



中國農產品交易
CHINA AGRI-PRODUCTS EXCHANGE

(Incorporated in Bermuda with limited liability)

Stock Code: 0149

*Dedicated to developing Agriculture
Sincere in serving Agriculture*

**A Leading Brand of
Agricultural Produce Exchanges and
Logistic Centres in China**



2014 INTERIM REPORT

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Corporate Information

Board of Directors

Executive Directors

Mr. Chan Chun Hong, Thomas

Chairman and 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

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

MUFG Fund Services (Bermuda) Limited

The Belvedere Building

69 Pitts Bay Road

Pembroke HM08

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

Listing Information

Share Listing

The Stock Exchange of Hong Kong

Limited

Stock Code: 0149

Note Listing

The Stock Exchange of Hong Kong

Limited

The Company's 1% notes due 2024

Stock Code: 5755

Homepage

<http://www.cnagri-products.com>

Interim Dividend

The board of directors (the “**Board**” or “**Director(s)**”) of China Agri-Products Exchange Limited (the “**Company**” together with its subsidiaries, collectively the “**Group**”) does not recommend any payment of an interim dividend for the six months ended 30 June 2014 (for the six months ended 30 June 2013: Nil).

Management Discussion and Analysis

Summary of Financial Results

Turnover and profit attributable to owners of the Company

For the six months ended 30 June 2014, the Group recorded a turnover of approximately HK\$150.9 million (for the six months ended 30 June 2013: approximately HK\$259.3 million), representing a decrease of approximately 42% compared to the corresponding period last year mainly due to the net result of the decrease in sales of properties of the agricultural and by-product exchange market in Yulin (the “**Yulin Market**”) in Guangxi Zhuang Autonomous Region (“**Guangxi**”) and the continuous turnover growth of the agricultural and by-product exchange market in Xuzhou (the “**Xuzhou Market**”) in Jiangsu Province and the agricultural and by-product exchange market in Baisazhou, Wuhan (the “**Wuhan Baisazhou Market**”) in Hubei Province. The Group recorded a gross profit of approximately HK\$107.4 million (for the six months ended 30 June 2013: approximately HK\$92.5 million), representing an increase of approximately 16% compared to the corresponding period last year.

The profit attributable to owners of the Company was approximately HK\$10.1 million compared to the profit attributable to owners of the Company of approximately HK\$38.1 million for the corresponding period last year which is due to the substantial decrease in turnover arising from sales of properties and increase in selling expenses and finance costs.

Management Discussion and Analysis

(Continued)

Net gain in fair value of investment properties

The fair value gain on investment properties was approximately HK\$257.9 million (for the six months ended 30 June 2013: approximately HK\$217.0 million). The difference is mainly due to the continuous rise in fair value of property prices deriving from the continuous income growth of our markets in the People's Republic of China (the "PRC").

Administrative expenses and selling expenses

The Group recorded administrative expenses of approximately HK\$128.5 million (for the six months ended 30 June 2013: approximately HK\$113.3 million) and selling expenses of approximately HK\$30.2 million (for the six months ended 30 June 2013: approximately HK\$10.0 million). The increase in selling expenses was mainly due to the increase in promotion expenses of the agricultural produce exchanges in the period of 2014.

Review of Operations

The Group is principally engaged in the business of management and sales of agricultural produce exchange markets in the PRC.

Wuhan Baisazhou 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 exchange market operator in the PRC.

Management Discussion and Analysis

(Continued)

During the period under review, the turnover of Wuhan Baisazhou Market continued to rise at the rate of 31.0% compared with the corresponding period of last year. Wuhan Baisazhou Market has established its reputation and track record to customers and tenants and delivered outstanding performance all along the period.

Yulin Market

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, with a site area of approximately 415,000 square metres and a total gross floor area of approximately 226,000 square metres. The Group has completed the construction of an extension to the phase two development of the Yulin Market which became a new growth driver for the Group. Yulin Market was ranked “Top 75 National Agricultural Wholesale Markets” (in terms of transaction amount) by China Agricultural Wholesale Market Association. As an energetic member of the agricultural produce exchange market, this award proved Yulin Market’s capability in becoming one of the key agricultural produce exchange markets in the Guangxi region.

On 18 June 2014, a subsidiary of the Company and the Yulin Land Bureau entered into a termination agreement pursuant to which the parties thereto agreed to terminate the confirmation letter and the acquisition of the land use rights of a parcel of land in Yulin City of approximately 73,000 square metres. Details of the transaction are disclosed in the announcement of the Company dated 20 June 2014. The Board does not consider the termination of the confirmation letter will have any material adverse impact on the operation and financial position of the Group.

During the period under review, revenue from property sales of Yulin Market was approximately HK\$9.2 million (for the six months ended 30 June 2013: approximately HK\$154.8 million), representing a decrease of approximately 94.1% compared to the corresponding period of last year, mainly due to no substantial property sales in 2014. The operation performance of Yulin Market was satisfactory, achieving a revenue growth of approximately 23.1% as compared with the corresponding period of last year.

Management Discussion and Analysis

(Continued)

Luoyang Market

The agricultural and by-product exchange market in Luoyang City, Henan Province (“**Luoyang Market**”) is the new flagship project of the Group and the first agricultural produce exchange market project in Henan Province. The Group successfully acquired two parcels of land of approximately 133,000 square metres in August 2012 and approximately 122,000 square metres in October 2013, respectively, and completed the construction of the Luoyang Market with a gross floor area of approximately 230,000 square metres. Following the trial run in last year, the Group expects that the operation and business performance of Luoyang Market will be gradually improved in coming period.

Xuzhou Market

The agricultural and by-product exchange market in Xuzhou City, Jiangsu Province (“**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 a major marketplace for the supply of fruit and seafood in the city and the northern part of Jiangsu Province. Xuzhou Market was ranked “Top 50 National Agricultural Wholesale Markets” (in terms of transaction amount) by China Agricultural Wholesale Market Association in 2013.

The operation performance of Xuzhou Market was steady and satisfactory. Income for the six months ended 30 June 2014 was approximately HK\$33.9 million (for the six months ended 30 June 2013: approximately HK\$32.4 million), representing an increase of approximately 4.6% compared to the corresponding period last year.

Management Discussion and Analysis

(Continued)

Puyang Market

On 1 April 2014, a wholly-owned subsidiary of the Company entered into a new joint venture agreement with a joint venture partner pursuant to which the total investment to be made to the joint venture company would increase from RMB2.8 million to RMB140 million, of which RMB105 million will be contributed by the Company's subsidiary in cash and RMB35 million will be contributed by the joint venture partner through injection of all the assets and resources within the designated area of an exchange market in Puyang City currently owned and managed by the joint venture partner (including but not limited to the rights of land, building and warehouse). The joint venture company was established on 18 March 2014. The establishment of the joint venture company acquired the existing business operations of Puyang Market and extended the geographic reach of our agricultural produce exchange projects to Puyang City, Henan Province. Details of the transaction are disclosed in the Company's announcement dated 1 April 2014. The acquisition of existing business operations was completed in April 2014.

Kaifeng and Qinzhou Projects

The construction of Kaifeng project and Qinzhou project are in the final stage, these two projects will be a next driving momentum of the Group. The Group successfully acquired parcels of land in Kaifeng City, Henan Province of approximately 408,000 square metres in January 2013 and in Qinzhou City, Guangxi of approximately 150,000 square meters and 117,000 square metres in November 2011 and October 2012, respectively. The management expects that Kaifeng project and Qinzhou project will start operations in late 2014.

Panjin and Huaian Projects

With the start of construction of Panjin and Huaian projects, these two projects will be a next driving momentum of the Group. The Group successfully acquired parcels of land in Panjin City and in Huaian City of approximately 159,800 square metres and approximately 53,000 square metres in January 2014 and January 2013, respectively. The management expects that Panjin and Huaian projects will start operations in 2015.

Management Discussion and Analysis

(Continued)

Material Transactions

Land Acquisition of Panjin project

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 159,800 square metres for a consideration of approximately RMB29.1 million. This site will be developed into a new agricultural produce exchange market. Details of the transaction are disclosed in the Company's announcement dated 20 January 2014.

Land Acquisition of Wuhan project

On 24 April 2014, the Group won a bid at the tender for a parcel of land in Wuhan City of Hubei Province, aggregating approximately 162,737 square metres for a total consideration of RMB74.1 million. Details of the transaction are disclosed in the Company's announcement dated 7 May 2014.

Fund Raising and Debt Financing Activities

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 and a rights issue (“**Rights Issue**”) and bonus issue (“**Bonus Issue**”) which were approved at the special general meeting of the Company held on 17 February 2014 by an ordinary resolution. The estimated net proceeds raised from the Rights Issue was approximately HK\$495.5 million which would be used for development of existing and future agricultural exchange projects and for general working capital of the Group. Details of the Capital Reorganisation, the Rights Issue and Bonus Issue are disclosed in the announcements of the Company dated 19 December 2013, 13 January 2014, 22 January 2014, 23 January 2014, 17 February 2014, 20 February 2014, 24 March 2014 and 11 July 2014, respectively.

Management Discussion and Analysis

(Continued)

Placing of Bonds

On 31 March 2014, the Company entered into a placing agreement in respect of the placing of bonds in an aggregate principal amount of up to HK\$1 billion within the placing period (being the date of placing agreement up to 30 September 2014 or longer period as the Company and the placing agent may agree in writing). The Company further launched a listed HK\$1 billion medium term bond programme in May 2014. As at the date of this report, listed bonds with an aggregate principal amount of HK\$200 million were issued and listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The placing of the bonds and the listing of the bond programme signify an important movement of the Group’s debt financing activities. Details of the placing and establishment of the bond programme are disclosed in the Company’s announcements dated 31 March 2014 and 19 May 2014, respectively.

Future Plans and Prospects

The Group has endeavored to build up a national network of agricultural produce exchange market. After the continuous effort being put by the management, the Group has built up a preliminary network of the markets. The agricultural issue is still a theme of the Number 1 Documents of the PRC government. The Group will continue to adapt business model to suit the overall government policy requirements.

The coming completion of the projects in Kaifeng City and Qinzhou City will be the new income driving force to the future development of the Group. Panjin and Huaian projects will become the next momentum of the Group. In addition, the Group will continue to negotiate, build and expand its network of agricultural produce exchange markets by working on establishing partnerships in the PRC and exploring business opportunities of agricultural produce exchange markets in different provinces in the PRC so as to deliver long-term benefits to the shareholders of the Company.

Management Discussion and Analysis

(Continued)

Liquidity and Financial Resources

As at 30 June 2014, the Group had total cash and cash equivalents amounting to approximately HK\$473.1 million (31 December 2013: approximately HK\$267.4 million) whilst total assets and net assets were approximately HK\$6,560.9 million (31 December 2013: approximately HK\$5,698.8 million) and approximately HK\$2,115.8 million (31 December 2013: approximately HK\$1,620.8 million), respectively. The Group's gearing ratio as at 30 June 2014 was approximately 1.03 (31 December 2013: approximately 1.34), being a ratio of the total of bank and other borrowings, other financial liabilities and promissory notes of approximately HK\$2,656.3 million (31 December 2013: approximately HK\$2,442.0 million), net of cash and cash equivalents of approximately HK\$473.1 million (31 December 2013: approximately HK\$267.4 million), to total shareholders' funds of approximately HK\$2,115.8 million (31 December 2013: approximately HK\$1,620.8 million).

Capital Commitments, Pledge and Contingent Liabilities

As at 30 June 2014, outstanding capital commitment, contracted but not provided for, amounted to approximately HK\$456.0 million in relation to the acquisition of land and construction contracts (31 December 2013: approximately HK\$590.5 million).

As at 30 June 2014, the Group pledged the land use rights, properties and bank deposits with an aggregate carrying value of approximately HK\$2,210.6 million (31 December 2013: approximately HK\$1,836.0 million) to secure bank borrowings and bank facilities.

As at 30 June 2014, 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 are disclosed in the Company's announcement dated 16 July 2012.

As at 30 June 2014 and 31 December 2013, the Group had no significant contingent liability.

Management Discussion and Analysis

(Continued)

Update on the Legal Proceedings

On 18 June 2014, the Company received an judgment (the “**Judgment**”) from the Higher People’s Court of Hubei Province, the PRC (the “**Hubei Court**”) in relation to the civil proceedings (the “**Legal Proceedings**”) in the PRC commenced 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 against Wuhan Baisazhou Agricultural By-product Grand Market Company Limited as third party. In the Judgment, the Hubei Court dismissed the claims of Ms. Wang and Tian Jiu, and they are ordered to bear the legal costs of the Legal Proceedings.

On 4 July 2014, the Company received the notice of appeal to the Supreme People’s Court of the PRC from Ms. Wang and Tian Jiu regarding the Legal Proceedings. Details of the Legal Proceedings are disclosed in the announcements of the Company dated 11 January 2011, 22 May 2012, 19 June 2014 and 4 July 2014, respectively.

Employees and Remuneration Policies

As at 30 June 2014, the Group had 1,726 employees (31 December 2013: 1,509 employees), approximately 97% of whom were located in the PRC. The Group’s remuneration policy is reviewed periodically by the remuneration committee of the Company and the Board and remuneration is determined by reference to market terms, company performance, and individual qualifications and performance.

Disclosure of Interests

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

As at 30 June 2014, none of the Directors or chief executive of the Company, nor any of their respective associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) under the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

Directors' Rights to Acquire Shares or Debentures

At no time during the period for the six months ended 30 June 2014 was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the Directors and the chief executive of the Company (including their respective spouse or children under the age of 18) to acquire benefits by means of the acquisition of the shares, underlying shares in, or debentures of, the Company or any of its associated corporations.

Disclosure of Interests (Continued)

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

As at 30 June 2014, to the best knowledge of the Directors, the following person (other than the Directors or chief executive of the Company) had, or were deemed or taken to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in the shares of the Company

Name of shareholder	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	346,192,728	27.60

Notes:

- The percentage stated represented the number of shares over the total number of 1,254,168,251 shares in the issued share capital of the Company as at 30 June 2014.
- PNG Resources, through Onger Investments Limited, its indirect wholly-owned subsidiary, was taken to be interested in such shares.

Save as disclosed above, as at 30 June 2014, there were no other person (other than the Directors or chief executive of the Company) who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

Share Option Scheme

On 3 May 2012, the Company adopted a share option scheme (the “**Scheme**”) for the primary purpose of providing incentive to selected eligible persons (“**Participants**”) to take up options for their contribution to the Group. Under the Scheme, the Board may grant share options to the Participants to subscribe for shares of the Company (“**Share(s)**”) for a consideration of HK\$1 for each lot of share options granted. The exercise price is to be determined by the Board and shall not be less than the highest of (i) the official closing price of the Shares as stated in the daily quotations sheets of the Stock Exchange for the date of offer of grant, which must be a business day; (ii) the average of the official closing price of the Shares as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of offer of grant; and (iii) the nominal value of a Share. The number of Shares in respect of which options may be granted to the Participants in any 12-month period up to and including the date of grant is not permitted to exceed 1% of the Shares in issue at any point in time, without prior approval from the shareholders of the Company. Options granted to substantial shareholders or independent non-executive Directors in excess of 0.1% of the Shares in issue and with an aggregate value in excess of HK\$5,000,000 must be approved in advance by the shareholders of the Company. The Scheme became effective on 3 May 2012 and will remain in force for a period of 10 years. There is no specific requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. The period during which a share option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years from the date of grant.

Subject to the approval of the shareholders of the Company at general meeting, the Board may refresh the limit at any time to 10% of the total number of Shares in issue as at the date of approval by the shareholders of the Company at general meeting. Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time.

As at 30 June 2014, no share options under the Scheme remained outstanding. During the period ended 30 June 2014, no share option was exercised, granted, lapsed and cancelled. As at the date of this interim report, the total number of shares of the Company available for issue under the Scheme is 125,416,825 Shares, representing 10% of the existing issued share capital of the Company.

Corporate Governance and Other Information

The Company had complied with the Corporate Governance Code (“**CG Code**”) during the period from 1 January 2014 to 30 June 2014 as set out in Appendix 14 to the Listing Rules, except the following deviation:—

Code provision A.2.1

Mr. Chan Chun Hong, Thomas, the chairman of the Board, also assumed the role of chief executive officer after the resignation of Mr. Wong Koon Kui, Lawrence as chief executive officer and executive Director with effect from 8 May 2014 that deviates code provision A.2.1 of the CG Code. Mr. Chan has extensive executive and financial management experience and is responsible for overall corporate planning, strategic policy making and managing of day-to-day operations of the Group which is of great value in enhancing the efficiency to cope with the dynamic business environment. Furthermore, there are various experienced individuals in charge of the daily business operation and the Board comprises three executive Directors and three independent non-executive Directors with balance of skill and experience appropriate for the Group’s further development. The Company does not propose to comply with code provision A.2.1 of the CG Code for the time being but will continue to review such deviation to enhance the best interest of the Group as a whole.

Change in Information of Directors

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

Directors’ Emoluments

With effect from 1 April 2014, the basic annual salary payable to Mr. Chan Chun Hong, Thomas has been increased by HK\$20,160, to Mr. Leung Sui Wah, Raymond has been increased by HK\$48,960 and to Mr. Yau Yuk Shing has been increased by HK\$120,000.

Corporate Governance and Other Information *(Continued)*

Director's Position

In respect of the resignation of Mr. Wong Koon Kui, Lawrence, Mr. Chan Chun Hong, Thomas, the chairman and an executive Director has assumed the role of the chief executive officer of the Company with effect from 8 May 2014.

Meanwhile, Mr. Chan Chun Hong, Thomas has resigned as an independent non-executive director of Shanghai Prime Machinery Company Limited with effect from 27 June 2014.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2014.

Model Code for Securities Transactions by Directors

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

Audit Committee

The Company has an audit committee (the "**Audit Committee**"), which was established in accordance with the requirements of the Listing Rules, for the purposes of reviewing and providing supervision over the Group's financial reporting processes and internal controls. The Audit Committee comprises all the independent non-executive Directors, namely Ms. Lam Ka Jen, Katherine, Mr. Ng Yat Cheung and Mr. Lau King Lung, and is chaired by Ms. Lam Ka Jen, Katherine, which has reviewed with the management the unaudited condensed consolidated interim results for the six months ended 30 June 2014.

Corporate Governance and Other Information *(Continued)*

Appreciations

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

By Order of the Board
CHINA AGRI-PRODUCTS EXCHANGE LIMITED
中國農產品交易所有限公司
Chan Chun Hong, Thomas
Chairman and Chief Executive Officer

Hong Kong, 22 August 2014

Independent Review Report



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

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

INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF CHINA AGRI-PRODUCTS EXCHANGE LIMITED *(incorporated in Bermuda with limited liability)*

We have reviewed the interim financial information set out on pages 20 to 46, which comprises the condensed consolidated statement of financial position of China Agri-Products Exchange Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) at 30 June 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Independent Review Report *(Continued)*

Conclusion

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

Material Uncertainty Concerning Going Concern Basis of Accounting

Without qualifying our conclusion, we draw attention to note 1(b) to the interim financial information which indicates that the Group had net cash outflows in operating activities of approximately HK\$460,282,000. Notwithstanding the above, the interim financial information have been prepared on a going concern basis, the validity of which is dependent on the Group's ability to extend its short-term borrowings upon maturity, obtain long-term financing facilities to re-finance its short-term borrowings, and derive adequate operating cash flows from its existing operations in order for the Group to meet its financial obligations as they fall due and to finance its future working capital and financial requirements. These conditions, along with other matters as set forth in note 1(b), indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Wong Sze Wai, Basilia

Practising Certificate Number P05806

Hong Kong, 22 August 2014

Interim Results

The Board announces the unaudited condensed consolidated results of the Group for the six months ended 30 June 2014, together with the comparative figures for the corresponding period in 2013. These interim condensed consolidated financial statements were not audited, but have been reviewed by HLB Hodgson Impey Cheng Limited, the Group's external auditors, and the Audit Committee.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2014

		For the six months ended 30 June	
	Notes	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Turnover	3	150,947	259,267
Cost of operation		(43,597)	(166,766)
Gross profit		107,350	92,501
Other revenue and other net income		21,583	6,372
Net gain in fair value of investment properties		257,927	216,995
General and administrative expenses		(128,469)	(113,273)
Selling expenses		(30,152)	(10,007)
Profit from operations		228,239	192,588
Finance costs	4	(110,458)	(71,977)
Profit before taxation	5	117,781	120,611
Income tax	6	(71,615)	(61,331)
Profit for the period		46,166	59,280
Other comprehensive (loss)/income, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(94,882)	39,560
Other comprehensive (loss)/income for the period, net of income tax		(94,882)	39,560

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income *(Continued)*

For the six months ended 30 June 2014

	Notes	For the six months ended 30 June	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Total comprehensive (loss)/income for the period, net of income tax		(48,716)	98,840
Profit attributable to:			
Owners of the Company		10,054	38,070
Non-controlling interests		36,112	21,210
		46,166	59,280
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(73,925)	76,184
Non-controlling interests		25,209	22,656
		(48,716)	98,840
Earnings per share			
— Basic (restated)	8	HK\$0.01	HK\$0.26
— Diluted (restated)	8	HK\$0.01	HK\$0.26

Condensed Consolidated Statement of Financial Position

As at 30 June 2014

	Notes	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	9	49,384	45,412
Investment properties	10	3,639,128	3,420,587
Goodwill		6,444	6,444
		3,694,956	3,472,443
Current assets			
Stock of properties		2,067,720	1,646,691
Trade and other receivables	11	317,466	293,903
Loan receivables		2,493	12,789
Financial assets at fair value through profit or loss		5,126	5,546
Cash and cash equivalents		473,122	267,422
		2,865,927	2,226,351
Current liabilities			
Deposits and other payables	12	1,044,552	989,606
Deposit receipts in advance		148,136	99,620
Bank and other borrowings	13	1,079,408	961,128
Government grants		2,867	2,941
Promissory notes		376,000	376,000
Income tax payable		36,502	36,801
		2,687,465	2,466,096
Net current assets/(liabilities)		178,462	(239,745)
Total assets less current liabilities		3,873,418	3,232,698
Non-current liabilities			
Other financial liabilities		28,746	—
Bank and other borrowings	13	1,172,135	1,104,876
Deferred tax liabilities		556,707	506,974
		1,757,588	1,611,850
Net assets		2,115,830	1,620,848

Condensed Consolidated Statement of Financial Position *(Continued)*

As at 30 June 2014

	Note	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Capital and reserves			
Share capital	14	12,542	29,510
Reserves		1,613,114	1,170,079
Total equity attributable to owners of the Company			
		1,625,656	1,199,589
Non-controlling interests		490,174	421,259
Total equity			
		2,115,830	1,620,848

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	Attributable to owners of the Company								Non-controlling interests	Total equity	
	Share capital	Share premium	Capital redemption reserve	Contributed surplus	Shareholders' contribution	Options reserve	Exchange reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2013 (audited)	24,610	1,532,994	945	2,215,409	664	(15,021)	136,969	(2,968,890)	917,680	349,826	1,267,506
Exchange differences on translating foreign operations	-	-	-	-	-	-	38,114	-	38,114	1,446	39,560
Other comprehensive income for the period	-	-	-	-	-	-	38,114	-	38,114	1,446	39,560
Profit for the period	-	-	-	-	-	-	-	38,070	38,070	21,210	59,280
Total comprehensive income for the period	-	-	-	-	-	-	38,114	38,070	76,184	22,656	98,840
At 30 June 2013 (unaudited)	24,610	1,532,994	945	2,215,409	664	(15,021)	175,083	(2,960,820)	993,864	372,482	1,366,346
At 1 January 2014 (audited)	28,510	1,601,208	945	2,215,409	664	(15,021)	210,784	(2,843,910)	1,199,589	421,259	1,620,848
Exchange differences on translating foreign operations	-	-	-	-	-	-	(83,979)	-	(83,979)	(10,903)	(94,882)
Other comprehensive loss for the period	-	-	-	-	-	-	(83,979)	-	(83,979)	(10,903)	(94,882)
Profit for the period	-	-	-	-	-	-	-	10,054	10,054	36,112	46,166
Total comprehensive loss for the period	-	-	-	-	-	-	(83,979)	10,054	(73,925)	25,209	(48,716)
Share consolidation	(28,772)	-	-	-	-	-	-	28,772	-	-	-
Rights issue	11,066	503,512	-	-	-	-	-	-	514,578	-	514,578
Transaction cost relating to rights issue	-	(14,586)	-	-	-	-	-	-	(14,586)	-	(14,586)
Bonus issue	738	(738)	-	-	-	-	-	-	-	-	-
Capital injection by non-controlling interest	-	-	-	-	-	-	-	-	-	43,706	43,706
At 30 June 2014 (unaudited)	12,542	2,089,396	945	2,215,409	664	(15,021)	126,805	(2,805,064)	1,625,656	490,174	2,115,830

Condensed Consolidated Statement of Changes in Equity *(Continued)*

Notes:

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

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

- it is, or would after the payment be, unable to pay its liabilities as they become due; or
- the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	For the six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Net cash used in operating activities	(460,282)	(237,492)
Investing activities		
Payments for purchases of property, plant and equipment	(9,712)	(7,440)
Payments for purchase of investment properties	(5,242)	(207,410)
Bank interest received	2,520	1,006
Net cash used in investing activities	(12,434)	(213,844)
Financing activities		
Proceeds from new bank borrowings	286,695	119,207
Proceeds from new other borrowings	—	405,000
Proceeds from other financial liabilities	28,624	—
Repayments of bank borrowings	(85,804)	(116,697)
Net proceed from rights issue	499,992	—
Interest paid	(61,341)	(11,655)
Net cash generated from financing activities	668,166	395,855
Net increase/(decrease) in cash and cash equivalents	195,450	(55,481)
Cash and cash equivalents at 1 January	267,422	393,954
Effect of foreign exchange rate changes	10,250	(6,084)
Cash and cash equivalents at 30 June	473,122	332,389

Notes to the Condensed Consolidated Financial Statements

1. Basis of Preparation

(a) Statement of compliance

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

(b) Basis of preparation of Interim Financial Statements

(i) Going concern basis

In preparing the Interim Financial Statements, the directors of the Company have given careful consideration to the future liquidity of the Group notwithstanding that:

- the Group had net cash outflows in operating activities of approximately HK\$460,282,000 as at 30 June 2014;
- the Group had outstanding bank and other borrowings of approximately HK\$2,251,543,000 (note 13), out of which an aggregate of approximately HK\$1,079,408,000 due for repayment within the next twelve months after 30 June 2014; and
- the Group’s promissory notes of approximately HK\$376,000,000 and interest payable of approximately HK\$129,250,000 included under deposits and other payables are outstanding as at 30 June 2014.

The directors of the Company adopted the going concern basis in the preparation of the Interim Financial Statements and implemented the following measures in order to improve the working capital and liquidity and cash flow position of the Group:

(1) Attainment of profitable and positive cash flow operations

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

(2) Necessary facilities

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

Notes to the Condensed Consolidated Financial Statements *(Continued)*

1. Basis of Preparation *(Continued)*

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

(i) Going concern basis *(Continued)*

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

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

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

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

In the opinion of the directors of the Company, the light of the various measures/arrangements implemented after the end of reporting period together with the expected results of the other measures, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to remain a commercially viable concern. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the Interim Financial Statements on a going concern basis.

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

Notes to the Condensed Consolidated Financial Statements *(Continued)*

1. Basis of Preparation *(Continued)*

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

(ii) Basis of measurement

The condensed 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.

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.

Notes to the Condensed Consolidated Financial Statements *(Continued)*

2. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”)

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

The accounting policies used in the Interim Financial Statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“**new and revised HKFRSs**”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 January 2014.

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39 HK(IFRIC)-Int 21	Novation of Derivatives and Continuation of Hedge Accounting Levies

The application of those new and revised HKFRSs in the current interim period has had no material effect on amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied the following new and revised HKASs, HKFRSs and amendments that have been issued but not yet effective.

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operation ⁵
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁵
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ¹
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle ³
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle ¹
HKFRS 9	Financial Instruments ²
HKFRS 14	Regulatory Deferral Accounts ⁴
HKFRS 15	Revenue from Contracts with Customers ⁶

¹ Effective for annual periods beginning on or after 1 July 2014.

² Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

³ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

⁴ Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

⁵ Effective for annual periods beginning on or after 1 January 2016.

⁶ Effective for annual periods beginning on or after 1 January 2017.

Notes to the Condensed Consolidated Financial Statements (Continued)

2. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”) (Continued)

The directors of the Company anticipate that the application of those new and revised standards, and amendments issued but not yet effective will have no material impact on the results and financial position of the Group.

3. Segment Reporting

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

Segment revenue and results

An analysis of the Group’s revenues and results by business segment for the six months ended 30 June 2014 and 2013:

	Agricultural produce exchange market operation		Property sale		Unallocated		Consolidated	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Turnover								
External sales	141,737	104,490	9,210	154,777	–	–	150,947	259,267
Result								
Segment result	11,745	10,932	(2,683)	6,525	–	–	9,062	17,457
Other revenue and other income	9,820	2,207	10,666	12	1,097	4,153	21,583	6,372
Net gain in fair value of investment properties	257,927	216,995	–	–	–	–	257,927	216,995
Unallocated corporate expense	–	–	–	–	(60,333)	(48,236)	(60,333)	(48,236)
Profit from operations							228,239	192,588
Finance costs	(21,078)	(11,399)	(732)	(15)	(88,648)	(60,563)	(110,458)	(71,977)
Profit before taxation							117,781	120,611
Income tax							(71,615)	(61,331)
Profit for the period							46,166	59,280

Notes to the Condensed Consolidated Financial Statements *(Continued)*

3. Segment Reporting *(Continued)*

Segment assets and liabilities

An analysis of the Group assets and liabilities by reportable segment as at 30 June 2014 and 31 December 2013:

	Agricultural produce exchange market operation		Property sale		Consolidated	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Audited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Audited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Audited)
Assets						
Segment assets	4,387,024	3,922,216	2,067,720	1,646,691	6,454,744	5,568,907
Unallocated corporate assets					106,139	129,887
Consolidated total assets					6,560,883	5,698,794
Liabilities						
Segment liabilities	1,659,457	1,542,528	657,599	469,812	2,317,056	2,012,340
Unallocated corporate liabilities					2,127,997	2,065,606
Consolidated total liabilities					4,445,053	4,077,946

4. Finance Costs

	For the six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Interest on bank and other borrowings wholly repayable within five years	92,724	62,540
Interest on bank and other borrowing wholly repayable over five years	7,971	—
Interest on other financial liabilities	122	—
Interest on promissory notes	11,750	11,750
Less: — amounts classified as capitalised into investment properties under construction	—	(2,313)
— amounts classified as capitalised into stock of properties	(2,109)	—
	110,458	71,977

Notes to the Condensed Consolidated Financial Statements (Continued)

5. Profit Before Taxation

	For the six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Profit before taxation has been arrived at after charging the following items:		
Depreciation	4,465	2,994
Unrealised loss/(gain) on financial assets through profit or loss	417	(3,998)

6. Income Tax

Taxation in the Interim Financial Statements represents:

	For the six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Current tax		
– PRC enterprise income tax	16,953	27,757
	16,953	27,757
Over provision in prior year		
– PRC enterprise income tax	(8,297)	–
	(8,297)	–
Deferred tax		
– Origination and reversal of temporary differences	62,959	33,574
	71,615	61,331

No provision for Hong Kong Profits Tax has been made in the Interim Financial Statements as the Company and its subsidiaries had no assessable profits in both periods. PRC Enterprise Income Tax is computed according to the relevant legislation interpretations and practices in respect thereof during the period. PRC Enterprise Income Tax rate is 25% (2013: 25%).

Notes to the Condensed Consolidated Financial Statements *(Continued)*

7. Dividends

The directors of the Company do not propose the payment of any interim dividend in respect of the period under review (six months ended 30 June 2013: Nil).

8. Earnings Per Share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately HK\$10,054,000 (six months ended 30 June 2013: approximately HK\$38,070,000) and weighed average number of approximately 753,775,000 ordinary shares (period from 1 January 2013 to 30 June 2013: approximately 148,143,000 (restated)). The weighted average of ordinary shares for the purpose of calculating basic earnings per share for the period ended 30 June 2013 have been adjusted for the effects of share consolidation, rights issue and bonus issue retrospectively by restating the opening weighted average number of ordinary shares as at 1 January 2013. There were no diluted potential ordinary shares in issue during the six months ended 30 June 2014 and 2013.

9. Movement in Property, Plant and Equipment

During the period under review, the Group's acquired property, plant and equipment at cost of approximately HK\$9,712,000 (six months ended 30 June 2013: approximately HK\$7,440,000).

10. Investment Properties

During the period under review, the Group's addition of investment properties at cost and exchange realignment of approximately HK\$48,948,000 and HK\$88,334,000. The Group's investment properties were fair valued by valuers at 30 June 2014.

During the period under review, the Group had no investment properties transferred to stock of properties (31 December 2013: approximately HK\$998,586,000).

During the period under review, investment properties with carrying amount of approximately HK\$1,775,995,000 (31 December 2013: approximately HK\$1,665,293,000) were pledged to banks for the Group's borrowings.

The investment properties were classified as Level 3 under the fair value hierarchy (31 December 2013: Level 3).

Notes to the Condensed Consolidated Financial Statements (Continued)

11. Trade and Other Receivables

The Group allows an average credit period ranging from 30 days to its trade customers. Included in trade and other receivables are trade receivables of approximately HK\$641,000 (31 December 2013: approximately HK\$250,000) and their aged analysis at each reporting period is as follow:

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Less than 90 days	631	229
More than 90 days but less than 180 days	10	11
More than 180 days	—	10
Total trade receivables	641	250
Deposit for land acquisition	231,489	234,167
Other deposits	6,433	4,666
Prepayments	35,385	19,047
Amount due from non-controlling interest	14,029	14,394
Other receivables	29,489	21,379
	317,466	293,903

12. Deposits and Other Payables

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Accrued charges	26,930	29,804
Construction payables	456,732	484,837
Interest payables	223,945	171,541
Other tax payables	41,224	44,485
Other payables	295,721	258,939
	1,044,552	989,606

Notes to the Condensed Consolidated Financial Statements (Continued)

13. Bank and Other Borrowings

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Secured bank borrowings	729,218	542,059
Unsecured bank borrowings	62,325	63,945
Secured other borrowings	880,000	880,000
Unsecured other borrowings	580,000	580,000
	2,251,543	2,066,004
Carrying amount repayable:		
Within one year	1,079,408	961,128
More than one year, but not exceeding two years	805,892	216,816
More than two years, but not exceeding five years	282,280	785,124
More than five years	83,963	102,936
	2,251,543	2,066,004
Less: amounts due within one year shown under current liabilities	(1,079,408)	(961,128)
	1,172,135	1,104,876

- (a) Included in the above balances are bank borrowings with variable-rate borrowings of approximately HK\$791,543,000 (31 December 2013: approximately HK\$606,004,000) which carry interest adjustable for changes of borrowing rate offered by The People's Bank of China (the "PBOC"). The average rate charged by the banks during the period ranged from 6.4% to 8.4% (31 December 2013: 6.4% to 9.8% per annum) per annum. Interest is repriced every 30 days. The other borrowings of approximately HK\$1,460,000,000 (31 December 2013: HK\$1,460,000,000) were obtained from four (31 December 2013: five) parties and carry interest fixed range from 10% to 12% (31 December 2013: 10% to 12% per annum) per annum.

Notes to the Condensed Consolidated Financial Statements (Continued)

13. Bank and Other Borrowings (Continued)

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

	As at 30 June 2014 Per annum	As at 31 December 2013 Per annum
Effective interest rate:		
Fixed-rate borrowings	10% to 12%	10% to 12%
Variable-rate borrowings	6.4% to 8.4%	6.4% to 9.8%

- (c) The secured bank borrowings and banking facilities are secured by the land use rights, properties and bank deposit included in investment properties and stock of properties with a carrying amount of approximately HK\$2,210,648,000 (31 December 2013: approximately HK\$1,835,951,000).
- (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.

14. Share Capital

	As at 30 June 2014		As at 31 December 2013	
	Number of shares	Nominal value HK\$'000	Number of shares	Nominal value HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	30,000,000,000	300,000	30,000,000,000	300,000
Ordinary shares, issued and fully paid:				
At 1 January (Audited)	2,950,984,135	29,510	2,460,984,135	24,610
Issue of shares upon placing	—	—	490,000,000	4,900
Share consolidation	(2,877,209,532)	(28,772)	—	—
Issue of shares upon rights issue	1,106,619,045	11,066	—	—
Issue of shares upon bonus issue	73,774,603	738	—	—
At 30 June (Unaudited) and 31 December (Audited)	1,254,168,251	12,542	2,950,984,135	29,510

Notes to the Condensed Consolidated Financial Statements *(Continued)*

15. Fair Value Measurement

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

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

- i) the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- ii) the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

Fair value measurements recognised in the condensed consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable as at 30 June 2014 and 31 December 2013.

- 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).

Notes to the Condensed Consolidated Financial Statements (Continued)

15. Fair Value Measurement (Continued)

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets				
At 30 June 2014				
Financial assets at fair value through profit or loss	5,126	—	—	5,126
	5,126	—	—	5,126
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 31 December 2013				
Financial assets at fair value through profit or loss	5,546	—	—	5,546
	5,546	—	—	5,546

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

16. Commitments

- (a) Capital commitments outstanding at 30 June 2014 not provided for in the Interim Financial Statements were as follows:

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Capital expenditure authorised and contracted for in respect of:		
— acquisition of properties	456,048	590,515

Notes to the Condensed Consolidated Financial Statements *(Continued)*

16. Commitments *(Continued)*

- (b) At 30 June 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Within one year	2,025	1,735
After one year but within five years	5,060	4,024
	7,085	5,759

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 one to four years. The leases did not include extensions options. None of the leases includes contingent rentals.

17. Litigation

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

- (a) On 7 January 2011, the Company received a writ (the “**Writ**”) issued by Ms. Wang and Tian Jiu (as plaintiffs) against the Company (as defendant) and filed with the Higher People’s Court of Hubei Province, the PRC (the “**Hubei Court**”), 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.

Notes to the Condensed Consolidated Financial Statements *(Continued)*

17. Litigation *(Continued)*

(A) Writ issued in PRC by Ms. Wang and Tian Jiu against the Company (“**PRC Action No.1**”) *(Continued)*

(a) *(Continued)*

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

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

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

Notes to the Condensed Consolidated Financial Statements *(Continued)*

17. Litigation *(Continued)*

(A) Writ issued in PRC by Ms. Wang and Tian Jiu against the Company (“**PRC Action No.1**”) *(Continued)*

(a) *(Continued)*

On 18 June 2014, the Company received the judgment (the “**Judgment**”) from the Hubei Court in relation to the PRC Action No. 1. In the Judgment, the Hubei Court dismissed the claims of Ms. Wang and Tian Jiu, and they are ordered to bear the legal costs of the matter.

On 4 July 2014, the Company received the notice of appeal to the Supreme People’s Court of the PRC from Ms. Wang and Tian Jiu regarding the PRC Action No. 1.

The Company will vigorously defend the appeal by Ms. Wang and Tian Jiu (the “**Appeal**”) 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 Appeal has no material effect on the current operation of Baisazhou Agricultural or of the Group as a whole.

Further, on 18 November 2011, the Hubei Court made an interim order that the 8% equity interest held by the Company in Baisazhou Agricultural be subject to a freezing order pending determination of the Writ. The percentage of equity interest held by the Company in Baisazhou Agricultural subject to a freezing order was subsequently reduced from 8% to 1.3%. 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 Hubei Court against, inter alia, Ms. Wang and Tian Jiu for the return of assets and operating profits of Baisazhou Agricultural which were unlawfully misappropriated etc.

Notes to the Condensed Consolidated Financial Statements (Continued)

17. Litigation (Continued)

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

- (1) On 1 July 2011, Baisazhou Agricultural received a writ issued by Wuhan Long Xiang Trading Development Limited (“**Long Xiang**”) (as plaintiff) against Baisazhou Agricultural (as defendant) (“**Long Xiang Action**”) and filed with the Wuhan Intermediate People’s Court, the PRC, together with the related court summons dated 20 June 2011.
- (2) It was alleged that Baisazhou Agricultural is obliged to make payment under a settlement agreement dated 16 August 2010 and a supplemental settlement agreement dated 19 August 2010 (the “**Settlement Agreements**”) entered into between Long Xiang, Baisazhou Agricultural and another party known as Wubei Zhong An Enterprise Investment Company Limited (“**Zhong An**”).
- (3) On 20 April 2012, the Wuhan Intermediate People’s Court, which is the first instance court 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 Hubei Court.
- (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, Hubei Court ordered that the Long Xiang Action be suspended, and the Zhong An Action to be retried by the Wuhan Intermediate People’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 Hubei Court, but the appeal was dismissed. Baisazhou 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, Hubei Court 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.
- (8) Long Xiang has applied to the Wuhan Intermediate People’s Court to enforce the judgment against Baisazhou Agricultural.

Notes to the Condensed Consolidated Financial Statements *(Continued)*

17. Litigation *(Continued)*

(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\$505,250,000 included under other payables, are set out in the condensed consolidated statement of financial position as current liabilities in the 2014 interim report.
- (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 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.
- (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. Wang 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.

Notes to the Condensed Consolidated Financial Statements *(Continued)*

17. Litigation *(Continued)*

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

- (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 Guang Wu

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

Notes to the Condensed Consolidated Financial Statements *(Continued)*

18. Material Related Party Transactions

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

(a) Transactions with key management personnel

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

	For the six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Short-term employee benefits	5,408	5,793
Post-employment benefits	50	57
	5,458	5,850

(b) Finance cost

During the period ended 30 June 2014, the Group paid a loan interest expenses to a wholly-owned subsidiary of PNG Resources Holdings Limited at the amount of approximately HK\$10,910,000.

19. Comparative Financial Information

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

20. Approval of Interim Financial Statements

The Interim Financial Statements were approved and authorised to issue by the Board on 22 August 2014.