The Hong Kong Polytechnic University. He is an associate member of The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants, and a member of the 4th Guangxi Yulin Committee of the Chinese People's Political Consultative Conference. Prior to joining the Group, Mr. Wong has over 10 years of experience in general management and finance in Hong Kong and the PRC.

Mr. CHEUNG Wai Ming, aged 53, joined the Group in November 2013. He is a general manager (northern region) of the Group and is responsible for the business operations in the PRC northern region. He is also a director of a subsidiary of the Group namely Panjin Hong-jin Agricultural By-product Wholesale Marketplace Limited. Mr. Cheung has over 20 years of experience in general management in Hong Kong and the PRC.

Mr. CHEUNG Chin Wa, Angus, aged 36, joined the Company as company secretary in May 2012. He is an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. Mr. Cheung holds a Master Degree of Professional Accounting, a Master Degree of Corporate Governance, a Bachelor Degree of Laws and a Bachelor Degree of Arts in Translation. Prior to joining the Group, Mr. Cheung held company secretary or senior company secretarial positions in certain Hong Kong listed companies.

Corporate Governance Report

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

CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2013, the Company has complied with the code provisions set out in the Corporate Governance Code (“**CG Code**”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”), except for the following deviation:

Code provision A.2.1

Mr. Chan Chun Hong, Thomas, the chairman of the Board, has assumed the role of chief executive officer of the Company since August 2010. To re-comply with the 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.

The Company periodically reviewed its corporate governance practices to ensure they continue to meet the requirements of the CG Code during the year of 2013. The key corporate governance principles and practices of the Company are summarised in this report.

DIRECTORS' SECURITIES TRANSACTIONS

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

THE BOARD

Composition

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

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
Ms. Lam Ka Jen, Katherine
Mr. Lau King Lung
*(appointed upon the conclusion of the annual general meeting held on 16 May 2013 (the "**2013 AGM**"))*
Mr. Lee Chun Ho
(retired upon the conclusion of the 2013 AGM)

The biographical details of the Directors are set out on pages 18 to 20 of this annual report.

Responsibilities

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

The Board possesses a balance of skills and experience which are appropriate for the requirements of the business of the Company. The opinions raised by the independent non-executive Directors at Board meetings facilitate the maintenance of good corporate governance practices. At least one of the independent non-executive Directors has the appropriate professional qualification and/or accounting and audit experience and/or expertise as required under Rules 3.10(1) and (2) of the Listing Rules. A balanced composition of executive and non-executive Directors also ensures a strong independent element of the Board, which allows for an independent and objective

decision making process for the best interests of the Company. The Company will review the composition of the Board regularly to ensure the Board possesses the appropriate and necessary expertise, skills and experience to meet the needs of the Group's business.

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

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

The Board, which meets at least four times a year with additional meetings arranged, as and when necessary, has a schedule of matters reserved for its review and approval. The specific responsibility reserved for the Board includes matters in relation to, among others, determining strategies and objectives of the Group, monitoring the overall management and operation of the Group, reviewing capital, corporate and control structures, ensuring financial reporting and internal control measures, determining major capital projects and contracts, including material acquisitions, disposals and other significant potential investments, communication with the shareholders, determining the Board composition, the appointment of company secretary and auditors, evaluating the effectiveness of internal controls, reviewing adequacy of resources, qualification and experience of staff, delegation of authority to committees and reviewing the Group's overall corporate governance arrangements. Apart from these, the Board will also be responsible for performing the corporate governance duties.

During the year under review, the Board devised a board diversity policy in accordance with a new code provision, reviewed the compliance of the Model Code and disclosure in this corporate governance report.

At least 14 days' notice for each regular meeting is given to all Directors. Agendas accompanying Board papers are sent to all Directors 3 days before the date of a Board meeting to ensure that the Directors are given sufficient time to review the same. All minutes of Board meetings and committee meetings are kept by the company secretary of the Company and are open for inspection at any reasonable time on reasonable notice by any Director.

Board Meetings and General Meeting

During the year under review, four Board meetings and the 2013 AGM were held and the attendance of each Director is set out as follows:

Directors	Date of appointment/ retirement during the year	Attendance/ Number of meetings Board meetings	2013 AGM
Executive Directors			
Mr. Chan Chun Hong, Thomas		4/4	1/1
Mr. Wong Koon Kui, Lawrence		4/4	1/1
Mr. Leung Sui Wah, Raymond		4/4	1/1
Mr. Yau Yuk Shing		4/4	0/1
Independent non-executive Directors			
Mr. Ng Yat Cheung		4/4	1/1
Ms. Lam Ka Jen, Katherine		4/4	1/1
Mr. Lau King Lung	*(appointed upon the conclusion of the 2013 AGM)*	3/3	N/A
Mr. Lee Chun Ho	*(retired upon the conclusion of the 2013 AGM)*	0/1	0/1

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

ROLES OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Chan, the chairman of the Board, assumed the role of the chief executive officer on 2 August 2010 to fill the vacancy arising from the resignation of Mr. Ying Yat Man on 2 August 2010. 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 for the compliance of code provision A.2.1 of the CG Code and Mr. Wong Koon Kui, Lawrence, the managing Director, was re-designated as the chief executive officer of the Company. Since then, the roles of the chairman and the chief executive officer are separate to reinforce their respective independence and accountability. Mr. Chan is the chairman of the Board and is primarily responsible for the overall strategic planning and leadership of the Board and ensuring all Directors receive accurate and timely information. Mr. Wong Koon Kui, Lawrence is the chief executive officer of the Company and is responsible for the day-to-day management of the business of the Group.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company would provide a comprehensive induction package covering the summary of the responsibilities of a director of a Hong Kong listed company and the Guides on Directors' Duties issued by the Companies Registry and seminars on professional knowledge of regulatory requirements related to director's duties and responsibilities to each newly appointed Director to ensure that he is sufficiently aware of his responsibilities and obligations under the Listing Rules and other regulatory requirements.

During the year, Mr. Chan Chun Hong, Thomas, Mr. Wong Koon Kui, Lawrence, Mr. Leung Sui Wah, Raymond, Mr. Yau Yuk Shing, Mr. Ng Yat Cheung, Ms. Lam Ka Jen, Katherine and Mr. Lau King Lung received regular updates on corporate governance matters or new or changes to laws and regulations. Mr. Ng Yat Cheung, Ms. Lam Ka Jen, Katherine and Mr. Lau King Lung attended briefings or seminars on relevant topics. All Directors are requested to provide the Company a record of the training they received.

BOARD COMMITTEES

Remuneration Committee

During the year, Mr. Lee Chun Ho ceased to act as a member of the remuneration committee of the Company (the "**Remuneration Committee**") immediately following his retirement as an independent non-executive Director upon the conclusion of the 2013 AGM and Mr. Lau King Lung was appointed as a member of the Remuneration Committee upon the conclusion of the 2013 AGM to fill the vacancy arising from the retirement of Mr. Lee.

The existing Remuneration Committee comprises two executive Directors, namely Mr. Chan Chun Hong, Thomas and Mr. Wong Koon Kui, Lawrence and the three independent non-executive Directors, namely Mr. Ng Yat Cheung, Ms. Lam Ka Jen, Katherine and Mr. Lau King Lung. Mr. Ng Yat Cheung acts as the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company. The duties, roles and functions of the Remuneration Committee are as follows:-

1. to make recommendations to the Board on the Company's policy and structure for all Directors and senior management of the Company, remuneration and on the establishment of a formal and transparent procedure for developing such policy;

2. to review and approve the management's remuneration proposals by reference to the Board's corporate goals and objectives;

3. to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management of the Company, including, but not limited to, benefits in kind, pension rights and compensation payments for loss or termination of their office or appointment;

4. to make recommendations to the Board on the remuneration on non-executive Directors;

5. to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

6. to review and approve compensation payable to executive Directors and senior management of the Company for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

7. to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

8. to ensure that no Director or any of his associates is involved in deciding his own remuneration.

During the year, the Remuneration Committee held two meetings and the attendance of each member of the Remuneration Committee is set out below:

Remuneration Committee Members	Date of appointment/ retirement during the year	Attendance
Mr. Ng Yat Cheung		2/2
Ms. Lam Ka Jen, Katherine		2/2
Mr. Lau King Lung	*(appointed upon the conclusion of the 2013 AGM)*	N/A
Mr. Chan Chun Hong, Thomas		2/2
Mr. Wong Koon Kui, Lawrence		2/2
Mr. Lee Chun Ho	*(retired upon the conclusion of the 2013 AGM)*	0/2

During the year under review, the Remuneration Committee determined the remuneration policy, assessing performance of executive Directors, reviewing existing remuneration package, structure of executive Director and employment structure of senior management of the Company and approving the terms of executive Directors' service contracts.

The Remuneration Committee made recommendations, if any, to the Board on the remuneration packages of individual executive Directors and senior management of the Company.

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

Nomination Committee

During the year, Mr. Lee Chun Ho ceased to act as the chairman and a member of the nomination committee of the Company (the "**Nomination Committee**") immediately following his retirement as an independent non-executive Director upon the conclusion of the 2013 AGM and Mr. Lau King Lung was appointed as chairman and a member of the Nomination Committee upon the conclusion of the 2013 AGM to fill the vacancy arising from the retirement of Mr. Lee Chun Ho.

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

In order to comply with the CG Code, the Board adopted a revised terms of reference of the Nomination Committee on 17 July 2013 for board diversity issue. The revised terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

On 17 July 2013, the Board adopted a board diversity policy (the "**Board Diversity Policy**") to comply with the CG Code on board diversity issue. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, independence and length of service. The Nomination Committee will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board.

The duties, roles and functions of the Nomination Committee are as follows:-

1. to review the structure, size, composition and diversity of the Board (including without limitation, gender, age, cultural and educational background, ethnicity, experience, skills, knowledge, independence and length of service) of the Board at least annually and make recommendations to the Board on any proposed changes to complement the Company's corporate strategy;

2. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships. In identifying suitable individuals, the Nomination Committee shall consider individuals on merit against the objective criteria, with due regard for the benefits of diversity on the Board;

3. to assess the independence of independent non-executive Directors and review the independent non-executive Directors' annual confirmations on their independence and make disclosure of its review results in the corporate governance report of the Company;

4. to regularly review the time required for a director to perform his/her responsibilities;

5. to review the balance between executive and non-executive Directors and the blend of skills, knowledge, experience and diversity on the Board;

6. to keep under review the leadership and succession needs of the organisation with a view to ensuring the long term success of the Group;

7. to review the board diversity policy, as appropriate, and review the measurable objectives that the Board has set for implementing the board diversity policy, and the progress on achieving the objectives; and make disclosure of its review results in the corporate governance report annually;

8. to ensure that all Directors offer themselves for re-election every three years by shareholders;

9. to make recommendations to the Board on the appointment, re-appointment or re-designation of Directors and succession planning for directors, in particular the chairman/chairwoman and the chief executive, taking into account the Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future;

10. to ensure that on appointment to the Board, every Director should receive a formal letter of appointment or enter into a service contract with the Company, as appropriate;

11. where the Board proposes a resolution to elect an individual as an independent non-executive Directors at the general meeting, the Nomination Committee should set out in the circular to shareholders and/

or explanatory statement accompanying the notice of the relevant general meeting why they believe he/she should be elected and the reasons why they consider the individual to be independent; and

12. the chairman or another member of the Committee shall attend the Company's annual general meetings and be prepared to respond to questions raised by shareholders on the Committee's activities and responsibilities.

During the year, the Nomination Committee held two meetings and the attendance of each member of the Nomination Committee is set out below:

Nomination Committee Members	Date of appointment/ retirement during the year	Attendance
Mr. Lau King Lung	*(appointed upon the conclusion of the 2013 AGM)*	1/1
Mr. Ng Yat Cheung		2/2
Ms. Lam Ka Jen, Katherine		2/2
Mr. Chan Chun Hong, Thomas		2/2
Mr. Leung Sui Wah, Raymond		2/2
Mr. Lee Chun Ho	*(retired upon the conclusion of the 2013 AGM)*	0/1

During the year under review, the Nomination Committee determined the policy for the nomination of Directors, the nomination procedures and the process and criteria to select and recommend candidate for directorship and made recommendation to the Board relating to the adoption of the Board Diversity Policy and the revised terms of reference of the Nomination Committee.

Audit Committee

During the year, Mr. Lee Chun Ho ceased to act as a member of the audit committee of the Company (the "**Audit Committee**") immediately following his retirement as independent non-executive Director upon the conclusion of the 2013 AGM and Mr. Lau King Lung was appointed as a member of the Audit Committee upon the conclusion of the 2013 AGM to fill the vacancy arising from the retirement of Mr. Lee Chun Ho.

During the year under review, the Audit Committee comprises all of the independent non-executive Directors, namely Ms. Lam Ka Jen, Katherine, Mr. Ng Yat Cheung and Mr. Lau King Lung, pursuant to Rule 3.21 of the Listing Rules with specific terms of reference. Ms. Lam Ka Jen, Katherine acts as the chairman of the Audit Committee. The terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

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

During the year, the Audit Committee held two meetings and the attendance of each member of Audit Committee is set out below:

Audit Committee Members	Date of appointment/ retirement during the year	Attendance
Ms. Lam Ka Jen, Katherine		2/2
Mr. Ng Yat Cheung		2/2
Mr. Lau King Lung	*(appointed upon the conclusion of the 2013 AGM)*	1/1
Mr. Lee Chun Ho	*(retired upon the conclusion of the 2013 AGM)*	0/1

During the year, the Audit Committee reviewed and discussed with the management and auditors the accounting principles and practices adopted by the Company. In addition, it also reviewed internal control measures, risk management, adequacy of resources of the Group, the annual results for the year ended 31 December 2012 and the interim results for the six months ended 30 June 2013 with the senior management and/or the auditors of the Company.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparation and publication of the timely financial statements and ensure that they are prepared in accordance with the statutory requirements and applicable accounting standards. In preparing the accounts for the year ended 31 December 2013, the Directors have adopted suitable accounting policies which are pertinent to the Group's operations and relevant to the financial statements and have presented an understandable assessment of the Group's position and prospects.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, and save as the financial information which indicated that the Group's consolidated current liabilities exceeded its consolidated current assets by approximately HK$239,745,000 (as detailed in the independent auditors' report), they are not aware of any material uncertainties relating to the events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The Directors continue to explore any opportunities with potential investors to enhance its financial position and business development of the Group by way of refinancing, extension of borrowings and/or fund raising.

INTERNAL CONTROLS

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

In the fiscal year of 2013, the Company appointed professional advisers, BMS Risk Advisory Services Limited ("**BMS**") to perform the ongoing monitoring of the systems of internal control of the Group. BMS reported that no material internal control weakness was identified from the reviews. Taking into consideration the recommendations made by BMS, the Board continued to meet from time to time during the year to review the effectiveness of the Group's system of internal control so as to reinforce its system to safeguard the Company's assets and to assure against material financial misstatement. The Board confirmed the Group's systems of internal control in respect of financial, operational, compliance, risk management and adequacy of resources, are effective and adequate.

AUDITORS' REMUNERATION

During the year under review, the remuneration paid/payable to the Company's external auditors, HLB Hodgson Impey Cheng Limited, in respect of audit services and non-audit services for the year ended 31 December 2013 are set out as follows which has been reviewed and approved by the Audit Committee based on the scopes of their works:

Services rendered	Fees paid/ payable HK$'000
Audit services	1,200
Non-audit services	200
Total	1,400

WHISTLEBLOWING POLICY

The Company has adopted a whistleblowing policy to facilitate the achieving of high possible standards of openness, probity and accountability. Procedures are formulated to assist individual employees to disclose internally and at a high level, information which the individual believes that it shows malpractice or impropriety within the Group. Such policy is made available on the website of the Company.

COMPANY SECRETARY

Mr. Cheung Chin Wa Angus, the company secretary of the Company, reports to the Board and is responsible for, inter alia, providing updated information to all Directors from time to time.

During the year ended 31 December 2013, Mr. Cheung has complied with Rule 3.29 of the Listing Rules and taken no less than 15 hours of relevant professional training.

CORPORATE SOCIAL RESPONSIBILITY

The Group is conscious of its role as a socially responsible group of companies. It has made donations for community wellbeing from time to time, supports the communities and encourages its employees to participate in any charitable events and caring services.

SHAREHOLDERS' RIGHTS

Putting Forward Proposals at General Meetings

Any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require a special general meeting ("**SGM**") to be called by the Board for the transaction of any business specified in such requisition and such meeting shall be held within two months after the deposit of such requisition.

Shareholders may put forward proposals at general meetings of the Company by sending the same to the Company at the address of its principal office in Hong Kong, specifying his/her information, contact details and the proposal(s) he/she intends to put forward at the general meeting regarding any specified transaction/business and the supporting documents.

Convening of Special General Meeting

Pursuant to the Bye-law 62, a SGM shall be convened on requisition, as provided by the Companies Act 1981 of Bermuda (the "**Companies Act**"), and, in default, may be convened by the requisitionists.

Pursuant to the Bye-law 63, a SGM may be called by notice in writing of not less than fourteen clear days and not less than ten clear business days.

The Company would take appropriate actions and make necessary arrangements, and the shareholders concerned would be responsible for the expenses incurred in giving effect thereto in accordance with the requirements under Section 74 of the Companies Act once a valid requisition is received.

INVESTOR RELATIONS

Shareholders may send written enquiries, either by post, by facsimiles or by email, together with his/her contact details, such as postal address, email or fax, addressing to the head office of the Company at the following address or facsimile number or via email:

Address: China Agri-Products Exchange Limited
5/F., Wai Yuen Tong Medicine Building
9 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

Telephone: 852 2312 8329
Fax: 852 2312 8106
Email: pr@cnagri-products.com

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

AMENDMENTS TO MEMORANDUM OF ASSOCIATION AND BYE-LAWS

There was no change to the Company's Memorandum of Association and Bye-laws during the year. A copy of the latest consolidated version of the Memorandum of Association and Bye-laws are available on the websites of the Stock Exchange and the Company.

Report of the Directors

The Company is an investment holding company. Details of the activities of its principal subsidiaries are set out in note 19 to the consolidated financial statements. Its subsidiaries are principally engaged in the business of management and sales of agricultural produce exchange markets in the PRC.

The Directors present their annual report and audited consolidated financial statements of the Company and of the Group for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Details of the activities of its principal subsidiaries are set out in note 19 to the consolidated financial statements. Its subsidiaries are principally engaged in the business of management and sales of agricultural produce exchange markets in the PRC.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2013 and the state of affairs of the Company and of the Group are set out in the consolidated financial statements on pages 39 to 127.

The Board did not recommend the payment of any final dividend for the year ended 31 December 2013 (2012: Nil). No interim dividend was paid to the shareholders of the Company during the year under review (2012: Nil).

FIVE YEAR FINANCIAL SUMMARY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 30 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2013, in the opinion of the Directors, the Company has no distributable reserves.

PROMISSORY NOTES AND SHARE CAPITAL

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

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of the movements in the investment properties of the Group during the year are set out in note 17 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2013.

DIRECTORS

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

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
Ms. Lam Ka Jen, Katherine
Mr. Lau King Lung (appointed upon the conclusion of the 2013 AGM)
Mr. Lee Chun Ho (retired upon the conclusion of the 2013 AGM)

In accordance with bye-law 99 of the bye-laws of the Company, Mr. Chan Chun Hong, Thomas, Mr. Ng Yat Cheung and Ms. Lam Ka Jen, Katherine will retire at the forthcoming annual general meeting by rotation and, being eligible, offer themselves for re-election.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the existing independent non-executive Directors are still independent.

DIRECTORS' SERVICE CONTRACTS

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

CHANGE IN INFORMATION OF DIRECTOR

The change in the information of Director since the publication of the 2013 Interim Report are set out below pursuant to Rule 13.51B(1) of the Listing Rules:

Mr. NG Yat Cheung was appointed as an independent non-executive director of Jia Meng Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange with effect from 26 September 2013.

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

As at 31 December 2013, none of the Directors, chief executive of the Company, nor any of their respective associates, had any interests or short positions in any shares, underlying shares or debenture of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or pursuant to the Model Code contained in the Listing Rules.

SHARE OPTION SCHEME

On 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 sheet of the Stock Exchange on 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 shall not 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 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 an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised for a period of 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. Other details of the Scheme are set out in note 31 to the consolidated financial statements.

Since the adoption of the Scheme and up to 31 December 2013, no option had been granted under the Scheme. At as the date of this annual report, the total number of shares of the Company available for issue under the Scheme is 6,152,460 Shares, representing approximately 8.34% of the existing issued share capital of the Company.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2013, to the best knowledge of the Directors, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that the following shareholders (other than Directors or chief executive of the Company) had notified the Company of relevant interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Long position in the Shares

Name	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	362,410,168	12.28
Wai Yuen Tong Medicine Holdings Limited ("**WYT**") (note c)	Interest of a controlled corporation	243,200,000	19.39
Wang On Group Limited ("**WOG**") (note d)	Interest of a controlled corporation	243,667,500	19.43
Chu Yuet Wah	Interest of a controlled corporation	348,508,784	27.78
Active Dynamic Limited	Interest of a controlled corporation	348,508,784	27.78
Galaxy Sky Investments Limited	Interest of a controlled corporation	348,508,784	27.78
Kingston Capital Asia Limited	Interest of a controlled corporation	348,508,784	27.78
Kingston Financial Group Limited	Interest of a controlled corporation	348,508,784	27.78
Kingston Securities Limited	Others	348,508,784	27.78

Notes:

(a) The percentage stated represented the percentage of the Company's share capital as stated in the relevant disclosure of interests forms.

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

(c) WYT, through Ultimate Fame Holdings Limited, its indirect wholly-owned subsidiary, was taken to be interested in such Shares.

(d) Wang On Enterprises (BVI) Limited, a wholly-owned subsidiary of WOG, was the sole shareholder of Huge Thrive Investments Limited and Vast Shine Investments Limited, Vast Shine Investments Limited was the sole shareholder of Mailful Investments Limited which was interested in 467,500 Shares and Huge Thrive Investments Limited was interested in 243,200,000 Shares.

Save as disclosed above, as at 31 December 2013, there was no other person (other than the Directors or chief executive of the Company) who had any interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance subsisted to which the Company, its holding company or any of its fellow subsidiaries and subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, at the end of the year or at any time during the year.

CORPORATE GOVERNANCE

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 21 to 29 of this annual report.

AUDIT COMMITTEE

The Company has the Audit Committee which was established in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting processes and internal controls. The Audit Committee, comprises all existing independent non-executive Directors, namely Mr. Ng Yat Cheung, Ms. Lam Ka Jen, Katherine and Mr. Lau King Lung, has reviewed with the management and the auditors the audited consolidated financial statements for the year ended 31 December 2013 of the Company and of the Group. Ms. Lam Ka Jen, Katherine took the chair of the Audit Committee.

EMOLUMENT POLICY

The emolument policies of the employees of the Group and the Directors are reviewed by the Remuneration Committee on the basis of their merit, qualifications and competence.

The Company has adopted the Scheme as an incentive to the Directors and eligible participants. Details of the Scheme are set out in the section head "Share Option Scheme" contained in this annual report and note 31 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2013, the percentages of sales and purchases attributable to the Group's five largest customers and five largest suppliers were less than 30%.

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

DONATIONS

During the year, the Group made charitable donations of approximately HK$0.5 million (2012: HK$1.2 million).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new Shares on a pro rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float of not less than 25% of the total issued share capital of the Company as required under the Listing Rules throughout the year ended 31 December 2013 and up to the date of this annual report.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period of the Group are set out in note 36 to the consolidated financial statements.

AUDITORS

In March 2012, the practice of HLB Hodgson Impey Cheng was reorganised as HLB Hodgson Impey Cheng Limited. Accordingly, HLB Hodgson Impey Cheng retired as the auditors of the Company on 3 May 2012 and HLB Hodgson Impey Cheng Limited was appointed as the auditors of the Company on the even date.

The financial statements for the year ended 31 December 2013 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting. A resolution for their re-appointment as auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Chan Chun Hong, Thomas
Chairman

4 March 2014

INDEPENDENT AUDITORS' REPORT

HLB 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 AUDITORS' REPORT
TO THE SHAREHOLDERS OF CHINA AGRI-PRODUCTS EXCHANGE LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Agri-Products Exchange Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 39 to 127, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

INDEPENDENT AUDITORS’ REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013 and of the Group’s profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

MATERIAL UNCERTAINTY CONCERNING GOING CONCERN BASIS OF ACCOUNTING

Without qualifying our opinion, we draw attention to note 2(b) to the consolidated financial statements which indicates that the Group’s consolidated current liabilities exceeded its consolidated current assets by approximately HK$239,745,000. Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the Group’s ability to extend its short-term borrowings upon maturity, obtain long-term financing facilities to re-finance its short-term borrowings, and derive adequate operating cash flows from the existing operations in order for the Group to meet its financial obligations as they fall due and to finance its future working capital and financial requirements. These conditions, along with other matters as set forth in note 2(b), indicate the existence of a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Wong Sze Wai, Basilia
Practising Certificate Number: P05806

Hong Kong, 4 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Turnover	5	408,544	287,482
Cost of operation		(216,561)	(126,900)
Gross profit		191,983	160,582
Other revenue and other net income	6	9,645	5,328
Net gain in fair value of investment properties		671,065	538,287
General and administrative expenses		(245,895)	(236,234)
Selling expenses		(42,774)	(12,654)
Profit from operations		584,024	455,309
Finance costs	7(a)	(164,848)	(103,337)
Profit before taxation	7	419,176	351,972
Income tax	8	(198,457)	(135,488)
Profit for the year		220,719	216,484
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		83,530	18,684
Other comprehensive income for the year, net of Income tax		83,530	18,684
Total comprehensive income for the year, net of income tax		304,249	235,168
Profit attributable to:			
Owners of the Company		154,980	145,678
Non-controlling interests		65,739	70,806
		220,719	216,484
Total comprehensive income attributable to:			
Owners of the Company		228,795	161,923
Non-controlling interests		75,454	73,245
		304,249	235,168

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Earnings per share			
— Basic (restated)	14(a)	**HK$2.10**	HK$1.97
— Diluted (restated)	14(b)	**HK$2.10**	HK$1.97

The notes on pages 47 to 127 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	16	**45,412**	30,575
Investment properties	17	**3,420,587**	3,408,915
Goodwill	18	**6,444**	6,444
		3,472,443	3,445,934
Current assets			
Stock of properties	20	**1,646,691**	168,149
Trade and other receivables	21	**293,903**	313,930
Loan receivables	22	**12,789**	—
Financial assets at fair value through profit or loss	23	**5,546**	5,410
Tax receivable		**—**	4,521
Cash and cash equivalents	24	**267,422**	393,954
		2,226,351	885,964
Current liabilities			
Deposits and other payables	25	**989,606**	947,899
Deposit receipts in advance		**99,620**	135,054
Bank and other borrowings	26	**961,128**	275,452
Government grants	27	**2,941**	2,860
Promissory notes	28	**376,000**	376,000
Income tax payable	29(a)	**36,801**	7,581
		2,466,096	1,744,846
Net current liabilities		**(239,745)**	(858,882)
Total assets less current liabilities		**3,232,698**	2,587,052

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current liabilities			
Bank and other borrowings	26	**1,104,876**	969,358
Deferred tax liabilities	29(b)	**506,974**	350,188
		1,611,850	1,319,546
Net assets		**1,620,848**	1,267,506
Capital and reserves			
Share capital	30(c)	**29,510**	24,610
Reserves		**1,170,079**	893,070
Total equity attributable to owners of the Company		**1,199,589**	917,680
Non-controlling interests		**421,259**	349,826
Total equity		**1,620,848**	1,267,506

Approved and authorised for issue by the board of directors on 4 March 2014.

Chan Chun Hong, Thomas
Director

Leung Sui Wah, Raymond
Director

The notes on pages 47 to 127 form part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Investments in subsidiaries	19	**271,080**	271,080
Current assets			
Other receivables	21	**1,924,059**	1,311,545
Cash and cash equivalents	24	**65,556**	175,397
		1,989,615	1,486,942
Current liabilities			
Other payables	25	**244,695**	135,076
Other borrowings	26	**745,000**	—
Promissory notes	28	**376,000**	376,000
		1,365,695	511,076
Net current assets		**623,920**	975,866
Total assets less current liabilities		**895,000**	1,246,946
Non-current liabilities			
Bank and other borrowings	26	**660,000**	845,000
Net assets		**235,000**	401,946
Capital and reserves			
Share capital	30(c)	**29,510**	24,610
Reserves	30	**205,490**	377,336
Total equity		**235,000**	401,946

Approved and authorised for issue by the board of directors on 4 March 2014.

Chan Chun Hong, Thomas
Director

Leung Sui Wah, Raymond
Director

The notes on pages 47 to 127 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to owners of the Company										
	Share capital	**Share premium**	**Capital redemption reserve**	**Contributed surplus**	**Shareholders' contribution**	**Other reserve**	**Exchange reserve**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2012	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 translation into presentation currency	–	–	–	–	–	–	16,245	–	16,245	2,439	18,684
Other comprehensive income for the year	–	–	–	–	–	–	16,245	–	16,245	2,439	18,684
Profit for the year	–	–	–	–	–	–	–	145,678	145,678	70,806	216,484
Total comprehensive income for the year	–	–	–	–	–	–	16,245	145,678	161,923	73,245	235,168
Dividend paid to non-controlling interest	–	–	–	–	–	–	–	–	–	(3,013)	(3,013)
At 31 December 2012	24,610	1,552,994	945	2,215,409	664	(15,021)	136,969	(2,998,890)	917,680	349,826	1,267,506
At 1 January 2013	**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 translation into presentation currency	**–**	**–**	**–**	**–**	**–**	**–**	**73,815**	**–**	**73,815**	**9,715**	**83,530**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**73,815**	**–**	**73,815**	**9,715**	**83,530**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**154,980**	**154,980**	**65,739**	**220,719**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**73,815**	**154,980**	**228,795**	**75,454**	**304,249**
Placing of share	**4,900**	**49,980**	**–**	**–**	**–**	**–**	**–**	**–**	**54,880**	**–**	**54,880**
Transaction cost relating to placing of share	**–**	**(1,766)**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,766)**	**–**	**(1,766)**
Dividend paid to non-controlling interest	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(4,021)**	**(4,021)**
At 31 December 2013	**29,510**	**1,601,208**	**945**	**2,215,409**	**664**	**(15,021)**	**210,784**	**(2,843,910)**	**1,199,589**	**421,259**	**1,620,848**

The notes on pages 47 to 127 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Operating activities			
Profit for the year		220,719	216,484
Adjustments for:			
Income tax expense recognised in statement of profit or loss and other comprehensive income		198,457	135,488
Depreciation	7(c)	6,543	5,106
Unrealised (gain)/loss on financial assets through profit or loss		(133)	335
Realised loss on disposal of financial assets at fair value through profit or loss		–	893
Net gain in fair value on investment properties		(671,065)	(538,287)
Finance costs	7(a)	164,848	103,337
Interest income	6	(1,268)	(2,684)
Loss on disposal of property, plant and equipment	7(c)	52	220
Operating loss before changes in working capital		(81,847)	(79,108)
Increase in trade and other receivables		(93,022)	(215,795)
Increase in loan receivable		(12,789)	–
(Increase)/decrease in stock of properties		(342,882)	78,620
(Decrease)/increase in deposit receipts in advance		(35,434)	4,810
(Decrease)/increase in deposits and other payables		(15,335)	34,782
Cash used in operations		(581,309)	(176,691)
Tax paid			
PRC enterprise income tax paid		(19,922)	(12,714)
Net cash used in operating activities		(601,231)	(189,405)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Investing activities			
Proceeds from disposal of financial assets through profit or loss		–	297
Purchase of financial assets at fair value through profit or loss		–	(2,304)
Payments for purchases of property, plant and equipment		(20,462)	(5,222)
Proceed from disposal of property, plant and equipment		88	–
Payments for investment properties		(243,455)	(350,353)
Bank interest received		1,018	2,279
Net cash used in investing activities		(262,811)	(355,303)
Financing activities			
Proceeds from new bank borrowings		548,967	153,750
Proceeds from new other borrowings		995,000	845,000
Repayments of bank borrowings		(356,638)	(112,539)
Repayment of other borrowings		(380,000)	(413,449)
Net proceeds from placing of shares		53,114	–
Interest paid		(107,806)	(57,217)
Dividend paid to non-controlling interest		(4,021)	(3,013)
Net cash generated from financing activities		748,616	412,532
Net decrease in cash and cash equivalents		(115,426)	(132,176)
Cash and cash equivalents at 1 January	24	393,954	533,194
Effect of foreign exchange rate changes		(11,106)	(7,064)
Cash and cash equivalents at 31 December	24	267,422	393,954

The notes on pages 47 to 127 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

1. GENERAL

China Agri-Products Exchange Limited (the "**Company**", together with its subsidiaries the "**Group**") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The Group is principally engaged in the management and sales of agricultural produce exchange markets in the People's Republic of China ("**PRC**").

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations (the"**Interpretations**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and accounting principles generally accepted in Hong Kong, in addition, the consolidated financial statements include applicable disclosures required by the Hong Kong Companies Ordinance and by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

(b) Basis of preparation of consolidated financial statements

(i) Going concern basis

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

— the Group had consolidated net current liabilities of approximately HK$239,745,000 as at 31 December 2013;

— the Group had outstanding bank and other borrowings of approximately HK$2,066,004,000 (note 26), out of which an aggregate of approximately HK$961,128,000 is due for repayment within the next twelve months after 31 December 2013; and

— the Group had promissory notes of approximately HK$376,000,000 and interest payable of approximately HK$117,500,000 included under deposits and other payables are outstanding as at 31 December 2013.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(i) Going concern basis *(Continued)*

(1) Alternative sources of external funding

On 4 December 2013, The Company entered into the underwriting agreement with, among others, the underwriters, whereby the Company proposed to raise gross proceeds of approximately HK$514,600,000 before expenses, by way of the rights issue of 1,106,619,045 rights shares at the subscription price HK$0.465 per rights share. The proposed rights issue was duly passed by way of poll at the special general meeting held on 17 February 2014. For the detail, please refer to the Company's announcement, circular and prospectus dated 19 December 2013, 13 January 2014, 22 January 2014, 23 January 2014, 17 February 2014, 20 February 2014 and 3 March 2014 respectively.

(2) Attainment of profitable and positive cash flow operations

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

(3) Necessary facilities

The Group is in the process of negotiating with its bankers to secure necessary facilities to meet the Group's working capital and financial requirements in the near future.

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(i) Going concern basis *(Continued)*

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

Under the Undertakings, currently obtained by the Company the Instruments will no longer fall due for payment by the Company on 5 December 2012.

In the opinion of the Directors, in light of the various measures or 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 consolidated financial statements on a going concern basis.

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

(ii) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for the investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(ii) Basis of measurement *(Continued)*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

(iii) Functional and presentation currency

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

All values are rounded to the nearest thousand unless otherwise stated.

(iv) Use of estimates and judgements

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(iv) Use of estimates and judgements *(Continued)*

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 4.

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Basis of consolidation *(Continued)*

Allocation of total comprehensive income to non-controlling interests

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

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(i) Business combinations

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Basis of consolidation *(Continued)*

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

(i) Business combinations (Continued)

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Basis of consolidation *(Continued)*

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

(i) Business combinations (Continued)

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

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

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

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

(ii) Goodwill

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Basis of consolidation *(Continued)*

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

(ii) Goodwill (Continued)

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

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

(d) Investment property

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

Investment properties under construction are accounted for in the same way as completed investment properties. Specifically, construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction. Investment properties under construction are measured at fair value at the end of the reporting period. Any difference between the fair value of the investment properties under construction and their carrying amounts is recognised in profit or loss in the period in which they arise.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Property, plant and equipment

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

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

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

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

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

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

— Furniture, equipment and motor vehicles. 5 - 10 years

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(i) The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(ii) The Group as leasee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred. Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Impairment of assets

(i) Impairment of receivables

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

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

— significant changes in the technological market, economic or legal environment that have an adverse effect on the debtor.

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Impairment of assets *(Continued)*

(ii) Impairment of other assets

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

— property, plant and equipment;

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

— goodwill.

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

— Calculation of recoverable amount

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

— Recognition of impairment losses

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Impairment of assets *(Continued)*

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

— Reversals of impairment losses

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

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

(iii) Interim financial reporting and impairment

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

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

(h) Stock of properties

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

(i) Trade and other receivables

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments

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

(i) Financial assets

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

(ii) Financial liabilities and equities

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

Financial liabilities

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

Financial guarantee contracts

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

(iii) Derecognition

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

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

(k) Interest-bearing borrowings

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

(l) Deposits and other payables

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

(m) Cash and cash equivalents

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Employee benefits

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

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

(ii) Share-based payments

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

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

(iii) Termination benefits

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Income tax

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

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

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

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

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

The amount of deferred tax recognised is measured based on the excepted manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Income tax *(Continued)*

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

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

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

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

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

  — the same taxable entity; or

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

(p) Provisions and contingent liabilities

(i) Contingent liabilities acquired in business combinations

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Provisions and contingent liabilities *(Continued)*

(ii) Other provisions and contingent liabilities

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

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

(q) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in consolidated statement of comprehensive income as follows:

(i) Rental income from operating leases

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

(ii) Revenue from properties sale

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

(iii) Revenue from property ancillary services

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

(iv) Commission income from agricultural exchange market

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Revenue recognition *(Continued)*

(v) Interest income

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

(vi) Government subsidies

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

(vii) Dividend income

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

(r) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in consolidated statement of comprehensive income.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(t) Related parties

A party is considered to be related to the Group if:

(1) A person or entity that is preparing the consolidated financial statements of the Group;

(2) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group.

(3) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Related parties *(Continued)*

(3) *(Continued)*

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (2).

(vii) A person identified in (2) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(u) Segment reporting

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Government grants

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

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

In the current year, the Company has applied, for the first time, the following new standard, amendments and interpretations ("**new HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which are effective for the Company's financial year beginning 1 January 2013. A summary of the new HKFRSs are set out as below:

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

Except for the amendments to HKAS 1, the application of these new HKFRSs has no material impact on the results and the financial position of the Group.

The nature of the impending changes in accounting policy on adoption of the amendments to HKAS 1 is described below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012.

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (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.

HKFRS 10 Consolidated Financial Statements

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK (SIC) Int-12 Consolidation - Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. Some guidance included in HKFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group.

HKFRS 12 Disclosure of Interests in Other Entities

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of HKFRS 13 is broad; the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

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

HKFRS 13 Fair Value Measurement *(Continued)*

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

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

HKFRS 9	Financial Instruments[3]
HKFRS 9, HKFRS 7 and HKAS 39 (Amendments)	Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39[3]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities[1]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[1]
HKAS 36	Recoverable Amount and Disclosures for Non-Financial Assets[1]
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC)-Int 21	Levies[1]
HKAS 19 (Amendments)	Defined Benefits Plans: Employee Contributions[2]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle[5]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HKFRS 14	Regulatory Deferral Accounts[4]

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permited
2 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted
3 No mandatory effective date yet determined but is available for adoption.
4 Effective for annual periods beginning on or after 1 January, 2016.
5 Effective for annual periods beginning on or after 1 January, 2014, with limited exceptions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described below:

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

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

The date when entities would be required to apply HKFRS 9 was previously stated at 1 January 2015. This mandatory effective date has been removed to provide sufficient time for preparers of financial statements to make the transition to the new requirements, which will now become effective from a later date yet to be announced.

The Directors anticipate that HKFRS 9 that may have a significant impact on amounts reported in respect of Group's financial assets. However, it is not practical to provide a reasonable estimate of that effect until a detailed review has been completed.

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

Amendments to HKFRS 7 and HKAS 32 – Offsetting Financial Assets and Financial Liabilities and the related disclosures

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The Directors anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

Amendments to HKAS 36 – Impairment of Assets: Recoverable Amount Disclosure for Non-Financial Assets

The amendments to HKAS 36 are to remove certain unintended disclosure requirements which may be introduced by the consequential amendments to HKAS 36 when HKFRS 13 was issued. Furthermore, these amendments require the disclosure of additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. The amendments to HKAS 36 are effective for annual periods beginning on or after 1 January 2014. Earlier application is permitted. However, an entity may not apply those amendments in periods (including comparative periods) in which it does not also apply HKFRS 13.

The Directors anticipate that the application of these amendments to HKAS 36 will have no material impact on the Group's financial performance and positions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — Investment Entities

The Investment Entities amendments apply to a particular class of business that qualify as investment entities. The term 'investment entity' refers to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds.

Under HKFRS 10, reporting entities were required to consolidate all investees that they control (i.e. all subsidiaries). Preparers and users of financial statements have suggested that consolidating the subsidiaries of investment entities does not result in useful information for investors. Rather, reporting all investments, including investments in subsidiaries, at fair value, provides the most useful and relevant information.

In response to this, the amendments provide an exception to the consolidation requirements in HKFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities.

The amendments are effective from 1 January 2014 with early adoption permitted in order to allow investment entities to apply the amendments at the same time they first apply the rest of HKFRS 10.

The Directors anticipate that the application of these amendments to HKFRS 10, HKFRS 12 and HKFRS 27 (2011) will have no material impact on the Group's financial performance and positions.

Amendments to HKAS 39 — Novation of Derivatives and Continuation of Hedge Accounting

The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

This relief has been introduced in response to legislative changes across many jurisdictions that would lead to the widespread novation of over-the-counter derivatives. These legislative changes were prompted by a G20 commitment to improve transparency and regulatory oversight of over-the-counter derivatives in an internationally consistent and non-discriminatory way.

Similar relief will be included in HKFRS 9.

The amendments will be effective for annual periods beginning on or after 1 January 2014 and applied retrospectively. Earlier application is permitted.

The directors anticipate that the application of these amendments to HKAS 39 will have no material impact on the Group's financial performance and positions.

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

HK (IFRIC) — Int 21 Levies

HK (IFRIC) — Int 21 is an interpretation of HKAS 37 and addresses how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements. The principal question raised was about when the entity should recognise a liability to pay a levy. It clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. HK(IFRIC) — Int 21 is effective for annual periods beginning on or after 1 January 2014 with earlier application permitted.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Group's accounting policies, the directors of the Company are required to make judgements, estimates and assumption about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Key sources of estimation uncertainty

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

(i) Impairment of property, plant and equipment

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

4. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

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

(ii) Valuation of investment properties

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

The methodology and assumptions adopted in the property valuations are mentioned in note 17(a).

(iii) Impairment for goodwill

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

(iv) Impairment for trade and other receivables

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

(v) Income tax and deferred taxation

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

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

4. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

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

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

Going Concern

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

5. TURNOVER

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

	2013	2012
	HK$'000	HK$'000
Property rental income	**137,824**	95,723
Revenue from property ancillary services	**39,064**	34,607
Commission income from agricultural produce exchange market	**62,037**	59,260
Revenue from property sales	**169,619**	97,892
	408,544	287,482

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

6. OTHER REVENUE AND OTHER NET INCOME

	2013 HK$'000	2012 HK$'000
Other revenue		
Interest income	**1,268**	2,684
Unrealised gain on financial assets at fair value through profit or loss	**133**	—
PRC government subsidies (note 6(a))	**5,379**	428
Others	**2,865**	2,216
	9,645	5,328

(a) PRC government subsidies

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

7. PROFIT BEFORE TAXATION

Profit before taxation is arrived after charging:

(a) Finance costs

	2013 HK$'000	2012 HK$'000
Interest on bank and other borrowings wholly repayable within five years	**145,941**	63,490
Interest on bank and other borrowings wholly repayable over five years	**4,982**	—
Interest on promissory notes	**23,500**	40,022
Less: — amounts classified as capitalised into investment properties under construction	**(8,768)**	(175)
— amounts classified as capitalised into stock of properties	**(807)**	—
	164,848	103,337

The weight average capitalisation rate on borrowing is 7.0% per annum (2012: 6.4%).

7. PROFIT BEFORE TAXATION *(Continued)*

(b) Staff costs (including directors' emoluments)

	2013 HK$'000	2012 HK$'000
Contributions to defined contribution retirement plans	685	515
Salaries, wages and other benefits	98,191	71,660
	98,876	72,175

(c) Other items

	2013 HK$'000	2012 HK$'000
Depreciation	6,543	5,106
Loss on disposal on property, plant and equipment	52	220
Auditors' remuneration		
— audit services	1,200	950
— other services	200	250
Operating lease charges: minimum lease payments		
— property rental	3,389	2,826
Unrealised loss on of financial assets through profit or loss	—	335
Realised loss on disposal of financial assets at fair value through profit or loss	—	893
Cost of stock of properties	135,928	78,620

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

8. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(i) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2013 HK$'000	2012 HK$'000
Current tax		
— PRC enterprise income tax	53,508	14,059
	53,508	14,059
Deferred tax		
Origination and reversal of temporary difference (note 29)	144,949	121,429
	198,457	135,488

No provision for Hong Kong Profits Tax has been made as the Group had no estimated assessable profits arising in Hong Kong for the years ended 31 December 2013 and 2012. PRC Enterprise Income Tax is computed according to the relevant legislation interpretations and practices in respect thereof during the year. PRC Enterprise Income Tax rate is 25% (2012: 25%).

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

	2013		2012	
	HK$'000	%	HK$'000	%
Profit before taxation	419,176		351,972	
Notional tax on loss before taxation calculation at the rates applicable to losses in the jurisdictions concerned	104,794	25.0	87,993	25.0
Effect of different tax rates in other tax jurisdiction	19,840	4.7	17,588	5.0
Tax effect non-deductible expenses and temporary differences	73,021	17.4	29,592	8.4
Tax effect of non-taxable income	(25)	—	(208)	—
Tax loss not recognised	827	0.2	523	0.1
Income tax expense for the year	198,457	47.3	135,488	38.5

9. DIRECTORS' EMOLUMENTS

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

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contributions HK$'000	Total 2013 HK$'000
Executive directors:				
Chan Chun Hong, Thomas (Chairman and former chief executive officer) (note 9(a))	1,005	1,539	15	2,559
Leung Sui Wah, Raymond	1,387	313	15	1,715
Wong Koon Kui, Lawrence (Chief executive officer) (note 9(c))	1,759	412	15	2,186
Yau Yuk Shing (note 9(d))	789	276	39	1,104
Independent non-executive directors:				
Ng Yat Cheung	120	–	–	120
Lee Chun Ho (note 9(e))	45	–	–	45
Lau King Lung (note 9(f))	75	–	–	75
Lam Ka Jen, Katherine	120	–	–	120
	5,300	2,540	84	7,924

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

9. DIRECTORS' EMOLUMENTS *(Continued)*

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contributions HK$'000	Total 2012 HK$'000
Executive directors:				
Chan Chun Hong, Thomas (Chairman and chief executive officer) (note 9(a))	980	1,257	14	2,251
Leong Weng Kin, Norris (note 9(b))	124	102	8	234
Leung Sui Wah, Raymond	1,237	635	14	1,886
Wong Koon Kui, Lawrence (note 9(c))	143	—	1	144
Yau Yuk Shing (note 9(d))	64	—	3	67
Independent non-executive directors:				
Ng Yat Cheung	120	—	—	120
Lee Chun Ho (note 9(e))	120	—	—	120
Lam Ka Jen, Katherine	120	—	—	120
	2,908	1,994	40	4,942

During the years ended 31 December 2013 and 2012, no emoluments were paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. No directors of the Company waived or agreed to waive any emoluments during the year.

Notes:

(a) Director resigned as chief executive officer on 20 March 2013.

(b) Director was resigned on 1 December 2012.

(c) Director was appointed on 1 December 2012 and appointed as chief executive officer on 20 March 2013.

(d) Director was appointed on 1 December 2012.

(e) Director was retired upon the conclusion of annual general meeting held on 16 May 2013.

(f) Director was appointed upon the conclusion of annual general meeting held on 16 May 2013.

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS AND SENIOR MANAGEMENT

Of the five individuals with the highest emoluments, four (2012: two) are directors whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other one (2012: three) individuals are as follows:

	2013 HK$'000	2012 HK$'000
Salaries and other benefits	**908**	3,479
Retirement schemes contributions	**15**	38
	923	3,517

The emoluments of one (2012: three) individuals with the highest emoluments are within the following bands:

	2013 Number of individuals	2012 Number of individuals
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**—**	1
Over HK$1,500,000	**—**	1

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10. INDIVIDUALS WITH HIGHEST EMOLUMENTS AND SENIOR MANAGEMENT

(Continued)

The emoluments paid or payable to member of senior management (excluding the Directors as disclosed in note 9) are within the following bands;

	2013 Number of senior management	2012 Number of senior management
Nil to HK$1,000,000	**7**	4

During the years ended 31 December 2013 and 2012, no emoluments were paid by the Group to any of the highest paid individuals and senior management as an inducement to join or upon joining the Group or as compensation for loss of office.

11. EMPLOYEE RETIREMENTS BENEFITS

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

The Group also operates a Mandatory Provident Fund Scheme (the "**MPF Scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$25,000. Contributions to the plan vest immediately.

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

12. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company includes a loss of approximately HK$220,060,000 (2012: approximately HK$723,000) which has been dealt with in the financial statements of the Company.

13. DIVIDEND

The directors do not recommend the payment of any dividend in respect of the years ended 31 December 2013 and 2012 respectively.

14. EARNINGS PER SHARE

(a) Basic earnings per share

The Company implemented the share consolidation on the basis that every Forty (40) of nominal value of HK$0.01 each in the issued share capital has been consolidated into one (1) consolidated share of nominal value of HK$0.40; and then the nominal value of all the issued consolidated shares had been reduced from HK$0.40 each to HK$0.01 each and the issued share capital have been reduced by HK$0.39 per consolidated share in issue. The effective date of the share consolidation and capital reduction was 18 February 2014.

The basic and diluted earnings per share of all periods presented shall be adjusted for the effects from share consolidation accounted for retrospectively. Upon the share consolidation becoming effective, issued number of shares of 2,950,984,135 were consolidated into 73,774,603.

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of approximately HK$154,980,000 (2012: HK$145,678,000) on the number of consolidated shares.

(b) Diluted earnings per share

Diluted earnings per share for the year ended 31 December 2013 and 2012 were the same as basic earnings per share as there was no diluted event during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

15. SEGMENT REPORTING

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

Segment revenue and results

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

	Agricultural produce exchange market operation		Property sale		Consolidated	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Turnover						
External sales	**238,925**	189,590	**169,619**	97,892	**408,544**	287,482
Result						
Segment result	**668,631**	531,946	**6,661**	7,548	**675,292**	539,494
Unallocated corporate expenses					**(91,268)**	(84,185)
Profit from operations					**584,024**	455,309
Finance costs					**(164,848)**	(103,337)
Profit before taxation					**419,176**	351,972
Income tax					**(198,457)**	(135,488)
Profit for the year					**220,719**	216,484

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

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year (2012: Nil).

15. SEGMENT REPORTING *(Continued)*

Segment assets and liabilities

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

	Agricultural produce exchange market operation		Property sale		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Assets						
Segment assets	**3,922,216**	3,940,816	**1,646,691**	178,122	**5,568,907**	4,118,938
Unallocated corporate assets					**129,887**	212,960
					5,698,794	4,331,898
Liabilities						
Segment liabilities	**1,542,528**	1,602,100	**469,812**	85,453	**2,012,340**	1,687,553
Unallocated corporate liabilities					**2,065,606**	1,376,839
					4,077,946	3,064,392

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

— all assets are allocated to reportable segments other than corporate assets. Goodwill is allocated to reportable segments as described in note 18.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

15. SEGMENT REPORTING *(Continued)*

Other segment information

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

	Agricultural produce exchange market operation		Property sale		Unallocated		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Capital expenditure								
– others	**259,730**	834,902	**–**	–	**4,187**	451	**263,917**	835,353
Net gain in fair value of investment properties	**671,065**	538,287	**–**	–	**–**	–	**671,065**	538,287
Unrealised gain/(loss) on financial assets at fair value through profit or loss	**–**	–	**–**	–	**133**	(335)	**133**	(335)
Depreciation and amortisation	**5,800**	4,664	**–**	–	**743**	442	**6,543**	5,106

Information about major customers

For the year ended 2013 and 2012, no single customers contributed 10% or more to the Group's revenue.

Geographical information

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

Revenue from major products and services

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

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings HK$'000	Furniture, equipment and motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000
Cost:				
1 January 2012	2,338	34,979	1,252	38,569
Exchange adjustments	18	323	10	351
Additions	—	5,196	26	5,222
Written off upon disposal	—	(553)	—	(553)
At 31 December 2012 and 1 January 2013	2,356	39,945	1,288	43,589
Exchange adjustments	67	1,345	78	1,490
Additions	—	17,302	3,160	20,462
Written off upon disposal	—	(966)	—	(966)
At 31 December 2013	2,423	57,626	4,526	64,575
Accumulated depreciation:				
At 1 January 2012	514	7,233	378	8,125
Exchange adjustments	5	101	10	116
Charge for the year	59	4,422	625	5,106
Written off upon disposal	—	(333)	—	(333)
At 31 December 2012 and 1 January 2013	578	11,423	1,013	13,014
Exchange adjustments	17	377	38	432
Charge for the year	61	5,786	696	6,543
Written off upon disposal	—	(826)	—	(826)
At 31 December 2013	656	16,760	1,747	19,163
Carrying amount:				
At 31 December 2013	1,767	40,866	2,779	45,412
At 31 December 2012	1,778	28,522	275	30,575

At 31 December 2012, the Group had not applied for the relevant building certificates in respect of the buildings of approximately HK$1,778,000 owned by the Group. At 31 December 2013, the Group had applied the relevant building certificates in respect of the buildings owned by the Group.

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For the year ended 31 December 2013

17. INVESTMENT PROPERTIES

	The Group	
	2013	2012
	HK$'000	HK$'000
Completed investment properties	**3,420,587**	3,367,877
Investment properties under construction	**—**	41,038
	3,420,587	3,408,915

	The Group	
	2013	2012
	HK$'000	HK$'000
At 1 January	**3,408,915**	2,009,755
Additions	**243,455**	830,131
Transferred to stock of properties	**(998,586)**	—
Fair value gain	**671,065**	538,287
Exchange adjustments	**95,738**	30,742
At 31 December	**3,420,587**	3,408,915

(a) Valuation of investment properties

The investment properties amounted of approximately HK$3,420,587,000 of the Group were stated at fair value as at 31 December 2013. The fair value were arrived at based on the valuations carried out by an independent firm of qualified professional valuers, RHL appraisal limited, ("**RHL**"), who have among their staff members of the Hong Kong Institute of Surveyors with recent experience in the location and category of the properties being valued. The valuations conform to the Valuation Standards 2012 Edition published by the Hong Kong Institute of Surveyors. The completed investment properties were valued using the income approach and the investment properties under construction were valued using the direct comparison approach.

The direct comparison approach is adopted where comparison based on prices realised on actual sales of comparable properties are made. RHL have also valued the properties on the basis that it will be developed and completed in accordance with the Group's latest development proposal. They assumed that all consents, approvals and licenses from relevant government authorities for the proposal have been obtained without onerous conditions or delays.

17. INVESTMENT PROPERTIES *(Continued)*

(a) Valuation of investment properties *(Continued)*

RHL have valued the remaining properties by using the income approach by capitalising the net rental incomes derived from the existing tenancies with due allowance for the reversionary income potential of the properties. In undertaking the valuation for such portions, RHL have assumed that the rent will continue to be paid over the remaining lease term. In the course of their valuation, RHL have also made reference to the comparable market transactions as available.

There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The discount rate rates were one of the key inputs used in valuing the investment properties. The ranges of discount rates were from 6.5% to 9.0% (2012: 7.5% to 10.0%). A slight increase in the discount rate used would result in a significant decrease in fair value measurement of the investment properties, and vice versa.

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

	2013 **HK$'000**	2012 HK$'000
In the PRC		
— medium-term leases	**3,420,587**	3,408,915

(c) Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2013 and 2012 are as follows:

	Level 1 **HK$'000**	**Level 2** **HK$'000**	**Level 3** **HK$'000**	**Fair value as at 2013** **HK$'000**
Investment property unit located in PRC	**—**	**—**	**3,420,587**	**3,420,587**

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Fair value as at 2012 HK$'000
Investment property unit located in PRC	—	41,038	3,367,877	3,408,915

There were no transfers into or out of level 3 during the year.

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17. INVESTMENT PROPERTIES *(Continued)*

(d) Investment properties leased out under operating leases

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

The Group leases out its investment properties which is an agricultural exchange market to various tenants. The leases typically run for an initial period of 1 year to 5 years, at the end of which period all terms are renegotiated. None of the leases includes contingent rentals. The rental income from investment properties less direct outgoings of approximately HK$4,784,000 (2012: approximately HK$4,233,000) amounted to approximately HK$133,040,000 (2012: approximately HK$91,490,000).

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

	2013 **HK$'000**	2012 HK$'000
Within 1 year	**85,933**	34,899
After 1 year but within 5 years	**55,589**	31,467
Over 5 years	**274**	499
	141,796	66,865

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

(e) Pledge of investment properties

As at 31 December 2013, the land use rights in respect of investment properties with a total carrying amount of approximately HK$1,665,293,000 (2012: approximately HK$1,313,386,000) were pledged to banks for the Group's bank borrowings, details of which are set out in note 26.

(f) At 31 December 2013, the Group had been applying for the relevant certificates in respect of the buildings erected on the land included under investment properties owned by the Group.

18. GOODWILL

	The Group	
	2013	2012
	HK$'000	HK$'000
Cost:		
At 1 January and 31 December	**25,017**	25,017
Accumulated impairment losses:		
At 1 January and 31 December	**18,573**	18,573
Carrying amount:		
At 31 December	**6,444**	6,444

Note:

At the end of the reporting period, the Group assessed the recoverable amount of goodwill, and determined that no impairment has been provided for goodwill associated with certain of the Group's property rental activities of agricultural produce exchange market operation for the year ended 31 December 2013 (2012: Nil). The recoverable amount of the property rental activities was assessed by reference to the relevant cash-generating unit's value in use. A discount factor of 12% (2012: 14%) per annum was applied in the value in use model.

Particulars of impairment testing on goodwill are disclosed below.

Impairment testing on goodwill

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

— Agricultural produce exchange market operation

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

	2013	2012
	HK$'000	HK$'000
Agricultural produce exchange market operation	**6,444**	6,444

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18. GOODWILL *(Continued)*

Property rental

The recoverable amount of this cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the Directors covering a five-year period, and a discount rate of approximately 12% (2012: approximately 14%) per annum. Cash flows covering that five-year period have been extrapolated using a steady 3% growth rate. This growth rate does not exceed the long-term average growth rate for the market. The Directors believe that any reasonably possible further change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the unit to exceed its recoverable amount.

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

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

19. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2013	2012
	HK$'000	HK$'000
Unlisted, at cost	**1,005,433**	1,005,433
Less: Impairment loss (note (i))	**(734,353)**	(734,353)
	271,080	271,080

Note:

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

19. INVESTMENTS IN SUBSIDIARIES *(Continued)*

(a) General information of subsidiaries

Name of Company	Place of Incorporation/ registration and operation	Particulars of issued and fully paid ordinary share capital/ registered capital	Proportion of ownership interest and voting power held			Principal activities
			Group's effective interest	Held by the Company	Held by subsidiaries	
Novel Talent Limited	British Virgin Islands/ Hong Kong	US$1	100%	–	100%	Investment holding
徐州源洋商貿發展有限公司 (note 19(a)(i))	The PRC	RMB61,220,000	51%	–	51%	Agricultural produce exchange market operation
武漢白沙洲農副產品大市場有限公司 (note 19(a)(i))	The PRC	RMB50,000,000	100%	90%	10%	Agricultural produce exchange market operation
玉林宏進農副產品批發市場有限公司 (note 19(a)(ii))	The PRC	RMB76,230,000	65%	–	65%	Agricultural produce exchange market operation and property sales
玉林宏進物流發展有限公司 (note 19(a)(ii))	The PRC	RMB80,000,000	100%	–	100%	Agricultural produce exchange market operation
欽洲宏進農副產品批發市場有限公司 (note 19(a)(ii))	The PRC	RMB150,000,000	100%	–	100%	Agricultural produce exchange market operation and property sales
開封宏進農產品批發市場有限公司 (note 19(a)(ii))	The PRC	USD23,230,000	100%	–	100%	Agricultural produce exchange market operation and property sales
洛陽宏進農副產品批發市場有限公司 (note 19(a)(ii))	The PRC	HKD180,000,000	100%	–	100%	Agricultural produce exchange market operation and property sales
洛陽利寶置業有限公司 (note 19(a)(iii))	The PRC	RMB10,000,000	100%	–	100%	Agricultural produce exchange market operation and property sales

Note:

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

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

(iii) Registered as a domestic-funded enterprise under the laws of the PRC.

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

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

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19. INVESTMENTS IN SUBSIDIARIES *(Continued)*

(b) Detail of non-wholly owned subsidiaries that have material non-controlling interests

Name of Company	Place of incorporation/ registration and operation	Proportion of ownership interests and voting rights held by non-controlling interests	Profits allocated to non-controlling interests		Accumulated non-controlling interests	
			2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
徐州源洋商貿發展有限公司	The PRC	49%	**62,093**	35,073	**212,156**	149,156
玉林宏進農副產品批發市場有限公司	The PRC	35%	**3,646**	35,733	**209,103**	200,670

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

(i) 徐州源洋商貿發展有限公司

	2013 HK$'000	2012 HK$'000
Current assets	**53,120**	44,223
Non-current assets	**567,832**	424,059
Current liabilities	**89,290**	81,700
Non-current liabilities	**95,486**	78,978
Equity attributable to owners of the Company	**224,020**	158,448
Non-controlling interests	**212,156**	149,156

19. INVESTMENTS IN SUBSIDIARIES *(Continued)*

(b) Detail of non-wholly owned subsidiaries that have material non-controlling interests *(Continued)*

(i) 徐州源洋商貿發展有限公司 *(Continued)*

	2013 HK$'000	2012 HK$'000
Revenue	**66,077**	58,950
Other gain	**130,614**	68,175
Expenses	**(69,971)**	(55,546)
Profit for the year	**126,720**	71,579
Profit attributable to owners of the Company	**64,627**	36,506
Profit attributable to owners of the non-controlling Interests	**62,093**	35,073
Profit for the year	**126,720**	71,579
Total comprehensive income attributable to owners of the Company	**69,757**	37,793
Total comprehensive income attributable to owners of the non-controlling interests	**67,021**	36,311
Total comprehensive income for the year	**136,778**	74,104
Dividend paid to non-controlling interest	**4,021**	3,013
Net cash inflow from operating activities	**33,071**	24,420
Net cash outflow from investing activities	**(3,986)**	(2,370)
Net cash outflow from financing activities	**(22,332)**	(15,119)
Net cash inflow	**6,753**	6,931

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19. INVESTMENTS IN SUBSIDIARIES *(Continued)*

(b) Detail of non-wholly owned subsidiaries that have material non-controlling interests *(Continued)*

(ii) 玉林宏進農副產品批發市場有限公司

	2013 HK$'000	2012 HK$'000
Current assets	41,137	182,850
Non-current assets	772,929	730,071
Current liabilities	78,680	177,564
Non-current liabilities	142,388	166,454
Equity attributable to owners of the Company	383,895	368,233
Non-controlling interests	209,103	200,670

	2013 HK$'000	2012 HK$'000
Revenue	194,448	120,644
Other gain	19,091	138,016
Expenses	(203,121)	(156,567)
Profit for the year	10,418	102,093
Profit attributable to owners of the Company	6,772	66,360
Profit attributable to owners of the non-controlling Interests	3,646	35,733
Profit for the year	10,418	102,093
Total comprehensive income attributable to owners of the Company	15,662	68,591
Total comprehensive income attributable to owners of the non-controlling interests	8,433	36,934
Total comprehensive income for the year	24,095	105,525
Net cash inflow from operating activities	40,375	25,400
Net cash outflow from investing activities	(4,718)	(27,853)
Net cash outflow from financing activities	(30,244)	(13,718)
Net cash inflow/(outflow)	5,413	(16,171)

20. STOCK OF PROPERTIES

	The Group	
	2013	2012
	HK$'000	HK$'000
Completed properties	**35,225**	168,149
Properties under development	**1,611,466**	—
	1,646,691	168,149

Properties under development amounting to approximately HK$1,611,466,000 (2012: Nil) are expected to be recovered within twelve months.

As at 31 December 2013, the stock of properties of approximately HK$170,658,000 (2012: nil) were pleged to bank for the Group's bank borrowings, details of which are set out in note 26.

21. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade debtors, net	**250**	521	**—**	—
Amounts due from subsidiaries (note 21 (c))	**—**	—	**1,923,463**	1,311,126
Loans and receivables	**250**	521	**1,923,463**	1,311,126
Land auction deposits	**—**	29,846	**—**	—
Deposit for land acquisition	**234,167**	239,987	**—**	—
Other deposits	**4,666**	3,819	**—**	—
Prepayments	**19,047**	8,609	**596**	419
Amount due from non-controlling interest	**14,394**	12,709	**—**	—
Other receivables	**21,379**	18,439	**—**	—
Trade and other receivables, net	**293,903**	313,930	**1,924,059**	1,311,545

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21. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Ageing analysis

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

	The Group	
	2013	2012
	HK$'000	HK$'000
Less than 90 days	**229**	485
More than 90 days but less than 180 days	**11**	18
More than 180 days	**10**	18
	250	521

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

(b) Ageing of past due but not impaired

	The Group	
	2013	2012
	HK$'000	HK$'000
Less than 90 days past due	**11**	18
More than 90 days past due	**10**	18
	21	36

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

21. TRADE AND OTHER RECEIVABLES *(Continued)*

(c) Amounts due from subsidiaries

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

	The Company	
	2013	2012
	HK$'000	HK$'000
Due from subsidiaries	**2,350,102**	1,658,201
Less: Provision for impairment	**(426,639)**	(347,075)
	1,923,463	1,311,126

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

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

	The Company	
	2013	2012
	HK$'000	HK$'000
At 1 January	**347,075**	1,480,681
Impairment loss recognised	**79,564**	—
Release upon deregistration of a subsidiary	**—**	(1,056,402)
Reversal of impairment loss	**—**	(77,204)
At 31 December	**426,639**	347,075

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For the year ended 31 December 2013

22. LOAN RECEIVABLES

	The Group	
	2013	2012
	HK$'000	HK$'000
Current portion	**12,789**	—

The amount is neither past due nor impaired for whom there was no recent history of default.

The effective interest rates on the Group's loan receivables are 7.2% (2012: Nil).

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

	2013	2012
	HK$'000	HK$'000
Listed investments:		
— Equity securities listed in Hong Kong	**5,546**	5,410
Fair value	**5,546**	5,410

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

24. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at banks and in hand (note 24(a))	**267,422**	373,187	**65,556**	175,397
Pledged bank deposit (note 24(b))	**—**	20,767	**—**	—
	267,422	393,954	**65,556**	175,397

Notes:

(a) Cash at bank and in hand comprise cash held by the Group and bank balances that bear interest at prevailing market rates ranging from 0.1% to 3.1% (2012: 0.1% to 3.1%) per annum and have original maturity of three months or less.

Included in cash at banks and in hand as at 31 December 2013 is an amount denominated in Renminbi ("**RMB**") of RMB112,138,000 (equivalent to approximately HK$143,343,000) (2012: RMB99,663,000 (equivalent to approximately HK$123,911,000). Renminbi is not freely convertible into other currencies.

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

25. DEPOSIT AND OTHER PAYABLES

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts due to subsidiaries (note 25(a))	**—**	—	**74,481**	19,481
Accrued charges	**29,804**	23,000	**1,945**	1,328
Construction payables	**484,837**	516,376	**—**	—
Interest payable	**171,541**	114,468	**168,256**	114,254
Other tax payables	**44,485**	39,893	**—**	—
Other payables	**258,939**	254,162	**13**	13
	989,606	947,899	**244,695**	135,076

Note:

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

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26. BANK AND OTHER BORROWINGS

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Secured bank borrowings (note 26(c))	**542,059**	399,810	**—**	—
Unsecured bank borrowings	**63,945**	—	**—**	—
Secured other borrowings (note 26(d))	**880,000**	670,000	**880,000**	670,000
Unsecured other borrowings	**580,000**	175,000	**525,000**	175,000
	2,066,004	1,244,810	**1,405,000**	845,000

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Carrying amount repayable:				
Within one year	**961,128**	275,452	**745,000**	—
More than one year, but within two years	**216,816**	725,961	**100,000**	670,000
More than two years, but within five years	**785,124**	243,397	**560,000**	175,000
More than five years	**102,936**	—	**—**	—
	2,066,004	1,244,810	**1,405,000**	845,000
Less: amounts due within one year shown under current liabilities	**(961,128)**	(275,452)	**(745,000)**	—
	1,104,876	969,358	**660,000**	845,000

Notes:

(a) Included in the above balances are bank borrowings of variable-rate of approximately HK$606,004,000 (2012: approximately HK$399,810,000) which carry interest adjustable for changes of borrowing rate offered by The People's Bank of China. The average rate charged by the banks during the year ranged from 6.4% to 9.8% (2012: 5.8% to 7.9% per annum) per annum. Interest is repriced every 30 days. The other borrowings of approximately HK$1,460,000,000 (2012: approximately HK$845,000,000) were obtained from five (2012: two) independent third parties and carry interest fixed from approximately 10% to 12% (2012: from approximately 10% per annum) per annum.

26. 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:

	2013 **HK$'000**	2012 HK$'000
Effective interest rate:		
Fixed-rate borrowings	**10% to 12%**	10%
Variable-rate borrowings	**6.4% to 9.8%**	5.8% to 7.9%

(c) The secured bank borrowings are secured by the land use rights included in investment properties, pledged bank deposit and stock of properties with a carrying amount of approximately HK$1,835,951,000 (2012: HK$1,334,153,000) as set out in notes 17, 20 and 24.

(d) The secured other borrowings are secured by (i) share charges in respect of the equity interests of three subsidiaries of the Company; (ii) floating charges of assets of the aforesaid three subsidiaries; and (iii) a loan assignment by way of charge executed by the Company on loans owned by the aforesaid three subsidiaries to it.

27. GOVERNMENT GRANTS

During the year ended 31 December 2013, the Group did not recognise any government grants (2012: Nil). At 31 December 2013, the Group has unused government grants of approximately HK$2,941,000 (2012: approximately HK$2,860,000) in relation to the construction of qualifying assets. The government grants will be recognised upon construction of qualifying assets. The government grants are not repayable.

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28. PROMISSORY NOTES

The Group and the Company

On 5 December 2007, the Company issued two promissory notes with an aggregate amount of HK$376,000,000 as part of the consideration for the acquisition of Wuhan Baisazhou Market (the "**Promissory Notes**"). The Promissory Notes bear interest at 5% per annum and are repayable in five years from the date of issue. The Company may, at its absolute discretion, pay all or any part of the outstanding principal amount and interest of the Promissory Notes.

The movement of the carrying amount of the Promissory Notes during the year ended 31 December 2013 is set out below:

	2013 HK$'000	2012 HK$'000
At 1 January	**376,000**	353,387
Interest charged	**–**	40,022
Interest payable	**–**	(17,409)
At 31 December	**376,000**	376,000

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

During the year ended 31 December 2013, the Group was pursuing a litigation regarding the Promissory Notes. For details, please refer to note 34.

29. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Tax receivable and income tax payable in the consolidated statement of financial position represents provision for PRC enterprise income tax.

(b) Deferred taxation recognised:

The Group

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year ended 31 December 2013 are as follows:

	Fair value adjustments of investment properties and stock of properties HK$'000
Deferred tax arising from:	
At 1 January 2012	225,667
Exchange adjustments	3,092
Change in fair value of investment properties	134,572
Release upon sale of stock of properties	(13,143)
At 31 December 2012 and 1 January 2013	350,188
Exchange adjustments	11,837
Change in fair value of investment properties	167,766
Release upon sale of stock of properties	(22,817)
At 31 December 2013	506,974

	2013 **HK$'000**	2012 HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	**–**	–
Net deferred tax liabilities recognised in the consolidated statement of financial position	**506,974**	350,188
	506,974	350,188

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

(c) Deferred taxation not recognised

At the end of the reporting period, the Group and the Company has estimated tax losses of approximately HK$8,568,000 (2012: HK$5,039,000) that are available for offsetting against future taxable profits. The estimated tax losses do not expire under current tax legislation. No deferred tax asset has been recognised due to the unpredictability of the future profit stream. The Group and the Company had no other significant deferred tax assets/liabilities not recognised as at the end of reporting period.

30. CAPITAL AND RESERVES

(a) The Group

Details of movements in capital and reserves of the Group are set out in the consolidated statement of changes in equity on page 44.

(b) The Company

	Share capital	Share premium	Capital redemption reserve	Contributed surplus	Shareholders contribution	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2012	24,610	1,552,994	945	588,812	664	(1,765,356)	402,669
Loss for the year	–	–	–	–	–	(723)	(723)
At 31 December 2012 and 1 January 2013	24,610	1,552,994	945	588,812	664	(1,766,079)	401,946
Placing of shares	4,900	49,980	–	–	–	–	54,880
Transaction costs related to placing of shares	–	(1,766)	–	–	–	–	(1,766)
Loss for the year	–	–	–	–	–	(220,060)	(220,060)
At 31 December 2013	29,510	1,601,208	945	588,812	664	(1,986,139)	235,000

30. CAPITAL AND RESERVES *(Continued)*

(c) Authorised and issued share capital

	Notes	2013 Number of shares	2013 Nominal value HK$'000	2012 Number of shares	2012 Nominal value HK$'000
Authorised:					
Ordinary shares of HK$0.01 (2012: 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**	2,460,984,135	24,610
Issue of share upon placing	(i)	**490,000,000**	**4,900**	—	—
At 31 December		**2,950,984,135**	**29,510**	2,460,984,135	24,610

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.

Note:

(i) On 25 October 2013, the Company entered into a placing agreement to place a total of 490,000,000 shares, on a fully underwritten basis, through a placing agent, on a best effort basis, to independent third parties at a price of HK$0.112 per share pursuant to the general mandate granted by the shareholders at the annual general meeting of the company held on 16 May 2013. Completion of the placing of all of the 490,000,000 fully underwritten shares took place on 6 November 2013 and net proceeds of approximately HK$53,114,000 were raised for the future development of existing/new agricultural produce exchange market and for the general working capital of the Group. Details of the placing were disclosed in the announcements of the Company dated 25 October 2013 and 6 November 2013, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

30. CAPITAL AND RESERVES *(Continued)*

(d) Nature and purpose of reserves

(i) Share premium

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

(ii) Capital redemption reserve

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

(iii) Contributed surplus

The contributed surplus represents (i) the difference between the underlying net asset value of the subsidiaries acquired over the nominal value of the shares of the Company issued pursuant to group reorganisation in 1995, and (ii) contribution arising from capital reorganisation in 2003 and 2009.

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

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

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

(iv) Shareholders' contribution

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

(v) Exchange reserve

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

(vi) Other reserve

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

30. CAPITAL AND RESERVES *(Continued)*

(e) Distributability of reserves

At 31 December 2013, the aggregate amount of reserves available for distribution to equity shareholders of the Company was nil (2012: Nil).

(f) Capital management

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

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

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

The gearing ratio as at 31 December 2013 and 2012 was as follows:

	Notes	**2013** **HK$'000**	2012 HK$'000
Current liabilities			
— Bank and other borrowings	26	**961,128**	275,452
— Promissory notes	28	**376,000**	376,000
Non-current liabilities			
— Bank and other borrowings	26	**1,104,876**	969,358
Total debt		**2,442,004**	1,620,810
Less: Cash and cash equivalents	24	**(267,442)**	(393,954)
Net debt		**2,174,562**	1,226,856
Total equity		**1,620,848**	1,267,506
Net debt-to-capital ratio		**134.2%**	96.8%

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

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31. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company adopted a share option scheme (the "**Scheme**") on 3 May 2012 whereby the directors the Company are authorised, at their discretion, to invite selected eligible persons (the "**Participants**") to take up options for their contribution to the Group. The Scheme will remain in force for 10 years. Under the Scheme, the board of directors (the "**Board**") may grant options to the Participants to subscribe for shares in the Company for a consideration of HK$1 for each lot of share options granted. The exercise price is to be determined by the Board and shall not be less than the highest of:

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

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

(c) the nominal value of a share.

Pursuant to the Scheme, the maximum number of shares in the Company in respect of which options may be granted when aggregated with any other share option scheme of the Company is not permitted to exceed 6,152,460 shares, representing 8.34% of the issued share capital of the Company as at the date of adoption of the Scheme. Subject to the issue of a circular and the approval of the shareholders of the Company in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may refresh the limit at any time to 10% of the total number of shares in issue as at the date of approval by the shareholders of the Company in general meeting. Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares in issue from time to time.

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 shall not exceed 1% of the total number of shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the approval of the shareholders in general meeting. The participant and his associates (as defined in the Listing Rules) are abstained from voting and/or other requirements prescribed under the Listing Rules from time to time. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

There is no specific requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than ten years from the date of grant.

No options have been granted, exercised, cancelled or lapsed during the year ended 31 December 2013 and 2012.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

(a) Credit risk

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

In order to minimise the credit risk in relation to each class of recognised financial assets as stated in the consolidated financial statements, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt and non-trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has a concentration of credit risk in certain individual customers. At the end of each reporting period, the five largest receivable balances accounted for approximately 55% (2012: approximately 38%) of the trade receivables and the largest trade receivable was approximately 22% (2012: approximately 15%) of the Group's total trade receivables. The Group seeks to minimise its risk by dealing with counterparties which have good credit history. Majority of the trade receivables that are neither past due nor impaired have no default payment history.

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

In relation to the Group's deposits with bank, the Group limits its exposure to credit risk by placing deposits with financial institutions with high credit rating and no recent history of default. The Directors consider that the Group's credit risk on the bank deposits is low. Management continues to monitor the position and will take appropriate action if their ratings should change. As at 31 December 2013 and 2012, the Group has no significant concentration of credit risk in relation to deposits with bank.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 21.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. As at 31 December 2013 and 2012, there were no unutilised banking facilities.

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

The Group

At 31 December 2013

	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
Deposit and other payables	**959,802**	**959,802**	**959,802**	**–**	**–**	**–**
Bank and other borrowings	**2,066,004**	**2,432,766**	**1,128,648**	**319,514**	**863,490**	**121,114**
Promissory notes	**376,000**	**376,000**	**376,000**	**–**	**–**	**–**
	3,401,806	**3,768,568**	**2,464,450**	**319,514**	**863,490**	**121,114**

At 31 December 2012

	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
Deposit and other payables	924,899	924,899	924,899	–	–	–
Bank and other borrowings	1,244,810	1,328,187	273,068	862,050	193,069	–
Promissory notes	376,000	376,000	376,000	–	–	–
	2,545,709	2,629,086	1,573,967	862,050	193,069	–

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

(b) Liquidity risk *(Continued)*

The Company

	2013				
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
Other payables	242,750	242,750	242,750	–	–
Bank and other borrowing	1,405,000	1,640,854	875,922	175,090	589,842
Promissory notes	376,000	376,000	376,000	–	–
	2,023,750	2,259,604	1,494,672	175,090	589,842

	2012				
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
Other payables	133,748	133,748	133,748	–	–
Bank and other borrowing	845,000	1,005,375	84,500	810,875	110,000
Promissory notes	376,000	376,000	376,000	–	–
	1,354,748	1,515,123	594,248	810,875	110,000

(c) Interest rate risk

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

Cash and cash equivalents comprise mainly cash at banks and in hand, with the annual interest rates ranging from approximately 0.1% to 3.1% as at 31 December 2013 (2012: approximately 0.1% to 3.1%).

The interest rates of the Group's bank and other borrowings and promissory notes are disclosed in notes 26 and 28, respectively.

The Group is exposed to fair value interest rate risk in relation to fixed-rate other borrowings and promissory notes (see notes 26 and 28 for details).

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

(c) Interest rate risk *(Continued)*

The Group is exposed to cash flow interest rate risk in respect of its variable-rate bank and other borrowings (see note 26) and bank balances (see note 24) due to changes of interest rates. It is the Group's present policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The Group currently does not have any interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant fixed-rate bank and other borrowings should the need arise.

Sensitivity analysis

At 31 December 2013, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax and increase/decrease accumulated losses by approximately HK$17,986,000 (2012: approximately HK$8,509,000). Other components of equity would not be affected (2012: Nil) in response to the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in the respective interest rates over the period until the next annual reporting period. The analysis is performed on the same basis for 2012.

(d) Currency risk

Currency risk to the Group is minimal as most of the Group's transactions denominated and settled in the functional currency of the operations to which the transactions relate. Most of the Group's monetary assets and liabilities are also denominated in the Group's functional currencies. Therefore, the Group has no significant currency risk exposure as they are denominated in a currency same as the functional currencies of the group entities to which these transactions relate.

(e) Equity price risk

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

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risk at the reporting date. If equity price had been 5% higher/lower, the Group's net profit for the year would increase/decrease by approximately HK$277,000 (2012: approximately HK$271,000). This is mainly due to the changes in financial assets at fair value through profit or loss.

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

(f) Fair value of financial instrument

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

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

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

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 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 31 December 2013 and 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 31 December 2013				
Financial assets at fair value through profit or loss	**5,546**	**—**	**—**	**5,546**

	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.

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For the year ended 31 December 2013

33. COMMITMENTS

(a) Capital commitments outstanding at 31 December 2013 not provided for in the financial statements were as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
Capital expenditure authorised and contracted for in respect of:		
— acquisition of properties	**590,515**	441,653

(b) At 31 December 2013, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
Within one year	**1,735**	863
After one year but within five years	**4,024**	11
	5,759	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 extension options. None of the leases includes contingent rentals.

34. LITIGATION

(A) Writ issued in PRC by Ms. Wang Xiu Qun and Wuhan Tian Jiu Industrial and Commercial Development Co., Ltd. against the Company ("PRC Action No.1")

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

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

(1) it is alleged that Baisazhou Agricultural forged a share transfer agreement (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:

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For the year ended 31 December 2013

34. LITIGATION *(Continued)*

(A) Writ issued in PRC by Ms. Wang Xiu Qun and Wuhan Tian Jiu Industrial and Commercial Development Co., Ltd. against the Company ("PRC Action No.1") *(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 had been duly approved and registered with the relevant PRC government authorities.

(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 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 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. Further court hearings were convened on 10 July 2013 and 14 October 2013 and the parties were directed by the court to file further evidence and verify the payment records for the Acquisition.

34. LITIGATION *(Continued)*

(A) Writ issued in PRC by Ms. Wang Xiu Qun and Wuhan Tian Jiu Industrial and Commercial Development Co., Ltd. against the Company ("PRC Action No.1") *(Continued)*

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.

(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 of that case 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.

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For the year ended 31 December 2013

34. LITIGATION *(Continued)*

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

(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 by the Wuhan Intermediate Peoples's Court.

(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, but the appeal was dismissed. Baishazhou Agricultural then applied to the Supreme People's Court for re-trial of the case. On 18 December 2013, the Supreme People's Court dismissed the application of Baisazhou Agricultural.

(7) On 19 October 2013 the Higher People's Court of Hubei Province handed down the judgment of the Long Xiang Action. The court found against Baisazhou Agricultural that it was liable to make repayment to Long Xiang. This is a final judgment.

(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 Hong Kong Court of First Instance (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 two Instruments (purportedly described as promissory notes in the Sale and Purchase Agreement) (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 consolidated statement of financial position as current liabilities in 2013.

(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 (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.

34. LITIGATION *(Continued)*

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

(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) 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 ("**Appeal**"), 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 Appeal was heard on 27 June 2013 and 30 August 2013.

(8) On 5 November 2013, the Court handed down the judgment and the Appeal was allowed. The Court ordered that Ms. Wang and Tian Jiu should pay the Company's costs of the Appeal and the Summons (as defined in the Court's judgment) (including all costs reserved, if any). The Action will therefore proceed.

(9) 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

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. The parties exchanged evidence in August 2013 and the case is still on-going.

Save as disclosed above, as at the reporting date, so far as the Directors are aware, the Group was not engaged in any litigation or claims of material importance, and so far as the Directors are aware, no litigation or claims of material importance is pending or threatened against the Group.

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35. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed else where in the consolidated financial statements, the Group has the following material related party transactions:

(a) Transactions with key management personnel

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

	2013	2012
	HK$'000	HK$'000
Short-term employee benefits	**8,748**	8,381
Post-employment benefits	**99**	78
	8,847	8,459

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

(b) Balances with related parties

Details of the balances with related parties as at 31 December 2013 and 2012 are set out in note 21.

36. EVENTS AFTER THE REPORTING PERIOD

(i) On 12 January 2014, the Group won a bid at the tender for three parcels of land in Panjin City of Liaoning Province, aggregating approximately 160,000 square meters for a consideration of approximately HK$37,220,000 (approximately of RMB29,100,000). This site will be developed into a new agricultural produce exchange markets. For the details, please refer to the Company's announcement dated 20 January 2014.

(ii) On 4 December 2013, the Company entered into the underwriting agreement with, among others, the underwriters, whereby the Company proposed to raise gross proceeds of approximately HK$514,600,000 before expenses, by way of the rights issue of 1,106,619,045 rights shares at the subscription price (i.e. HK$0.465 per rights share), on the basis of fifteen (15) adjusted shares for every one (1) adjusted share held on the record date. Subject to the satisfaction of the conditions of the rights issue, a total of 73,774,603 bonus shares will be issued on the basis of one (1) bonus share for every fifteen (15) rights shares taken up under the rights issue. All the relevant resolutions approving, among others, the capital reorganisation, the rights issue and the bonus issue and the whitewash waiver were duly passed by way of poll at the special general meeting held on 17 February 2014. For the details, please refer to the Company announcement, circular and prospectus on 19 December 2013, 13 January 2014, 22 January 2014, 23 January 2014, and 17 February 2014 respectively.

37. COMPARATIVE FINANCIAL INFORMATION

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

38. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 4 March 2014.

FIVE YEAR FINANCIAL SUMMARY

	Year ended 31 December				
	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000 (restated)	2009 HK$'000
Results					
Turnover	**408,544**	287,482	211,845	99,349	104,117
Profit/(loss) before taxation	**419,176**	351,972	280,302	(379,602)	(390,135)
Income tax (expense)/credit	**(198,457)**	(135,488)	(64,865)	43,335	76,610
Profit/(loss) for the year	**220,719**	216,484	215,437	(336,267)	(313,525)
Attributable to:					
Owners of the Company	**154,980**	145,678	117,717	(325,689)	(296,330)
Non-controlling interests	**65,739**	70,806	97,720	(10,578)	(17,195)
	220,719	216,484	215,437	(336,267)	(313,525)

	As at 31 December				
	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000
Assets and liabilities					
Total assets	**5,698,794**	4,331,898	2,927,943	1,691,882	1,860,327
Total liabilities	**(4,077,946)**	(3,064,392)	(1,892,592)	(1,416,611)	(1,381,904)
	1,620,848	1,267,506	1,035,351	275,271	478,423
Attributable to:					
Owners of the Company	**1,199,589**	917,680	755,757	87,917	289,905
Non-controlling interests	**421,259**	349,826	279,594	187,354	188,518
	1,620,848	1,267,506	1,035,351	275,271	478,423