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

2014 Annual Report

CONTENTS

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

Bank of Communications Co., Ltd.
Hong Kong Branch
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

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 PRESENT THIS ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014 TO OUR SHAREHOLDERS. IN THE YEAR UNDER REVIEW, WE HAVE FACED A CHALLENGING ENVIRONMENT DUE TO THE STAGNANT OF PROPERTY MARKET AND PROPERTY MANAGEMENT INCOME IN OUR PROJECTS. THE GROUP RECORDED A DECREASE IN TURNOVER FROM APPROXIMATELY HK$408.5 MILLION IN 2013 TO APPROXIMATELY HK$298.0 MILLION. THE LOSS ATTRIBUTABLE TO THE OWNERS OF THE COMPANY WAS APPROXIMATELY HK$340.4 MILLION.

BUSINESS ENVIRONMENT AND AGRICULTURAL PRODUCE EXCHANGES

The on-going "12th National Five-Year Plan" and the "2015 No. 1 Policy" continues to address agricultural issues. The PRC government continues to pursue their aims to modernize, centralize and systemize the distribution of agricultural produce. In order to capture the enormous opportunities arising from these policies, we have expanded our agricultural produce market network in the year under review. The Group has ten projects in hand, which are strategically situated in favorable locations in the People's Republic of China (the "**PRC**"), such as Wuhan City, Yulin City, Xuzhou City, Luoyang City, Puyang City, Huangshi City, Qinzhou City, Kaifeng City, Panjin City and Huai'an City. During the year under review, we also continued to increase our land reserve via acquisitions, including approximately 160,000 square meters in Panjin City, approximately 162,000 square meters in Wuhan City and approximately 48,000 square meters in Huai'an City, which have consolidated our strong position in agricultural produce exchange industry in the PRC and facilitated our movement to establish a nationwide agricultural produce market network.

For the year under review, the Group has faced a challenging year and reported a loss which was mainly due to the stagnant of property market and property management income in our projects. The Group opened the Qinzhou and Kaifeng markets in 2014 and these markets will become a new driving force for our business's growth in 2015. Qinzhou market, being one of our key development projects, equips fruit, vegetable, cereals, oils and non-staple food trading centers and storage centre, logistics trading center, processing, distribution and quality checking facilities, providing one stop logistics and warehousing services for our clients in the southwestern region of the PRC. The Kaifeng logistics center integrates wholesale, trading, warehousing, display and logistics facilities and will become one of the key drivers of our business in the coming year. The Huai'an and Panjin projects are still under construction and are expected to commence their operations in 2015. Apart from our traditional expansion strategy via land acquisition, we also obtained two existing markets (i.e. Puyang market and Huangshi market in 2014) through joint venture activities. With the successful track records of these markets, we believe that Puyang market and Huangshi market will provide a steady income for the Group during the upcoming years and extend the Group's footprints in the PRC.

As to new project development, the Group made a prepayment to the Chenzhou Beihu District People's Government, the PRC in November 2014, with a view to facilitating the land expropriation process and increasing land available for tender by the PRC governmental authorities in Beihu District, Chenzhou City, for our agricultural by-products logistics centre projects in that region.

FUND RAISING ACTIVITIES

Fund raising activities were undertaken during the year under review in order to support the Company's development. We completed a rights issue in March 2014 and two placings in September and November 2014. In addition, we completed two bond issues in May and October 2014 and one of the bond issue is listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") which signified a new direction of the Group's debt financing activities.

CORPORATE STRATEGIES

Looking forward, the modernization and centralization of the distribution of agricultural produce will remain one of the priorities of the PRC government. Working towards this objective, the Group will co-operate with local governments to develop modern and well-structured agricultural produce exchanges. We believe that the expansion of our foothold in Panjin City, Huai'an City, Qinzhou City and Huangshi City will allow us to grow our market share and sustain a stable and steady business growth. Benefiting from the "Vegetable Basket Project", "The 12th National Five-Year Plan" and "2015 Number 1 Policy", the Group is confident to overcome the challenges and uncertainties and attain, once again, a growing results, and in turn, will benefit the agricultural industry with our modernized and systemized agricultural produce exchanges and our shareholders.

In 2015, the Group will continue to balance between its expansions and financial sustainability. We will prudently develop our projects, including the Chenzhou project, Panjin project, Huai'an project, Qinzhou project and Huangshi project. With the successful track record in the previous years, we will replicate our successful business models proactively in order to expand our network and ultimately benefit our shareholders and the agricultural industry and, lastly, achieve a win-win situation.

APPRECIATION

Finally, I would like to express my sincere gratitude to all of the Company's shareholders, bondholders, 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 & Chief Executive Officer

Hong Kong, 17 February 2015

MANAGEMENT DISCUSSION AND ANALYSIS

THE GROSS PROFIT OF THE GROUP INCREASED BY APPROXIMATELY 12% TO APPROXIMATELY HK$214.1 MILLION FROM APPROXIMATELY HK$192.0 MILLION FOR THE PREVIOUS FINANCIAL YEAR. THE GROSS PROFIT MARGIN OF THE GROUP FOR THE FINANCIAL YEAR WAS APPROXIMATELY 72% AS COMPARED TO APPROXIMATELY 47% FOR THE PREVIOUS FINANCIAL YEAR. THE SHARP RISE OF GROSS PROFIT MARGIN WAS MAINLY DUE TO THAT THE PROPERTY SALE MARGIN IS LOWER THAN THAT OF AGRICULTURAL PRODUCE EXCHANGE MARKET OPERATION.

SUMMARY OF FINANCIAL RESULTS

Turnover and gross profit

For the year ended 31 December 2014, the Group recorded a turnover of approximately HK$298.0 million, a decrease of approximately HK$110.5 million or approximately 27% from approximately HK$408.5 million for the previous financial year. The decrease was mainly attributable to the drop of properties sales of Yulin Hongjin Agricultural and By-Product Exchange Market ("**Yulin Market**") but slightly offset by the increase of income of other agricultural produce exchange projects.

The gross profit of the Group increased by approximately 12% to approximately HK$214.1 million from approximately HK$192.0 million for the previous financial year. The gross profit margin of the Group for the financial year was approximately 72% as compared to approximately 47% for the previous financial year. The sharp rise of gross profit margin was mainly due to that the property sale margin is lower than that of agricultural produce exchange market operation.

Net gain in fair value of investment properties

The net gain in fair value of investment properties of approximately HK$77.7 million (2013: approximately HK$671.1 million) was mainly due to the stagnant of property market and property management income of our projects.

Administrative expenses, selling expenses and finance cost

General and administrative expenses were approximately HK$287.7 million (2013: approximately HK$245.9 million). The increase was mainly due to new development cost in various projects and starting operations of Qinzhou Hongjin Agricultural and By-Product Exchange Market ("**Qinzhou Market**") and Kaifeng Hongjin Agricultural and By-Product Exchange Market ("**Kaifeng Market**"). Selling expenses were approximately HK$106.4 million (2013: approximately HK$42.8 million) and the increase was mainly due to the Group's increasing marketing and promotion expenses of Qinzhou Market and Kaifeng Market in 2014. Finance costs were approximately HK$232.0 million (2013: approximately HK$164.8 million) and such increase was mainly due to obtaining new interest bearing debts during the year under review.

Loss/profit attributable to the owners of the Company

The loss attributable to owners of the Company for the year was approximately HK$340.4 million as compared to last year of profit of approximately HK$155.0 million. The loss was mainly due to the sales recognition of shops in Yulin Market in 2013 but that effect decreased in 2014 as well as increase in administrative and selling expenses, finance cost and decrease in the growth rate of net gain in fair value of investment properties.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2014, the Group had total cash and cash equivalents amounting to approximately HK$200.4 million (2013: approximately HK$267.4 million) whilst total assets and net assets were approximately HK$6,906.0 million (2013: approximately HK$5,698.8 million) and approximately HK$1,876.3 million (2013: approximately HK$1,620.8 million), respectively. The Group's gearing ratio as at 31 December 2014 was approximately 1.5 (2013: approximately 1.3), being a ratio of total bank and other borrowings, bonds and promissory notes of approximately HK$3,045.3 million (2013: approximately HK$2,442.0 million, being the total of bank and other borrowings and promissory notes), net of cash and cash equivalents of approximately HK$200.4 million (2013: approximately HK$267.4 million) to shareholders' funds of approximately HK$1,876.3 million (2013: approximately HK$1,620.8 million).

DIVIDENDS

The Directors do not recommend any payment of final dividend for the year ended 31 December 2014 (2013: Nil). No interim dividend was paid to the shareholders of the Company during the year under review (2013: Nil).

REVIEW OF OPERATIONS

During the year under review, the Group was principally engaged in the business of property management and sales in respect of agricultural produce exchanges in the PRC. Both the operating performance and market ranking of our markets remarked steady progress in 2014.

WUHAN BAISAZHOU

WUHAN BAISAZHOU Market

Located in the provincial capital of Hubei Province, the PRC, Wuhan Baisazhou Agricultural and By-Product Exchange Market ("**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 January 2015, Wuhan Baisazhou Market was awarded "Top 10 Contribution to 30th Anniversary of National Agricultural Wholesale Markets" issued by China Agricultural Wholesale Market Association. This award is a recognition of the market contribution being made by the Group's effort and expertise in agricultural produce exchange market operation in the PRC.

During the period under review, the turnover of Wuhan Baisazhou Market continued to rise at the rate of approximately 17% compared with the corresponding period of last year. The continuous outstanding operating performance of Wuhan Baisazhou Market has established its reputation and track record to customers and tenants in Wuhan.

YULIN

YULIN
Market

Yulin Market is one of the largest agricultural produce exchanges in Guangxi Zhuang Autonomous Region, the PRC. It has various types of market stalls and multi-storey godown. The Group completed the construction of an extension to the phase two development of the Yulin Market which became a new growth driver for the Group. As an energetic member of the agricultural produce exchange market, Yulin Market became 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 have entered into a termination agreement pursuant to which the parties agreed to terminate the confirmation letter dated 24 December 2012 in relation to the acquisition of the land use rights of a parcel of land in Yulin City of approximately 73,000 square metres. Details of the termination were disclosed in the announcement of the Company dated 20 June 2014. The Board did not consider the termination of the confirmation letter would have any material adverse impact on the operation and financial position of the Group.

During the period under review, revenue from property sale was approximately HK$9.2 million in 2014 (2013: approximately HK$169.6 million), representing a decrease of approximately 95% compared to the corresponding period of last year which mainly due to the decrease in property sales in 2014. The performance of agricultural produce exchange market operation was satisfactory, achieving a revenue growth of approximately 22% as compared with the corresponding period of last year.

LUOYANG

LUOYANG
Market

Luoyang Hongjin Agricultural and By-Product Exchange Market ("**Luoyang Market**") is the flagship project of the Group in Henan Province, the PRC. Both occupancy rate and vehicles traffic were satisfactory. The site area of Luoyang Market is approximately 255,000 square metres with the gross floor area of approximately 160,000 square metres. After more than one-year operations, the business operations of Luoyang Market have been gradually improved.

XUZHOU

XUZHOU
Market

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 PRC. The Xuzhou Market houses various market stalls, godowns and cold storage and is a major marketplace for the supply of fruit and seafood in the city and the northern part of Jiangsu Province.

The operating performance of Xuzhou Market was steady during the year under review. Xuzhou Market's income in 2014 mildly decreased by approximately 3% as compared to last year.

PUYANG

PUYANG
Market

Puyang Hongjin Agricultural and By-Product Exchange Market ("**Puyang Market**") is a market jointly operated by the Group and a local joint venture partner. The new cooperation with the joint venture partner remarks an innovative way of the Group's expansion strategy. During the period under review, the operating performance of Puyang Market achieved outstanding result and contributed a positive operating profit.

KAIFENG

KAIFENG
Market

Kaifeng Market, with the gross floor construction area of approximately 100,000 square metres, completed its construction during the period under review. Kaifeng Market is our third market in Henan Province, the PRC and facilitated the Group's expansion of its agricultural produce market network in Henan Province. Having commenced its operations in August 2014, Kaifeng Market will become a new income driver of the Group in the coming year.

QINZHOU

QINZHOU
Market

Qinzhou Market, with the gross floor construction area of approximately 189,000 square metres, completed its construction during the year under review. Qinzhou Market is our second market in Guangxi Zhuang Autonomous Region, the PRC and facilitated the Group's expansion of its agricultural produce market network in Guangxi Zhuang Autonomous Region. Having commenced its operations in August 2014, Qinzhou Market will become a new income engine contributed to the Group in the coming year.

Panjin and Huai'an Projects

With the commencement of construction development, Panjin Hongjin Agricultural and By-Product Exchange Market ("**Panjin Market**") which will focus on supplying crab and Huai'an Hongjin Agricultural and By-Product Exchange Market ("**Huai'an Market**") which will focus on supplying by-products food. The Group expects that Panjin Market and Huai'an Market will be a next driving momentum of the Group and will commence their operations in 2015.

MATERIAL ACQUISITIONS

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, the PRC with an aggregate area of 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 were disclosed in the company's announcement dated 20 January 2014.

Set up joint venture in Puyang Market

On 1 April 2014, the Group 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, the PRC 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 in March 2014. Details of the transaction were disclosed in the Company's announcement dated 1 April 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, with an aggregate area of approximately 162,000 square metres for a consideration of RMB74.1 million. Details of the transaction were disclosed in the Company's announcement dated 7 May 2014.

Land acquisition of Huai'an project

On 26 August 2014, the Group won a bid at the tender for a parcel of land in Huai'an City of Jiangsu Province, the PRC, with an aggregate area of approximately 48,000 square metres for a consideration of RMB44.0 million. Details of the transaction were disclosed in the Company's announcement dated 26 August 2014.

Prepayment of Chenzhou project

On 18 November 2014, the Group entered into the agreement in relation to the agricultural produce market project in Chenzhou City, the PRC. The Group agreed to make an interest-free prepayment of RMB28.8 million to the Chenzhou Beihu Government, the PRC upon the signing of the agreement for the expropriation of the lands and supporting the project development. Details of the transaction were disclosed in the Company's announcement dated 18 November 2014.

Set up joint venture in Huangshi market

On 20 November 2014, the Group entered into a new joint venture agreement with a joint venture partner to establish the joint venture company owned as to 80% by the Group and 20% by the joint venture partner for operating an agricultural produce market in Huangshi City, Hubei Province, the PRC. The Group would contribute RMB1.6 million and the joint venture partner would contribute RMB0.4 million as capital. On the even date, the joint venture company entered into a rental agreement with the joint venture partner for the transfer of the management rights of existing market at the consideration of RMB35.0 million and rent an existing market in Huangshi City at the annual rental fee of RMB1 million. Details of the transaction were disclosed in the Company's announcement dated 20 November 2014.

MEDIUM TERM NOTES AND BONDS

On 31 March 2014, the Company announced the placing of its HK$1 billion note. As at 31 December 2014, HK$400 million medium term notes (the "**Notes**") had been issued under the Notes programme and were listed on the Stock Exchange, with the net proceeds of approximately HK$147.2 million being raised. Details of the issue of the Notes were disclosed in the Company's announcements dated 31 March 2014 and 19 May 2014, respectively.

On 4 October 2014, the Company announced the issue of the two-year 8.5% coupon bonds in an aggregate principal amount of HK$200 million and the five-year 10.0% coupon bonds in an aggregate principal amount of HK$1,200 million (the "**Bonds**") through a placing agent as well as subscription by Wang On Group Limited, Wai Yuen Tong Medicine Holdings Limited and PNG Resources Holdings Limited. The Bonds were issued on 28 November 2014. Details of the issue of the Bonds were disclosed in the Company's announcements dated 4 October 2014 and 28 November 2014, respectively.

On 19 November 2014, the Company announced the issue of 7.3% coupon bonds in an aggregate principal amount of HK$300 million through a placing agent. The bonds at all times rank subordinated to the Notes and the Bonds as mentioned in the Company's announcement dated 31 March 2014 and 4 October 2014. As of the date of this report, bonds in the principal amount of HK$13 million had been issued, with the net proceeds of approximately HK$8.8 million being raised. The Company has extended the placing period of the bonds for another three months. Details of the issue of bonds were disclosed in the Company's announcement dated 19 November 2014.

CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

As at 31 December 2014, outstanding capital commitments, contracted but not provided for, amounted to approximately HK$270.7 million (2013: approximately HK$590.5 million) in relation to the purchase of property, plant and equipment, construction contracts and operating lease agreements. As at 31 December 2014, the Group had no significant contingent liabilities (2013: Nil).

As at 31 December 2014, the Group pledged land use right, properties and bank deposits with carrying amount of approximately HK$2,604.6 million (2013: approximately HK$1,836.0 million for investment properties) 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 2014. 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.

LITIGATION

As disclosed in the announcements of the Company dated 11 January 2011, 22 May 2012, 19 June 2014, 4 July 2014, 13 January 2015 and 14 January 2015 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 joined Wuhan Baisazhou Agricultural By-product Grand Market Company Limited ("**Baisazhou Agricultural**") as third party.

Ms. Wang and Tian Jiu sought an order from the court that the share transfer agreements alleged to be forged by Baisazhou Agricultural in relation to the acquisition of an aggregate 90% interest in Baisazhou Agricultural from Ms. Wang as to 70% thereof and Tian Jiu as to 20% thereof (the "**Contended Agreements**") were 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 (the "**Profits Claim**"), together with costs of the Legal Proceedings. The Company received the judgment from the Higher People's Court of Hubei Province, the PRC (the"**Hubei Court**") in relation to the Legal Proceedings ("**Hubei Court Judgment**") in June 2014. In the Hubei Court Judgment, the Hubei Court dismissed the claims of Ms. Wang and Tian Jiu, and they were ordered to bear the legal costs of the Legal Proceedings. Ms. Wang and Tian Jiu filed an appeal notice to the Supreme People's Court of the PRC (the "**Supreme People's Court**"). On 13 January 2015, the Company received the judgment (the "**Beijing Judgment**") handed down from the Supreme People's Court in relation to Ms. Wang and Tian Jiu's appeal against the Hubei Court Judgment. In the Beijing Judgment, the Supreme People's Court ordered that (i) the Hubei Court Judgment be revoked; and (ii) the Contended Agreements were void.

As advised by the PRC legal advisers of the Company, (i) the Company can apply for re-trial within a period of 6 months from the date of receipt of the Beijing Judgment (i.e. 13 January 2015); (ii) the Supreme People's Court only ordered the Contended Agreements void, but it did not make any ruling regarding the acquisition; and (iii) the Beijing Judgment will not directly lead to any immediate change of ownership of Baisazhou Agricultural. The Company continues to be the legal owner of Baisazhou Agricultural until and unless the revocation of: (a) the approval from the PRC Ministry of Commerce issued in November 2007; and (b) the registration of the transfer of shareholding by the Wuhan Administration of Industry and Commerce. The Company will take all necessary actions in the PRC as advised by its PRC legal advisers in response to the Beijing Judgment.

FUND RAISING ACTIVITIES

2014 Capital Reorganisation, 2014 Rights Issue and the Bonus Issue

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

(a) the consolidation of the issued shares of the Company (the "**2014 Share Consolidation**") whereby every forty (40) shares of nominal value of HK$0.01 each in the issued share of the Company was consolidated into one (1) consolidated share of nominal value of HK$0.40 (the "**2014 Consolidated Share**");

(b) the reduction of the issued share capital of the Company (the "**2014 Capital Reduction**") whereby (i) the nominal value of all the issued 2014 Consolidated Shares was reduced from HK$0.40 each to HK$0.01 each (the "**2014 Adjusted Share(s)**") and the issued share capital of the Company was reduced to the extent of HK$0.39 per 2014 Consolidated Share; and (ii) any fractional 2014 Consolidated Shares in the issued share capital of the Company arising from the 2014 Share Consolidation was to be cancelled;

(c) applying the credit arising from the 2014 Capital Reduction to set off the accumulated loss of the Company;

(d) upon the 2014 Capital Reorganisation becoming effective, the Board also proposed to raise gross proceeds of approximately HK$514.6 million, before expenses, by way of the 2014 Rights Issue. Pursuant to the 2014 Rights Issue, the Company would allot and issue 1,106,619,045 rights shares (the "**2014 Rights Share(s)**") at the subscription price of HK$0.465 per 2014 Rights Share, on the basis of fifteen (15) 2014 Adjusted Shares for every one (1) 2014 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 2014 Rights Issue would be determined); and

(e) subject to the satisfaction of the conditions of the 2014 Rights Issue, 73,774,603 bonus shares (the "**Bonus Share**") would be issued on the basis of one (1) Bonus Share for every fifteen (15) 2014 Rights Shares taken up under the 2014 Rights Issue.

The net proceeds of the 2014 Rights Issue were approximately HK$495.5 million and were intended to be applied as to (i) approximately HK$450 million for development of existing and future agricultural exchange projects, of which approximately HK$130 million would be utilised for the acquisitions of land in the PRC and approximately HK$320 million would be utilised for the payments of construction costs of the agricultural produce exchanges in the PRC; and (ii) the remaining balance of approximately HK$45.5 million would be utilised for general working capital of the Group of the Company. The then closing price of the share in the Company on 4 December 2014 was HK$0.113. As at 31 December 2014, (i) approximately HK$130 million had been utilised for acquisitions of land in the PRC; (ii) approximately HK$130 million had been utilised for the payment of the construction costs for phase one of the Kaifeng City project; (iii) approximately HK$55.0 million had been utilised for the payment of the construction costs for the Qinzhou City project; (iv) approximately HK$19.8 million had been utilised, and approximately HK$39.3 million had been earmarked for the construction costs of the Huai'an City project, and approximately HK$10.9 million would be utilised generally for this project; (v) approximately HK$65.0 million had been utilised for the payment of the construction costs for the Panjin City project; (vi) approximately HK$45.5 million had been applied as the general working capital of the CAP Group as intended. The 2014 Rights Issue and the Bonus Issue were completed on 21 March 2014. Details of the 2014 Capital Reorganisation, the 2014 Rights Issue and the Bonus Issue were disclosed in the Company's announcements dated 19 December 2013, 13 January 2014, 22 January 2014, 23 January 2014, 20 February 2014, 24 March 2014 and 11 July 2014, respectively.

Placing of new shares under general mandates

On 22 August 2014, the Company announced the placing of a total of 250 million shares in the Company (the "**Share(s)**") at a price of HK$0.33 per Share for a placing through a placing agent under the general mandate of the Company. The aggregate net proceeds were approximately HK$80.0 million, in which approximately HK$50.0 million was for the future development of existing/new agricultural produce exchanges and approximately HK$30.0 million was for the general working capital of the Group. The then closing price of the Shares on 22 August 2014 was HK$0.405 and the placing completed on 3 September 2014. As at 31 December 2014, approximately HK$27.7 million was utilised for the payment of construction costs for the Qinzhou City project, the Panjin City project and phase one of the Kaifeng City project; approximately HK$22.3 million was advanced to the Chenzhou City Beihu Government for land acquisition of a possible development project; and approximately HK$30.0 million was utilised for the general working capital of the Group as intended. Details of the placing were disclosed in the Company's announcements dated 22 August 2014 and 3 September 2014, respectively.

On 24 October 2014, the Company undertook a further placing of a total of 220 million Shares at a price of HK$0.27 per Share for a placing through a placing agent under the general mandate of the Company. The aggregate net proceeds were approximately HK$57.5 million, in which approximately HK$5.0 million was for repayment of debts, approximately HK$35.0 million was for fees and expenses incurred with the issue of Bonds and approximately HK$17.5 million was for the general working capital of the Group. The then closing price of the Shares on 24 October 2014 was HK$0.325 and the placing completed on 6 November 2014. As at 31 December 2014, approximately HK$5.0 million was utilised for the repayment of debts; approximately HK$35.0 million was utilised for the payment of the fees and expenses incurred in the issue of the Bonds; approximately HK$11.6 million was utilised as general working capital of the Group; and the remaining balance of approximately HK$5.9 million would be utilised as general working capital of the Group as intended. Details of the placing were disclosed in the Company's announcements dated 24 October 2014 and 6 November 2014, respectively.

2015 Capital Reorganisation and 2015 Rights Issue

On 8 January 2015, the Company announced, inter alia, the capital reorganisation (the "**2015 Capital Reorganisation**") which will take effect after the passing of the special resolution at the special general meeting (the "**2015 SGM**") of the Company and the rights issue (the "**2015 Rights Issue**") which is subject to, among others, the passing of the ordinary resolutions at the 2015 SGM, in which:

(a) the consolidation of the Shares (the "**2015 Share Consolidation**") whereby every eight (8) Shares of nominal value of HK$0.01 each in the Share was consolidated into one (1) consolidated Share of nominal value of HK$0.08 (the "**2015 Consolidated Share(s)**");

(b) the reduction of the issued share capital of the Company (the "**2015 Capital Reduction**") whereby (i) the nominal value of all the issued 2015 Consolidated Shares was reduced from HK$0.08 each to HK$0.01 each (the "**2015 Adjusted Share(s)**") and the issued share capital of the Company was reduced to the extent of HK$0.07 per 2015 Consolidated Share; and (ii) any fractional 2015 Consolidated Shares in the issued share capital of the Company arising from the 2015 Share Consolidation to be cancelled;

(c) applying the credit arising from the 2015 Capital Reduction to set off the accumulated loss of the Company;

(d) upon the 2015 Capital Reorganisation becoming effective, raising gross proceeds of approximately HK$517.3 million, before expenses, by way of the 2015 Rights Issue. Pursuant to the 2015 Rights Issue, the Company would allot and issue 1,724,168,248 rights shares (the "**2015 Rights Share**") at the subscription price of HK$0.3 per 2015 Rights Share, on the basis of eight (8) 2015 Adjusted Shares for every one (1) 2015 Adjusted Share.

The net proceeds from the 2015 Rights Issue is expected to be approximately HK$501.7 million. The 2015 Capital Reorganisation and the 2015 Rights Issues have not completed as of the date of this report. Details of the 2015 Capital Reorganisation and the 2015 Rights Issue were disclosed in the Company's announcements of the Company dated 8 January 2015, 29 January 2015 and 13 February 2015, respectively.

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2014, the Group had 1,883 (2013: 1,509) employees, approximately 97% 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 2015, the Group will strive to build a nationwide agricultural produce exchange network by leveraging on its leading position in the industry, readily replicable business model, well-advanced management system, information technology infrastructure and quality customer services. The Group has commenced the operations of Kaifeng Market in Henan and Qinzhou Market in Guangxi, bringing driving force of business development in 2015. The Group also expects that the commencement of operations of Huai'an Market in Jiangsu Province and Panjin Market in Liaoning Province in 2015 will be another force of momentum to the Group's business development.

Once again, agricultural issue is still the first policy for consecutive years by the PRC central government in 2015 under the document (the "**Document**") name of "the Number 1 Policy of 2015". The Document reflects the PRC government's intention to upgrade and invest in agricultural produce market, expand agricultural produce network, build logistic infrastructure and storage of agriculture and improve regional cold storage infrastructure. By capturing the opportunity brought by the government policy, the Group will continue to focus on intensifying its investment in agricultural by-products wholesale markets in the PRC.

Pioneering the strategic position of agricultural produce 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 the PRC. Combining the competitive strategic choice of successful business model and our professional experience in leading position in the industry coupling with the significant increment of land bank, the Group is confident that this strategy and business model will deliver long term benefits to the shareholders of the Company.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

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 was an independent non-executive director of Shanghai Prime Machinery Company Limited (resigned in June 2014), all of which are companies listed on the main board of 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. LEUNG Sui Wah, Raymond, aged 47, 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 23 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 50, 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 22-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 59, joined the Company as an independent non- executive Director in February 2009. He is a member of each of the audit, remuneration and the 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 49, joined the Company as an independent non-executive Director in February 2009. She is a member of each of the audit, remuneration and the 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 68, 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 59, joined the Group in April 2013. He is the operation director of the Group and a director of certain subsidiaries of the Group, namely China Agri-Products Corporate Development Limited, China Agri-Products Corporate Management Services Limited and Chenzhou Hong-Jin Agricultural By-Products Wholesale Marketplace Limited. 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 47 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. Mak Wing Pui, Richard, aged 57 joined the Group in June 2014. He is the project director of the Group responsible for project engineering of the Group in the PRC. Mr. Mak holds a Diploma of Civil Engineering from Algonquin College, Canada. He has over 33 years' experience in project engineering in Hong Kong and the PRC.

Mr. NG Tze Doi, aged 51, joined the Group in May 2011 and is a district associate director (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. CHEUNG Wai Ming, aged 53, joined the Group in November 2013. He is a district associate director (eastern region) of the Group responsible for the business operations in the PRC eastern region. He is also a director of two subsidiaries of the Group namely Panjin Hong-jin Agricultural By-Products Wholesale Marketplace Limited and Xuzhou Yuen Yeung Trading Development Limited. Mr. Cheung has over 20 years of experience in general management in Hong Kong and the PRC.

Mr. CHEUNG Chin Wa, Angus, aged 37, joined the Company as company secretary in May 2012. He is also a director of a subsidiary of the Group namely Pu Yang Hong-jin Agricultural By-Products Wholesale Marketplace Limited. Mr. Cheung is a fellow member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He 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 several 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 2014, 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 after the resignation of Mr. Wong Koon Kui, Lawrence as chief executive officer and executive Director with effect from 8 May 2014.

The Company periodically reviewed its corporate governance practices to ensure they continue to meet the requirements of the CG Code during the year of 2014. 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 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 contained in the Model Code throughout the financial year under review.

THE BOARD

Composition

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

Executive Directors:

Mr. Chan Chun Hong, Thomas *Chairman and Chief Executive Officer*	*(assumed as chief executive officer upon the resignation of Mr. Wong Koon Kui, Lawrence on 8 May 2014)*
Mr. Leung Sui Wah, Raymond	
Mr. Yau Yuk Shing	
Mr. Wong Koon Kui, Lawrence *Chief Executive Officer*	*(resigned on 8 May 2014)*

Independent non-executive Directors:

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

The biographical details of the Directors are set out on pages 28 to 29 of this annual report.

Responsibilities

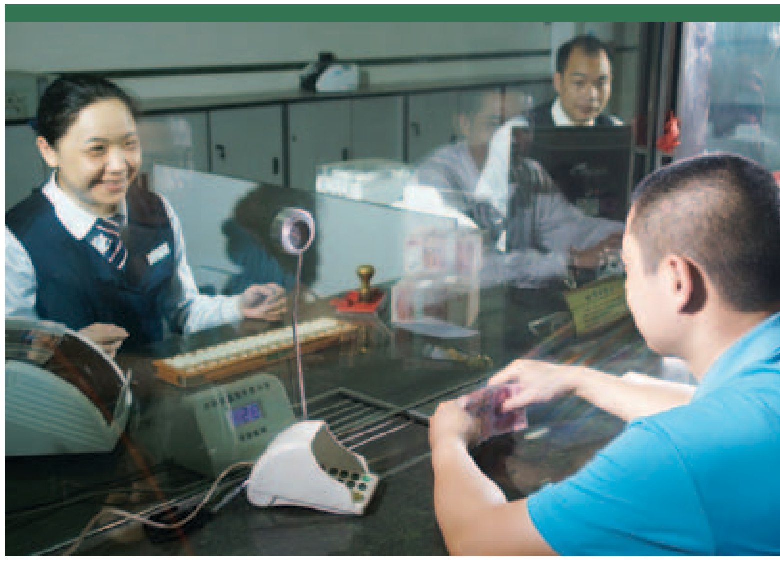
The Board's primary functions are to set corporate policy and overall strategy for the Group and to provide effective oversight of the management of the Group's business and affairs. Apart from its statutory responsibilities, the Board also approves strategic plans, key operational issues, investments 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. The Board has three independent non-executive Directors, representing one-third of the Board, and 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) and 3.10(A) 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 that the Board possesses the appropriate and necessary expertise, skills and experience to meet the needs of the Group's business with due regard for the benefits of diversity, as set out in the diversity policy adopted by the Board.

All independent non-executive Directors are appointed for a term of three years under respective service agreement 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 set out in the code provision D.3.1 of the CG Code. During the year, the Board reviewed (i) the policies and practices on corporate governance of the Company; (ii) training and continuous professional development of Directors and senior management; (iii) policies and practice on compliance with legal and regulatory requirements; (iv) code of conduct applicable to employees and Directors; and (v) the compliance of the CG Code which was disclosed in this annual report.

Save as those matters mentioned above, the Board has delegated general powers to the management to deal with day-to-day management, administration and operations of the Group.

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 Meetings

During the year under review, four Board meetings, the annual general meeting (the "**2014 AGM**") and two special general meetings (the "**SGM**") were held and the attendance of each Director is set out as follows:

Directors	Date of appointment/ resignation during the year	Attendance/ Number of meetings Board meetings	2014 AGM	SGM
Executive Directors				
Mr. Chan Chun Hong, Thomas		4/4	1/1	2/2
Mr. Leung Sui Wah, Raymond		4/4	1/1	0/2
Mr. Yau Yuk Shing		3/4	0/1	0/2
Mr. Wong Koon Kui, Lawrence	*(Resigned on 8 May 2014)*	1/1	0/0	0/1
Independent non-executive Directors				
Mr. Ng Yat Cheung		4/4	0/1	0/2
Ms. Lam Ka Jen, Katherine		4/4	1/1	0/2
Mr. Lau King Lung		4/4	1/1	0/2

ROLES OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Chan Chun Hong, Thomas, the chairman of the Board, assumed the role of chief executive officer after the resignation of Mr. Wong Koon Kui, Lawrence as chief executive officer and executive director of the Company with effect from 8 May 2014 that deviated 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.

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 will 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, all the Directors including the independent non-executive Directors received regular updates on corporate governance matters or changes to laws and regulations. Mr. Chan Chun Hong, Thomas, Mr. Leung Sui Wah, Raymond and Ms. Lam Ka Jen, Katherine 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. Wong Koon Kui, Lawrence ceased to act as a member of the remuneration committee of the Company (the "**Remuneration Committee**") immediately following his resignation as a Director and chief executive officer on 8 May 2014.

The Remuneration Committee comprises one executive Director, namely Mr. Chan Chun Hong, Thomas and 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 one meeting and the attendance of each member of the Remuneration Committee is set out below:

Remuneration Committee Members	Date of appointment/ resignation during the year	Attendance
Mr. Ng Yat Cheung		1/1
Ms. Lam Ka Jen, Katherine		1/1
Mr. Lau King Lung		1/1
Mr. Chan Chun Hong, Thomas		1/1
Mr. Wong Koon Kui, Lawrence	*(resigned on 8 May 2014)*	0/0

During the year under review, the Remuneration Committee determined the remuneration policy, assessed performance of executive Directors, reviewed existing remuneration package and structure of executive Directors and senior management, and the existing remuneration package of independent non-executive Directors and approved 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 financial statements.

Nomination Committee

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

According to the terms of reference of the Nomination Committee, board diversity has been considered, when designing the Board's composition, 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 in accordance with the diversity policy adopted by the Board. The terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

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 meeting and be prepared to respond to questions raised by shareholders on the Committee's activities and responsibilities.

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

Nomination Committee Members	Attendance
Mr. Ng Yat Cheung	1/1
Ms. Lam Ka Jen, Katherine	1/1
Mr. Lau King Lung	1/1
Mr. Chan Chun Hong, Thomas	1/1
Mr. Leung Sui Wah, Raymond	1/1

During the year under review, the Nomination Committee reviewed the policy for the nomination of Directors, the nomination procedures, the process and criteria to select and recommend candidate for directorship and the board diversity policy. The Nomination Committee considers that the current Board composition has provided the Company with a good balance and diversity of skill and experience appropriate for the business of the Company. The Nomination Committee will review the implementation of the board diversity policy from time to time to ensure its effectiveness on determining the optimal composition of the Board.

Audit Committee

During the year under review, the audit committee of the Company (the "**Audit Committee**") has comprised 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 the Audit Committee is set out below:

Audit Committee Members	Attendance
Ms. Lam Ka Jen, Katherine	2/2
Mr. Ng Yat Cheung	2/2
Mr. Lau King Lung	2/2

During the year, the Audit Committee reviewed and discussed with the management and auditors the accounting principles and practices adopted by the Company. In addition, the Audit Committee also, among other things, reviewed internal control measures, risk management, adequacy of resources of the Group, the annual results for the year ended 31 December 2013 and the interim results for the six months ended 30 June 2014 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 2014, 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 incurred a net loss of approximately HK$336,069,000 and the net operating cash outflow of approximately HK$919,537,000 and the PRC legal proceedings (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 to enhance its financial position and the business development of the Group by way of refinancing, extension of borrowings and/or fund raising and will keep the public informed of the latest development of the said PRC legal proceedings as and when appropriate.

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 2014, the Company appointed external advisers to perform the ongoing monitoring of the systems of internal control of the Group. The advisers reported that no material internal control weakness was identified from the reviews. Taking into consideration the recommendations made by the advisers, 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 that 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 2014 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	1,600
Non-audit services	200
Total	1,800

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 employee 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, who was appointed as the company secretary of the Company, reports directly to the Board and is responsible for, inter alia, providing updated information to all Directors from time to time.

Mr. Cheung's biographical details are disclosed in the section "Board of Directors and Senior Management" of this report. During the year ended 31 December 2014, 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 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.

ENQUIRIES FROM SHAREHOLDERS

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 number, via the following channels:

For corporate affairs:

Address:
5/F., Wai Yuen Tong Medicine Building
9 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

Telephone: 852 2312 8329
Fax: 852 2312 8148
Email: pr@cnagri-products.com

For shareholding or entitlement affairs:

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

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.

CONSTITUTIONAL DOCUMENT

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 is available on the websites of the Stock Exchange and the Company.

CONCLUSION

Going ahead, the Board will continue to review regularly its corporate governance practices to maintain high level of transparency, to enhance the Company's competitiveness and operating efficiency and to ensure its sustainable development and to generate greater returns for the stakeholders of the Company.

REPORT OF THE DIRECTORS

THE GROUP 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 2014.

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 2014 and the state of affairs of the Company and of the Group are set out in the consolidated financial statements on pages 47 to 123.

The Board did not recommend the payment of any final dividend for the year ended 31 December 2014 (2013: Nil). No interim dividend was paid to the shareholders of the Company during the year under review (2013: 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 124.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 31 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2014, 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 29 and 31, 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 2014.

DIRECTORS

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

Executive Directors:

Mr. Chan Chun Hong, Thomas *(Chairman and Chief Executive Officer)*	*(assumed as the chief executive officer upon the resignation of Mr. Wong Koon Kui, Lawrence on 8 May 2014)*
Mr. Leung Sui Wah, Raymond	
Mr. Yau Yuk Shing	
Mr. Wong Koon Kui, Lawrence *(Chief Executive Officer)*	*(resigned on 8 May 2014)*

Independent non-executive Directors

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

In accordance with bye-law 99 of the bye-laws of the Company, Mr. Leung Sui Wah, Raymond and Mr. Yau Yuk Shing 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).

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

As at 31 December 2014, 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 the 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 32 to the consolidated financial statements.

Since the adoption of the Scheme and up to 31 December 2014, no option had been granted under the Scheme. As at the date of this annual report, the total number of shares of the Company available for issue under the Scheme is 125,416,825 Shares, representing approximately 7.27% of the existing issued share capital of the Company.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2014, 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	559,466,819	28.84
Wai Yuen Tong Medicine Holdings Limited ("**WYT**") (Note c)	Interest of a controlled corporation	660,000,000	34.03
Total Smart Investments Limited (Note c)	Interest of a controlled corporation	660,000,000	34.03
Jade Range Limited (Note c)	Beneficial owner	660,000,000	34.03
Chu Yuet Wah	Interest of a controlled corporation	547,975,520	28.25
Active Dynamic Limited	Interest of a controlled corporation	547,975,520	28.25
Galaxy Sky Investments Limited	Interest of a controlled corporation	547,975,520	28.25
Kingston Capital Asia Limited	Interest of a controlled corporation	547,975,520	28.25
Kingston Financial Group Limited	Interest of a controlled corporation	547,975,520	28.25
Kingston Securities Limited	Others	547,975,520	28.25

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) Jade Range Limited is wholly owned by Total Smart Investments Limited, which is a wholly-owned subsidiary of WYT. Total Smart Investments Limited and WYT are deemed to be interested in 660,000,000 shares of the Company held by Jade Range Limited.

Save as disclosed above, as at 31 December 2014, 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 31 to 39 of this annual report.

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, inter alia, reviewing and providing supervision over the Group's financial reporting processes and internal controls. 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, and is chaired by Ms. Lam Ka Jen, Katherine. The Audit Committee has reviewed with the management and the Company's auditors the consolidated financial statements for the year ended 31 December 2014.

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 32 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2014, 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, or have 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$0.2 million (2013: approximately HK$0.5 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 2014 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 37 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 2014 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 and Chief Executive Officer

17 February 2015

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 47 to 123, which comprise the consolidated and company statements of financial position as at 31 December 2014, 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.

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 2014 and of the Group's loss 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.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to notes 2(b) and 35 to the consolidated financial statements which describe the uncertainty related to a court judgment, which found that share transfer agreements filed with the Ministry of Commerce ("**MOFCOM")** of the People's Republic of China (the "**PRC**") and the Wuhan Administration of Industry and Commerce ("**Hubei AIC")** in relation to the acquisition of Wuhan Baisazhou Agricultural By-product Grand Market Company Limited ("**Baisazhou Agricultural**") were void. The Company has been advised by its PRC legal advisor that the judgment will not directly lead to any immediate change of ownership of Baisazhou Agricultural and the Company continues to be the legal owner of Baisazhou Agricultural until and unless the revocation of the approval from MOFCOM and the registration of the transfer of shareholding by the Hubei AIC. The Company will take all necessary actions in the PRC as advised by its PRC legal advisor in response to the judgement.

The Group incurred a net loss of approximately HK$336,069,000 and the net operating cash outflow of approximately HK$919,537,000. 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 cash flows from 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, 17 February 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Turnover	5	**298,043**	408,544
Cost of operation		**(83,970)**	(216,561)
Gross profit		**214,073**	191,983
Other revenue and other net income	6	**42,222**	9,645
Net gain in fair value of investment properties		**77,686**	671,065
General and administrative expenses		**(287,670)**	(245,895)
Selling expenses		**(106,389)**	(42,774)
(Loss)/profit from operations		**(60,078)**	584,024
Finance costs	7(a)	**(231,990)**	(164,848)
(Loss)/profit before taxation	7	**(292,068)**	419,176
Income tax	8	**(44,001)**	(198,457)
(Loss)/profit for the year		**(336,069)**	220,719
Other comprehensive (loss)/income, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(82,077)**	83,530
Other comprehensive (loss)/income for the year, net of Income tax		**(82,077)**	83,530
Total comprehensive (loss)/income for the year, net of of income tax		**(418,146)**	304,249
(Loss)/profit attributable to:			
Owners of the Company		**(340,420)**	154,980
Non-controlling interests		**4,351**	65,739
		(336,069)	220,719
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(413,170)**	228,795
Non-controlling interests		**(4,976)**	75,454
		(418,146)	304,249

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	**2014** **HK$'000**	2013 HK$'000
(Loss)/earnings per share			
— Basic (restated)	14(a)	**HK$(0.31)**	HK$0.87
— Diluted (restated)	14(b)	**HK$(0.31)**	HK$0.87

The notes on pages 55 to 123 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment	16	**72,546**	45,412
Investment properties	17	**3,554,194**	3,420,587
Goodwill	18	**6,444**	6,444
		3,633,184	3,472,443
Current assets			
Stock of properties	20	**2,715,778**	1,646,691
Trade and other receivables	21	**231,749**	293,903
Loan receivables	22	**27,173**	12,789
Financial assets at fair value through profit or loss	23	**4,792**	5,546
Pledged bank deposits	24	**92,962**	—
Cash and cash equivalents	24	**200,387**	267,422
		3,272,841	2,226,351
Current liabilities			
Deposits and other payables	25	**973,209**	989,606
Deposit receipts in advance		**445,415**	99,620
Bank and other borrowings	26	**434,534**	961,128
Government grants	27	**—**	2,941
Promissory notes	29	**376,000**	376,000
Income tax payable	30(a)	**41,413**	36,801
		2,270,571	2,466,096
Net current assets/(liabilities)		**1,002,270**	(239,745)
Total assets less current liabilities		**4,635,454**	3,232,698

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	**2014 HK$'000**	2013 HK$'000
Non-current liabilities			
Bonds	28	**1,503,117**	—
Bank and other borrowings	26	**731,620**	1,104,876
Deferred tax liabilities	30(b)	**524,459**	506,974
		2,759,196	1,611,850
Net assets		**1,876,258**	1,620,848
Capital and reserves			
Share capital	31(c)	**17,242**	29,510
Reserves		**1,406,049**	1,170,079
Total equity attributable to owners of the Company		**1,423,291**	1,199,589
Non-controlling interests		**452,967**	421,259
Total equity		**1,876,258**	1,620,848

Approved and authorised for issue by the board of directors on 17 February 2015.

Chan Chun Hong, Thomas
Director

Leung Sui Wah, Raymond
Director

The notes on pages 55 to 123 form part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Investments in subsidiaries	19	**319,580**	271,080
Current assets			
Other receivables	21	**2,648,671**	1,924,059
Cash and cash equivalents	24	**20,750**	65,556
		2,669,421	1,989,615
Current liabilities			
Other payables	25	**313,045**	244,695
Bank and other borrowings	26	**108,700**	745,000
Promissory notes	29	**376,000**	376,000
		797,745	1,365,695
Net current assets		**1,871,676**	623,920
Total assets less current liabilities		**2,191,256**	895,000
Non-current liabilities			
Bonds	28	**1,503,117**	—
Bank and other borrowings	26	**—**	660,000
		1,503,117	660,000
Net assets		**688,139**	235,000
Capital and reserves			
Share capital	31(c)	**17,242**	29,510
Reserves	31	**670,897**	205,490
Total equity		**688,139**	235,000

Approved and authorised for issue by the board of directors on 17 February 2015.

Chan Chun Hong, Thomas
Director

Leung Sui Wah, Raymond
Director

The notes on pages 55 to 123 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to Owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Shareholders' contribution HK$'000	Other reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 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 shares	4,900	49,980	—	—	—	—	—	—	54,880	—	54,880
Transaction cost relating to placing of shares	—	(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
At 1 January 2014	**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**
Exchange differences on translation into presentation currency	**—**	**—**	**—**	**—**	**—**	**—**	**(72,750)**	**—**	**(72,750)**	**(9,327)**	**(82,077)**
Other comprehensive loss for the year	**—**	**—**	**—**	**—**	**—**	**—**	**(72,750)**	**—**	**(72,750)**	**(9,327)**	**(82,077)**
(Loss)/profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(340,420)**	**(340,420)**	**4,351**	**(336,069)**
Total comprehensive loss for the year	**—**	**—**	**—**	**—**	**—**	**—**	**(72,750)**	**(340,420)**	**(413,170)**	**(4,976)**	**(418,146)**
Capital reduction for the year	**(28,772)**	**—**	**—**	**—**	**—**	**—**	**—**	**28,772**	**—**	**—**	**—**
Placing of shares	**4,700**	**137,200**	**—**	**—**	**—**	**—**	**—**	**—**	**141,900**	**—**	**141,900**
Transaction cost relating to placing of shares	**—**	**(4,231)**	**—**	**—**	**—**	**—**	**—**	**—**	**(4,231)**	**—**	**(4,231)**
Rights issue	**11,066**	**503,512**	**—**	**—**	**—**	**—**	**—**	**—**	**514,578**	**—**	**514,578**
Bonus issue	**738**	**(738)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Transaction cost relating to rights issue and bonus issue	**—**	**(15,375)**	**—**	**—**	**—**	**—**	**—**	**—**	**(15,375)**	**—**	**(15,375)**
Capital injected by non-controlling interest	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**43,706**	**43,706**
Dividend paid to non-controlling interest	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(7,022)**	**(7,022)**
At 31 December 2014	**17,242**	**2,221,576**	**945**	**2,215,409**	**664**	**(15,021)**	**138,034**	**(3,155,558)**	**1,423,291**	**452,967**	**1,876,258**

The notes on pages 55 to 123 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Operating activities			
(Loss)/profit for the year		**(336,069)**	220,719
Adjustments for:			
Income tax expense recognised in statement of profit or loss and other comprehensive income		**44,001**	198,457
Depreciation and amortisation	7(c)	**10,554**	6,543
Unrealised loss/(gain) on financial assets through profit or loss		**754**	(133)
Net gain in fair value on investment properties		**(77,686)**	(671,065)
Finance costs	7(a)	**231,990**	164,848
Bank and other interest income	6	**(4,750)**	(1,268)
Loss on disposal of property, plant and equipment	7(c)	**184**	52
Operating loss before changes in working capital		**(131,022)**	(81,847)
Decrease/(increase) in trade and other receivables		**61,897**	(93,022)
Increase in loan receivables		**(14,384)**	(12,789)
Increase of stock of properties		**(1,111,525)**	(342,882)
Increase/(decrease) in deposit receipts in advance		**345,795**	(35,434)
Decrease in government grants		**(2,941)**	—
Decrease in deposits and other payables		**(51,475)**	(15,335)
Cash used in operations		**(903,655)**	(581,309)
Tax paid			
PRC enterprise income tax paid		**(15,882)**	(19,992)
Net cash used in operating activities		**(919,537)**	(601,231)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Notes	**2014** **HK$'000**	2013 HK$'000
Investing activities			
Payments for purchases of property, plant and equipment		**(39,026)**	(20,462)
Proceed from disposal of property, plant and equipment		**—**	88
Payments for investment properties		**(88,859)**	(243,455)
Bank interest received		**5,007**	1,018
Net cash used in investing activities		**(122,878)**	(262,811)
Financing activities			
Proceeds from new bank borrowings		**768,701**	548,967
Proceeds from new other borrowings		**—**	995,000
Net proceeds from issue of bonds		**97,565**	—
Repayments of bank borrowings		**(250,094)**	(356,638)
Repayment of other borrowings		**(5,000)**	(380,000)
Net proceeds from placing of shares		**137,669**	53,114
Net proceed from rights issue		**499,203**	—
Increase in pledged bank deposit		**(92,962)**	—
Interest paid		**(185,754)**	(107,806)
Dividend paid to non-controlling interest		**(7,022)**	(4,021)
Net cash generated from financing activities		**(962,306)**	748,616
Net decrease in cash and cash equivalents		**(80,109)**	(115,426)
Cash and cash equivalents at 1 January	24	**267,422**	393,954
Effect of foreign exchange rate changes		**13,074**	(11,106)
Cash and cash equivalents at 31 December	24	**200,387**	267,422

The notes on pages 55 to 123 form part of these consolidated financial statements.

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 financial statements

(i) Going concern basis

As disclosed in note 35 to the consolidated financial statements, the Supreme People's Court of the PRC ordered that, inter alia, the share transfer agreements filed with the Ministry of Commerce ("**MOFCOM**") of the PRC and the Wuhan Administration of Industry and Commerce ("**Hubei AIC**") in relation to the acquisition of Wuhan Baisazhou Agricultural By-product Grand Market Company Limited ("**Baisazhou Agricultural**") were void. As advised by the PRC legal advisor of the Company, the judgement will not lead to immediate change of the ownership of Baisazhou Agricultural and the Company continues to be the legal owner of Baishazhou Agricultural until and unless the revocation of the approval from the MOFCOM and the registration of the transfer of shareholding by the Hubei AIC. The Company will take all necessary actions in the PRC as advised by its PRC legal advisor in response to the judgement.

The Group incurred a net loss of approximately HK$336,069,000 and the net operating cash outflow of approximately HK$919,537,000. In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group. The Directors adopted the going concern basis for the preparation of the consolidated financial statements and implemented the following measures in order to improve the working capital and liquidity and cashflow position of the Group.

(1) Alternative sources of external funding

On 23 December 2014, the Company entered into the underwriting agreement with, among other, the underwriters, whereby the Company proposes to raise gross proceeds of approximately HK$517.3 million, before expenses, by way of the rights issue. The Company may allot and issue 1,724,168,248 rights shares at the subscription price of HK$0.30 per rights share. For the details, please refer to the Company's announcements dated 8 January 2015, 29 January 2015 and 13 February 2015, respectively.

On 13 February 2015, the Company entered into a loan agreement with Double Leads Investments Limited ("**Double Leads**"), an indirect wholly-owned subsidiary of Wang On Group Limited. Under the agreement, Double Leads agreed to advance 1-year unsecured loan of HK$110,000,000 to the Company at an annual interest rate of 12.0%. For the details, please refer to the Company's announcement dated 13 February 2015.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(i) Going concern basis (Continued)

(2) Attainment of profitable and positive cash flow operations

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

(3) Necessary facilities

The Group 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 agreements 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 (the "**Undertakings**") were given by Ms. Wang and Tian Jiu not to indorse, assign, transfer or negotiate the Instruments (purportedly described as promissory notes in the sale and purchase agreements), and enforce payment by presentation of the Instruments until the final determination of the court action or further court order. Under the Undertakings, the Instruments will no longer fall due for payment by the Company on 5 December 2012.

The Instruments are recorded at book value at approximately HK$376,000,000, together with interest payable in the amount of approximately HK$518,700,000 as at 31 December 2014.

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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(ii) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for the investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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 realizable 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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(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.

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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

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

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

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.

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.

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)

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

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

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

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

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 recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Basis of consolidation *(Continued)*

(ii) Goodwill

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

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

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

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

(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.

(e) Property, plant and equipment

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

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

— Furniture, equipment and motor vehicles 5-10 years

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

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

(f) 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.

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 recongised 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.

— 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Impairment of assets *(Continued)*

(iii) Interim financial reporting and impairment

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

(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 the consolidated statement of comprehensive income.

(i) Financial assets

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss ("**FVTPL**") 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

(i) Financial assets (Continued)

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.

(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, bonds, 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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, (where appropriate), a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL.

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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

(ii) Financial liabilities and equities (Continued)

Financial guarantee contracts *(Continued)*

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.

(iii) Derecognition

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

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

(iv) Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

(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.

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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Income tax *(Continued)*

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

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

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

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

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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).

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

(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
- (ii) is a member of the key management personnel of the Group or of a parent of the Group.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Related parties *(Continued)*

(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.

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

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("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 HKICPA, which are effective for the Company's financial year beginning 1 January 2014. A summary of the new HKFRSs are set out as below:

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

The nature of the impending changes in accounting policy on adoption is described below.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The Group has applied the amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities for the first time in the current year. The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity (assessed based on the criteria set out in HKFRS 10 as at 1 January 2014), the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

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

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to HKAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments have been applied retrospectively. The Group has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments has had no impact on the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The Group has applied the amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets for the first time in the current year. The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by HKFRS 13 Fair Value Measurements.

The application of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

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

The Group has applied the amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting for the first time in the current year. The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

The amendments have been applied retrospectively. As the Group does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

HK(IFRIC) - Int 21 Levies

The Group has applied HK(IFRIC) — Int 21 Levies for the first time in the current year. HK(IFRIC) - Int 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

HK(IFRIC) — Int 21 has been applied retrospectively. The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

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

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[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations[5]
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants[5]
HKAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions[4]
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements[5]
HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle[6]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle[4]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted

2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted

3 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted

4 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted

5 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted

6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted

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.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

The Directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2018 and that the application of new standard 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)*

HKFRS 14 Regulatory Deferral Accounts

HKFRS 14 Regulatory Deferral Accounts, describes regulatory deferral account balances as amounts of expense or income that would not be recognised as assets or liabilities in accordance with other standards, but that qualify to be deferred in accordance with IFRS/HKFRS 14 because the amount is included, or is expected to be included, by the rate regulator in establishing the price(s) that an entity can charge to customers for rate regulated goods or services.

The amendments to HKFRS 14 apply prospectively for annual periods beginning on or after 1 January 2016. The Directors do not anticipate that the application of these amendments to HKFRS 14 will have a material impact on the Group's consolidated financial statements.

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

— Step 1: Identify the contract(s) with a customer
— Step 2: Identify the performance obligations in the contract
— Step 3: Determine the transaction price
— Step 4: Allocate the transaction price to the performance obligations in the contract
— Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Directors anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Amendments to HKFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to HKFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in HKFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards (e.g. HKAS 36 Impairment of Assets regarding impairment testing of a cash generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by HKFRS 3 and other standards for business combinations.

The amendments to HKFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. The Directors do not anticipate that the application of these amendments to HKFRS 11 will have a material impact on the Group's consolidated financial statements.

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

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or

b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The Directors believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the Directors do not anticipate that the application of these amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 41 Agriculture: Bearer Plants

The amendments to HKAS 16 and HKAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with HKAS 16, instead of HKAS 41. The produce growing on bearer plants continues to be accounted for in accordance with HKAS 41.

The Directors do not anticipate that the application of these amendments to HKAS 16 and HKAS 41 will have a material impact on the Group's consolidated financial statements as the Group is not engaged in agricultural activities.

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions

The amendments to HKAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The Directors do not anticipate that the application of these amendments to HKAS 19 will have a significant impact on the Group's consolidated financial statements as the Group does not have any defined benefit plans.

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

Amendments to HKAS 27 Equity Method in Separate Financial Statements

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

— At cost

— In accordance with HKFRS 9 Financial Instruments (or HKAS 39 Financial Instruments:

Recognition and Measurement for entities that have not yet adopted HKFRS 9), or

— Using the equity method as described in HKAS 28 Investments in Associates and Joint Ventures.

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to HKAS 27, there are consequential amendments to HKAS 28 to avoid a potential conflict with HKFRS 10 Consolidated Financial Statements and to HKFRS 1 First time Adoption of Hong Kong Financial Reporting Standards.

The Directors do not anticipate that the application of these amendments to HKAS 27 will have a material impact on the Group's consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to HKAS 28:

— The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.

— A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.

— A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

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

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture *(Continued)*

Amendments to HKFRS 10:

— An exception from the general requirement of full gain or loss recognition has been introduced into HKFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.

— New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

— The Directors do not anticipate that the application of these amendments to HKFRS 10 and HKAS 28 will have a material impact on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2010-2012 Cycle

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/ amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

For the year ended 31 December 2014

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

Annual Improvements to HKFRSs 2010-2012 Cycle *(Continued)*

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The Directors do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2011-2013 Cycle

The Annual Improvements to HKFRSs 2011-2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The Directors do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2012-2014 Cycle

The Annual Improvements to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments apply prospectively.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to HKFRS 7 Disclosure - Offsetting Financial Assets and Financial Liabilities issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with HKAS 34 Interim Financial Reporting.

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

Annual Improvements to HKFRSs 2012-2014 Cycle *(Continued)*

The amendments to HKAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained earnings at the beginning of that period.

The amendments to HKAS 34 clarify the requirements relating to information required by HKAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The Directors do not anticipate that the application of these will have a material effect on the Group's consolidated financial statements.

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.

(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).

4. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

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

(iii) Impairment for goodwill

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

(iv) Impairment for trade and other receivables

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

(v) Income tax and deferred taxation

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

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

(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 consolidated financial statements on a going concern basis as per following reasons;

i) According to the court order announced by the Supreme Court of the PRC, the share transfer agreements filed with the MOFCOM of the PRC and the Hubei AIC in relation to the acquisition of Baisazhou Agricultural were void. After the directors obtained the legal opinion from the PRC legal advisor and gave careful consideration, the judgement will not lead to immediate change the ownership of Baisazhou Agricultural and the Company continues to be the legal owner of Baisazhou Agricultural until and unless have revocation of the approval from the MOFCOM and the registration of the transfer of shareholding by the Hubei AIC;

ii) the directors also considered that the Group will be able to generate adequate cash flows from its operations, issue shares and secure the necessary facilities from the from the banks in the next twelve months to enable the Group to operate as a going concern.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

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

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. If there are revocation of the approval from the MOFCOM and the registration of the transfer of shareholding by the Hubei AIC or any significant deviations from the assumptions adopted by management in preparing the cash flow 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:

	2014	2013
	HK$'000	HK$'000
Property rental income	**166,887**	137,824
Revenue from property ancillary services	**50,385**	39,064
Commission income from agricultural produce exchange market	**71,574**	62,037
Revenue from property sales	**9,197**	169,619
	298,043	408,544

6. OTHER REVENUE AND OTHER NET INCOME

	2014	2013
	HK$'000	HK$'000
Other revenue		
Bank and other interest income	**4,750**	1,268
Unrealised gain on financial assets at fair value through profit or loss	**—**	133
PRC government subsidies (note 6(a))	**35,519**	5,379
Others	**1,953**	2,865
	42,222	9,645

(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. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived after (crediting)/charging:

(a) Finance costs

	2014 **HK$'000**	2013 HK$'000
Interest on bank and other borrowings wholly repayable within five years	**186,314**	145,941
Interest on bank and other borrowings wholly repayable over five years	**15,645**	4,982
Interest on promissory notes	**25,238**	23,500
Interest on bonds	**19,326**	—
Less: — Amounts classified as capitalised into investment properties under construction	**—**	(8,768)
— Amounts classified as capitalised into stock of properties	**(14,533)**	(807)
	231,990	164,848

The weight average capitalisation rate on borrowing is 7.0% per annum (2013: 7.0%).

(b) Staff costs (including directors' emoluments)

	2014 **HK$'000**	2013 HK$'000
Contributions to defined contribution retirement plans	**897**	685
Salaries, wages and other benefits	**132,029**	98,191
	132,926	98,876

(c) Other items

	2014 **HK$'000**	2013 HK$'000
Depreciation and amortisation	**10,554**	6,543
Loss on disposal on property, plant and equipment	**184**	52
Auditors' remuneration		
— audit services	**1,600**	1,200
— other services	**200**	200
Operating lease charges: minimum lease payments		
— property rental	**4,219**	3,389
Unrealised loss on financial assets at fair value through profit or loss	**754**	—
Cost of stock of properties	**10,212**	135,928

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:

	2014	2013
	HK$'000	HK$'000
Current tax		
— PRC enterprise income tax	**23,423**	53,508
Over provision in prior year	**(8,317)**	—
Deferred tax		
Origination and reversal of temporary difference	**28,895**	144,949
	44,001	198,457

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 2014 and 2013. PRC Enterprise Income Tax is computed according to the relevant legislation interpretations and practices in respect thereof during the year. PRC subsidiaries are subject to PRC Enterprise Income Tax rate is 25% (2013: 25%).

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

	2014		2013	
	HK$'000	**%**	HK$'000	%
(Loss)/profit before taxation	**(292,068)**		419,176	
Notional tax on (loss)/profit before taxation calculation at the rates applicable to (loss)/profit in the jurisdictions concerned	**(73,017)**	**(25.0)**	104,794	25.0
Effect of different tax rates in other tax jurisdiction	**22,789**	**7.8**	19,840	4.7
Tax effect non-deductible expenses and temporary difference	**110,201**	**37.7**	73,021	17.4
Tax effect of non-taxable income	**(26)**	**—**	(25)	—
Tax effect on tax losses utilised	**(10,255)**	**(3.5)**	—	—
Over provision in prior year	**(8,317)**	**(2.8)**	—	—
Tax loss not recognised	**2,626**	**0.9**	827	0.2
Income tax expense for the year	**44,001**	**15.1**	198,457	47.3

9. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to Section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap 622) are as follows:

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contributions HK$'000	Total 2014 HK$'000
Executive directors:				
Chan Chun Hong, Thomas				
(Chairman and chief executive officer) (note 9(a))	**1,026**	**3,134**	**17**	**4,177**
Leung Sui Wah, Raymond	**1,433**	**582**	**17**	**2,032**
Wong Koon Kui, Lawrence				
(Former chief executive officer) (note 9(b))	**671**	**1,019**	**6**	**1,696**
Yau Yuk Shing	**888**	**316**	**44**	**1,248**
Independent non-executive directors:				
Ng Yat Cheung	**140**	**—**	**—**	**140**
Lau King Lung (note 9(d))	**140**	**—**	**—**	**140**
Lam Ka Jen, Katherine	**140**	**—**	**—**	**140**
	4,438	**5,051**	**84**	**9,573**

	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(b))	1,759	412	15	2,186
Yau Yuk Shing	789	276	39	1,104
Independent non-executive directors:				
Ng Yat Cheung	120	—	—	120
Lee Chun Ho (note 9(c))	45	—	—	45
Lau King Lung (note 9(d))	75	—	—	75
Lam Ka Jen, Katherine	120	—	—	120
	5,300	2,540	84	7,924

During the years ended 31 December 2014 and 2013, 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.

9. DIRECTORS' EMOLUMENTS *(Continued)*

Notes:

(a) Director was resigned as chief executive officer on 20 March 2013 and appointed as chief executive officer on 8 May 2014.

(b) Director was appointed on 1 December 2012 and appointed as chief executive officer on 20 March 2013 and resigned as Director and chief executive officer on 8 May 2014.

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

(d) Director was appointed upon the conclusion of the annual general meeting held on 16 May 2013 and was re-elected in the special general meeting held on 17 February 2014.

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

(a) Of the five individuals with the highest emoluments, four (2013: four) are directors whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the remaining one (2013: one) individual are as follows:

	2014 **HK$'000**	2013 HK$'000
Salaries and other benefits	**1,048**	908
Retirement schemes contributions	**17**	15
	1,065	923

The emoluments of one (2013: one) individual with the highest emoluments are within the following bands:

	2014 **Number of individuals**	2013 Number of individuals
Nil to HK$1,000,000	**—**	1
HK$1,000,001 to HK$1,500,000	**1**	—

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

	2014 **Number of senior management**	2013 Number of senior management
Nil to HK$1,000,000	**5**	7
HK$1,000,000 to HK$1,500,000	**1**	—
	6	7

During the years ended 31 December 2014 and 2013, 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 increased from HK$25,000 to HK$30,000 since 1 June 2014. 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$183,733,000 (2013: approximately HK$220,060,000) 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 2014 and 2013 respectively.

14. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss for the year attributable to owners of the Company of approximately HK$340,420,000 (2013: profit attributable to owners of the Company of approximately HK$154,980,000) and the weighted average number of 1,105,197,153 ordinary shares (2013 (Restated): 178,349,736 ordinary shares) in issue during the year.

For the year ended 31 December 2013, the weighted average number of ordinary shares for the purpose of basic earnings per share has been restated and adjusted with the effect of rights issue and bonus issue which were occurred during the current year.

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share for the year ended 31 December 2014 and 2013 were the same as basic (loss)/earnings per share as there was no diluted event during the year.

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 revenue and results by reportable segment for the current and prior year:

	Agricultural produce exchange market operation		Property sales		Unallocated		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Turnover								
External sales	**288,846**	238,925	**9,197**	169,619	**—**	—	**298,043**	408,544
Result								
Segment result	**(95,309)**	(3,307)	**(1,026)**	6,648	**—**	—	**(96,335)**	3,341
Other revenue and other income	**39,970**	8,873	**—**	13	**2,252**	759	**42,222**	9,645
Net gain in fair value of investment properties	**77,686**	671,065	**—**	—	**—**	—	**77,686**	671,065
Unallocated corporate expenses							**(83,651)**	(100,027)
(Loss)/profit from operations							**(60,078)**	584,024
Finance costs	**(43,832)**	(21,880)	**(731)**	—	**(187,427)**	(142,968)	**(231,990)**	(164,848)
(Loss)/profit before taxation							**(292,068)**	419,176
Income tax							**(44,001)**	(198,457)
(Loss)/profit for the year							**(336,069)**	220,719

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 (2013: Nil).

For the year ended 31 December 2014

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 sales**		**Consolidated**	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Assets						
Segment assets	**4,103,168**	3,922,216	**2,715,778**	1,646,691	**6,818,946**	5,568,907
Unallocated corporate assets					**87,079**	129,887
Consolidated total assets					**6,906,025**	5,698,794
Liabilities						
Segment liabilities	**2,134,593**	1,542,528	**535,721**	469,812	**2,670,314**	2,012,340
Unallocated corporate liabilities					**2,359,453**	2,065,606
Consolidated total liabilities					**5,029,767**	4,077,946

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 agriculture produce exchange market operation.

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

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 sales		Unallocated		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Capital expenditure								
- others (Note i)	**169,378**	259,730	**—**	—	**2,213**	4,187	**171,591**	263,917
Net gain in fair value of investment properties	**77,686**	671,065	**—**	—	**—**	—	**77,686**	671,065
Unrealised (loss)/gain on financial assets at fair value through profit or loss	**—**	—	**—**	—	**(754)**	133	**(754)**	133
Depreciation and amortisation	**8,914**	5,800	**—**	—	**1,640**	743	**10,554**	6,543

Note

(i) Capital expenditure consists of additions to property, plant and equipment and investment properties.

Information about major customers

For the year ended 2014 and 2013, no other 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.

For the year ended 31 December 2014

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Furniture, equipment and motor vehicles	Leasehold improvements	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Cost:				
At 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 and 1 January 2014	2,423	57,626	4,526	64,575
Exchange adjustments	(107)	(1,419)	(106)	(1,632)
Additions	10,124	27,686	1,216	39,026
Written off upon disposal	—	(997)	—	(997)
At 31 December 2014	12,440	82,896	5,636	100,972
Accumulated depreciation:				
At 31 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 and 1 January 2014	656	16,760	1,747	19,163
Exchange adjustments	(15)	(418)	(45)	(478)
Charge for the year	300	9,108	1,146	10,554
Written off upon disposal	—	(813)	—	(813)
At 31 December 2014	941	24,637	2,848	28,426
Carrying amount:				
At 31 December 2014	11,499	58,259	2,788	72,546
At 31 December 2013	1,767	40,866	2,779	45,412

17. INVESTMENT PROPERTIES

	The Group	
	2014	2013
	HK$'000	HK$'000
Completed investment properties	**3,554,194**	3,420,587

	The Group	
	2014	2013
	HK$'000	HK$'000
At 1 January	**3,420,587**	3,408,915
Additions	**132,565**	243,455
Transferred to stock of properties	**—**	(998,586)
Fair value gain	**77,686**	671,065
Exchange adjustments	**(76,644)**	95,738
At 31 December	**3,554,194**	3,420,587

(a) Valuation of investment properties

The investment properties amounted of approximately HK$3,554,194,000 of the Group were stated at fair value as at 31 December 2014. 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.

RHL have valued the properties on the basis of capitalisation of the net income derived from properties rental. 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 term yield and reversionary yield were one of the key inputs used in valuing the investment properties. The ranges of term yield was from 7.0% to 8.0% (2013: 6.5% to 8.0%) while the ranges of reversionary yield were from 8.0% to 9.0% (2013: 7.5% to 9.0%). A slight increase in the term yield and reversionary yield used would result in a significant decrease in fair value measurement of the investment properties, and vice versa.

The other major key inputs applied in valuing the investment properties were market unit rental per each square meter per month (the "**s.q.m. per month**"). The ranges of s.q.m. per month of various locations were from RMB 8 to RMB 57 (2013: RMB 8 to RMB 51). A significant increase in the s.q.m. per month used would result in a significant increase in fair value, and vice versa.

For the year ended 31 December 2014

17. INVESTMENT PROPERTIES *(Continued)*

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

	2014 **HK$'000**	2013 HK$'000
In the PRC		
— medium-term leases	**3,554,194**	3,420,587

(c) Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2014 and 2013 are as follows:

	Level 1 **HK$'000**	**Level 2** **HK$'000**	**Level 3** **HK$'000**	**Fair value as at 2014** **HK$'000**
Investment property unit located in PRC	**—**	**—**	**3,554,194**	**3,554,194**

	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

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

(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$3,767,000 (2013: approximately HK$4,784,000) amounted to approximately HK$163,120,000 (2013: approximately HK$133,040,000).

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

	2014 **HK$'000**	2013 HK$'000
Within 1 year	**47,146**	85,933
After 1 year but within 5 years	**64,602**	55,589
Over 5 years	**—**	274
	111,748	141,796

17. INVESTMENT PROPERTIES *(Continued)*

(d) Investment properties leased out under operating leases *(Continued)*

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 2014, the land use rights in respect of investment properties with a total carrying amount of approximately HK$1,559,808,000 (2013: approximately HK$1,665,293,000) were pledged to banks for the Group's bank borrowings, details of which are set out in note 26.

At 31 December 2014, 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	
	2014	2013
	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 2014 (2013: 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% (2013: 12%) 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:

	2014	2013
	HK$'000	HK$'000
Agricultural produce exchange market operation	**6,444**	6,444

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% (2013: approximately 12%) 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	
	2014	2013
	HK$'000	HK$'000
Unlisted, at cost	**1,053,933**	1,005,433
Less: Impairment loss (note (i))	**(734,353)**	(734,353)
	319,580	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: Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities
Novel Talent Limited	British Virgin Islands/ Hong Kong	US$1	100.0%	100.0%	—	Investment holding
徐州源洋商貿發展有限公司 (note 19(a)(i))	The PRC	RMB61,220,000	51.0%	—	51.0%	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	RMB88,500,000	100.0%	94.4%	5.6%	Agricultural produce exchange market operation
玉林宏進農副產品批發市場有限公司 (note 19(a)(i))	The PRC	RMB76,230,000	65.0%	—	65.0%	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	100.0%	—	100.0%	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	100.0%	—	100.0%	Agricultural produce exchange market operation and property sales
開封宏進農副產品批發市場有限公司 (note 19(a)(ii))	The PRC	USD23,230,000	100.0%	—	100.0%	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	100.0%	—	100.0%	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	100.0%	—	100.0%	Agricultural produce exchange market operation and property sales
濮陽宏進農副產品批發市場有限公司 (note 19(a)(i))	The PRC	RMB2,000,000	75.0%	—	75.0%	Agricultural produce exchange market operation
盤錦宏進農副產品批發市場有限公司 (note 19(a)(ii))	The PRC	USD9,999,988	100.0%	—	100.0%	Agricultural produce exchange market operation and property sales

For the year ended 31 December 2014

19. INVESTMENTS IN SUBSIDIARIES *(Continued)*

(a) General information of subsidiaries *(Continued)*

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: Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities
淮安宏進農副產品物流有限公司 (note 19(a)(ii))	The PRC	USD2,520,000	100.0%	—	100.0%	Agricultural produce exchange market operation and property sales

Notes:

(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.

(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	(Loss)/profit allocated to non-controlling interests		Accumulated non-controlling interests	
			2014	2013	**2014**	2013
			HK$'000	HK$'000	HK$'000	HK$'000
徐州源洋商貿發展有限公司	The PRC	49.0%	**19,071**	62,093	**219,550**	212,156
玉林宏進農副產品批發市場有限公司	The PRC	35.0%	**(4,616)**	3,646	**198,206**	209,103

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*

	2014	2013
	HK$'000	HK$'000
Current assets	**46,140**	53,120
Non-current assets	**585,234**	567,832
Current liabilities	**85,282**	89,290
Non-current liabilities	**98,030**	95,486
Equity attributable to owners of the Company	**228,512**	224,020
Non-controlling interests	**219,550**	212,156

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)

	2014 **HK$'000**	2013 HK$'000
Turnover	**63,981**	66,077
Other gain	**23,345**	130,614
Expenses	**(48,405)**	(69,971)
Profit for the year	**38,921**	126,720
Profit attributable to owners of the Company	**19,850**	64,627
Profit attributable to owners of the non-controlling Interests	**19,071**	62,093
Profit for the year	**38,921**	126,720
Total comprehensive income attributable to owners of the Company	**14,992**	69,757
Total comprehensive income attributable to owners of the non-controlling interests	**14,404**	67,021
Total comprehensive income for the year	**29,396**	136,778
Dividend paid to non-controlling interest	**7,022**	4,021
Net cash inflow from operating activities	**39,545**	33,071
Net cash outflow from investing activities	**(13,297)**	(3,986)
Net cash outflow from financing activities	**(26,965)**	(22,332)
Net cash (outflow)/inflow	**(717)**	6,753

For the year ended 31 December 2014

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*

	2014 HK$'000	2013 HK$'000
Current assets	**29,800**	41,137
Non-current assets	**716,924**	772,929
Current liabilities	**62,643**	78,680
Non-current liabilities	**117,777**	142,388
Equity attributable to owners of the Company	**368,098**	383,895
Non-controlling interests	**198,206**	209,103

	2014 HK$'000	2013 HK$'000
Turnover	**37,615**	194,448
Other gain	**20,792**	19,091
Expenses	**(71,596)**	(203,121)
(Loss)/profit for the year	**(13,189)**	10,418
(Loss)/profit attributable to owners of the Company	**(8,573)**	6,772
(Loss)/profit attributable to owners of the non-controlling Interests	**(4,616)**	3,646
(Loss)/profit for the year	**(13,189)**	10,418
Total comprehensive (loss)/income attributable to owners of the Company	**(17,351)**	15,662
Total comprehensive (loss)/income attributable to owners of the non-controlling interests	**(9,343)**	8,433
Total comprehensive (loss)/income for the year	**(26,694)**	24,095
Net cash inflow from operating activities	**19,164**	40,375
Net cash outflow from investing activities	**(1,659)**	(4,718)
Net cash outflow from financing activities	**(21,371)**	(30,244)
Net cash (outflow)/inflow	**(3,866)**	5,413

20. STOCK OF PROPERTIES

	The Group	
	2014	2013
	HK$'000	HK$'000
Completed properties	**53,412**	35,225
Properties under development	**2,662,366**	1,611,466
	2,715,778	1,646,691

Properties under development amounting to approximately HK$2,662,366,000 (2013: approximately HK$1,611,466,000) are expected to be recovered within twelve months.

As at 31 December 2014, the stock of properties of approximately HK$904,357,000 (2013: approximately HK$170,658,000) were pledged 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	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade debtors, net	**6,002**	250	**—**	—
Amounts due from subsidiaries (note 21 (c))	**—**	—	**2,648,424**	1,923,463
	6,002	250	**2,648,424**	1,923,463
Deposit for land acquisition	**116,605**	234,167	**—**	—
Other deposits	**7,483**	4,666	**—**	—
Prepayments	**48,385**	19,047	**247**	596
Amount due from non-controlling interest	**12,572**	14,394	**—**	—
Other receivables	**40,702**	21,379	**—**	—
Trade and other receivables, net	**231,749**	293,903	**2,648,671**	1,924,059

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	
	2014	2013
	HK$'000	HK$'000
Less than 90 days	**4,668**	229
More than 90 days but less than 180 days	**896**	11
More than 180 days	**438**	10
	6,002	250

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	
	2014	2013
	HK$'000	HK$'000
Less than 90 days past due	**896**	11
More than 90 days past due	**438**	10
	1,334	21

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.

(c) Amounts due from subsidiaries

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

	The Company	
	2014	2013
	HK$'000	HK$'000
Due from subsidiaries	**3,075,063**	2,350,102
Less: Provision for impairment	**(426,639)**	(426,639)
	2,648,424	1,923,463

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.

21. TRADE AND OTHER RECEIVABLES *(Continued)*

(c) Amounts due from subsidiaries *(Continued)*

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

	The Company	
	2014	2013
	HK$'000	HK$'000
At 1 January	**426,639**	347,075
Impairment loss recognised	**—**	79,564
At 31 December	**426,639**	426,639

22. LOAN RECEIVABLES

	The Group	
	2014	2013
	HK$'000	HK$'000
Current portion	**27,173**	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 5.6% (2013: 7.2%).

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group	
	2014	2013
	HK$'000	HK$'000
Listed investments:		
— Equity securities listed in Hong Kong	**4,792**	5,546
Fair value	**4,792**	5,546

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/PLEDGED BANK DEPOSITS

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at banks and in hand (note 24(a))	**200,387**	267,422	**20,750**	65,556
Pledged bank deposits (note 24(b))	**92,692**	—	**—**	—

(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 0.001% to 3.1% (2013: 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 2014 is an amount denominated in Renminbi ("**RMB**") of approximately RMB122,959,000 (equivalent to approximately HK$153,760,000) (2013: approximately RMB112,138,000 (equivalent to approximately HK$143,343,000)), 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.

(c) During the reporting period, the Group entered into the following non-cash transaction:

The Group has issued the two batches of bonds with the aggregate principal amount of HK$200,000,000 and HK$1,200,000,000 respectively. The proceeds from the new bonds were used to offset HK$1,400,000,000 of the other borrowings with the aggregate principal amount of HK$1,405,000,000. For details, please refer to Note 28.

25. DEPOSITS AND OTHER PAYABLES

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts due to subsidiaries (note 25(a))	**—**	—	**80,681**	74,481
Accrued charges	**47,929**	29,804	**23,201**	1,945
Construction payables	**346,307**	484,837	**—**	—
Deposit received	**70,345**	—	**—**	—
Interest payable	**212,225**	171,541	**209,150**	168,256
Other tax payables	**34,261**	44,485	**—**	—
Other payables	**262,142**	258,939	**13**	13
	973,209	989,606	**313,045**	244,695

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

26. BANK AND OTHER BORROWINGS

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Secured bank borrowings (note 26(c))	**1,048,629**	542,059	**108,700**	—
Unsecured bank borrowings	**62,525**	63,945	**—**	—
Secured other borrowings (note 26(d))	**—**	880,000	**—**	880,000
Unsecured other borrowings (note 26(e))	**55,000**	580,000	**—**	525,000
	1,166,154	2,066,004	**108,700**	1,405,000
Carrying amount repayable:				
Within one year or on demand	**434,534**	961,128	**108,700**	745,000
More than one year, but within two years	**219,289**	216,816	**—**	100,000
More than two years, but within five years	**436,645**	785,124	**—**	560,000
More than five years	**75,686**	102,936	**—**	—
	1,166,154	2,066,004	**108,700**	1,405,000
Less: amounts due within one year shown under current liabilities	**(434,534)**	(961,128)	**(108,700)**	(745,000)
	731,620	1,104,876	**—**	660,000

(a) Included in the above balances are bank borrowings of variable-rate of approximately HK$1,111,154,000 (2013: approximately HK$606,004,000). The average rate charged by the banks during the year ranged from 2.7% to 8.4% (2013: 6.4% to 9.8% per annum) per annum. Interest is re-priced every 30 days. The other borrowings of HK$55,000,000 (2013: approximately HK$1,460,000,000) were obtained from one (2013: five) party and carry interest fixed at 12% (2013: from approximately 10% to 12% per annum) per annum.

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

	2014	2013
Effective interest rate:		
Fixed-rate borrowings	**10% to 12%**	10% to 12%
Variable-rate borrowings	**2.7% to 8.4%**	6.4% to 9.8%

(c) The secured bank borrowings are secured by (i) the land use rights included in properties; (ii) pledged bank deposit; (iii) stock of properties and (iv) floating charges of assets of the subsidiary of the company with a carrying amount of approximately HK$2,604,647,000 (2013: HK$1,835,951,000) 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.

(e) During the year 31 December 2014, the Company has settled the unsecured other borrowings of HK$200,000,000 to Peony Finance Limited, a wholly owned subsidiary of PNG Resources Holdings Limited, a shareholder of the Company with significant influence.

For the year ended 31 December 2014

27. GOVERNMENT GRANTS

During the year ended 31 December 2014, the Group has recognised all government grants of approximately RMB2,300,000, equivalent to approximately HK$2,891,000 (2013: Nil). At 31 December 2014, the Group has no unused government grants (2013: unused government grants of approximately RMB2,300,000, equivalent to approximately HK$2,941,000) in relation to the construction of qualifying assets.

28. BONDS

The Group and the Company

	Non-listed bond maturity in 2016 ("Bonds 2016") HK$'000 (Note 1)	Non-listed bond maturity in 2019 ("Bonds 2019") HK$'000 (Note 1)	Listed bond maturity in 2024 ("Listed bonds 2024") HK$'000 (Note 2)	Total HK$'000
At 1 January 2014	—	—	—	—
Issue of bonds, net of transaction cost	193,426	1,160,551	143,588	1,497,565
Interest charge	1,806	11,388	6,132	19,326
Less: Interest paid/payable	(1,582)	(11,172)	(1,020)	(13,774)
At 31 December 2014	**193,650**	**1,160,767**	**148,700**	**1,503,117**

Notes:

1. On 4 October 2014, the Company entered into the subscription agreement with the placing agent and the subscribers for the issuance of the bonds in the aggregate principal amount of HK$1,400,000,000.

   On 28 November 2014, the Company announced that the Bonds 2016 in the aggregate principal amount of HK$200,000,000 and the Bonds 2019 in the aggregate principal amount of HK$1,200,000,000 have been issued to the subscribers with the interest rate 8.5% and 10.0% payable annually. The Bonds 2016 and Bonds 2019 will be matured and redemption by the Company on 27 November 2016 and 27 November 2019 respectively.

   The effectively interest rate of Bonds 2016 and Bonds 2019 were 10.3% and 10.9% per annum respectively.

2. On 19 May 2014, the Company announced that China-Agri Products Exchange Limited has made application to The Stock Exchange of Hong Kong Limited for the listing of the HK$1,000,000,000 medium term note program during the 12 months from 19 May 2014 by way of debt issue to professional investors only. The Company further announced that interest on the notes will be payable annually in arrears as the interest rate of 1% per annum.

   The Company has totally issued 40 batches with the principal amount of HK$400,000,000 with 1% interest rate per annum on 30 May 2014, 11 June 2014, 25 June 2014, 2 July 2014, 10 July 2014, 18 July 2014, 28 July 2014, 29 July 2014, 26 August 2014, 30 September 2014, 6 October 2014 and 7 October 2014 respectively. The entire of the Listed bonds 2024 will be matured on 30 September 2024.

28. BONDS *(Continued)*

The Group and the Company *(Continued)*

Note: *(Continued)*

2. (Continued)

   The information of Listed bonds 2024 are presented as follows:

Principal amount:	HK$400,000,000
Interest:	1% p.a. payable annually
Issue date:	40 batches issued from 30 May 2014 to 7 October 2014
Maturity date:	30 September 2024
Redemption period by the Company:	Three specified redemption dates from 31 December 2023 to 30 June 2024
Redemption period for the bondholders:	Twelve specified redemption dates from 30 September 2021 to 30 June 2024
Redemption amount on mature date:	HK$387,400,000 (96.85% of principal amount)

   The imputed interest expenses on the Listed bonds 2024 were calculated using effective interest method by using the effective interest rate was 11.6%.

3. As described in note 26(e), the Company has settled the unsecured other borrowing of HK$200,000,000 by issuing the same principal amount of non-listed bond to Peony Finance Limited, a wholly owned subsidiary of PNG Resources Holdings Limited, a shareholder of the company with significant influence.

29. 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 2014 is set out below:

	2014 **HK$'000**	2013 HK$'000
At 1 January and 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 2014, the Group was pursuing a litigation regarding the Promissory Notes. For details, please refer to note 35.

For the year ended 31 December 2014

30. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) 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 2014 are as follows:

	Fair value adjustments of investment properties and stock of properties HK$'000
Deferred tax arising from:	
At 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 and 1 January 2014	506,974
Exchange adjustments	(11,411)
Change in fair value of investment properties	30,422
Release upon sale of stock of properties	(1,526)
At 31 December 2014	524,459

	2014 **HK$'000**	2013 HK$'000
Net deferred tax liabilities recognised in the consolidated statement of financial position	**524,459**	506,974

(c) Deferred taxation not recognised

At the end of the reporting period, the Group and the Company has obtained the tax assessment in regarding to the accumulated tax losses. In accordance to the tax assessment, tax losses of approximately HK$103,587,000 can be brought forward to offset the future taxable profits. 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.

31. 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 52.

(b) The Company

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Shareholders contribution HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 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 and 1 January 2014	29,510	1,601,208	945	588,812	664	(1,986,139)	235,000
Capital reduction for the year	(28,772)	—	—	—	—	28,772	—
Placing of shares	4,700	137,200	—	—	—	—	141,900
Transaction costs related to placing of shares	—	(4,231)	—	—	—	—	(4,231)
Rights issue	11,066	503,512	—	—	—	—	514,578
Transaction costs related to rights issue and bonus issue	—	(15,375)	—	—	—	—	(15,375)
Bonus issue	738	(738)	—	—	—	—	—
Loss for the year	—	—	—	—	—	(183,733)	(183,733)
At 31 December 2014	17,242	2,221,576	945	588,812	664	(2,141,100)	688,139

31. CAPITAL AND RESERVES *(Continued)*

(c) Authorised and issued share capital

		2014		2013	
	Notes	**Number of shares**	**Nominal value HK$'000**	Number of shares	Nominal value HK$'000
Authorised:					
Ordinary shares of HK$0.01 (2013: 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		**2,950,984,135**	**29,510**	2,460,984,135	24,610
Share consolidation and capital reduction	(i)	**(2,877,209,532)**	**(28,772)**	—	—
Issue of shares upon rights issue	(ii)	**1,106,619,045**	**11,066**	—	—
Issue of shares upon bonus issue	(ii)	**73,774,603**	**738**	—	—
Issue of shares upon placing	(iii)	**250,000,000**	**2,500**	490,000,000	4,900
Issue of shares upon placing	(iv)	**220,000,000**	**2,200**	—	—
At 31 December		**1,724,168,251**	**17,242**	2,950,984,135	29,510

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.

Notes:

(i) On 19 December 2013, the Company announced that a share consolidation whereby every forty shares of nominal value of HK$0.01 each in the issued share capital of the Company would be consolidated into one consolidated share (the "**Adjusted Share**") of nominal value of HK$0.40; then a capital reduction whereby: (a) the nominal value of all the issued consolidated shares would be reduced from HK0.40 each to HK$0.01 and the issued share capital would be reduced by HK$0.39 per consolidated share in issue; and (b) any fractional consolidated share in the issued share capital arising from the share consolidation and the credit arising from the capital reduction has been cancelled and set off with the accumulated loss of the Company respectively. Details of the share consolidation and capital reduction were disclosed in the announcements of the Company dated 19 December 2013, 13 January 2014, 22 January 2014, 23 January 2014, and 20 February 2014 respectively.

(ii) On 4 December 2013, the Company entered into the underwriting agreement to issue 1,106,619,045 rights shares 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. Upon satisfaction of the conditions of the rights issue, 73,774,603 bonus shares has been issued on the basis of one bonus share for every fifteen rights shares taken up under the rights issue. Details of the rights issue were disclosed in the announcements of the Company dated 19 December 2013, 13 January 2014, 22 January 2014, 23 January 2014, 20 February 2014, 24 March 2014 and 11 July 2014 respectively.

(iii) On 22 August 2014, the Company entered into the placing agreement to place a total of 250,000,000 shares to not less than six independent third parties at a price of HK$0.33 per share. All conditions of the placing have been fulfilled and the completion of the placing took place on 3 September 2014. Details of the placing were disclosed in the announcements of the Company dated 22 August 2014 and 3 September 2014 respectively.

(iv) On 24 October 2014, the Company entered into the placing agreement to place a total of 220,000,000 shares to not less than six independent third parties at a price of HK$0.27 per share. All conditions of the placing have been fulfilled and the completion of the placing took place on 6 November 2014. Details of the placing were disclosed in the announcements of the Company dated 24 October 2014 and 6 November 2014 respectively.

31. 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.

(e) Distributability of reserves

At 31 December 2014, the aggregate amount of reserves available for distribution to equity shareholders of the Company was nil (2013: 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.

For the year ended 31 December 2014

31. CAPITAL AND RESERVES *(Continued)*

(f) Capital management *(Continued)*

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, bonds 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 2014 and 2013 was as follows:

	Notes	**2014** **HK$'000**	2013 HK$'000
Current liabilities			
— Bank and other borrowings	26	**434,534**	961,128
— Promissory notes	29	**376,000**	376,000
Total current debts		**810,534**	1,337,128
Non-current liabilities			
— Bank and other borrowings	26	**731,620**	1,104,876
— Bonds	28	**1,503,117**	—
Total non-current debts		**2,234,737**	1,104,876
Total debt		**3,045,271**	2,442,004
Less: Cash and cash equivalents	24	**(200,387)**	(267,442)
Net debt		**2,844,884**	2,174,562
Total equity		**1,876,258**	1,620,848
Net debt-to-capital ratio		**151.6%**	134.2%

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

32. 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 125,416,825 shares, representing approximately 7.27% of the issued share capital of the Company as at the date of this report. 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 2014 and 2013.

33. 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 the reporting period, the five largest receivable balances accounted for approximately 19% (2013: approximately 55%) of the trade receivables and the largest trade receivable was approximately 12% (2013: approximately 22%) 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 2014 and 2013, 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.

(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 2014 and 2013, there were no unutilised banking facilities.

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

(b) Liquidity risk *(Continued)*

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

The Group

At 31 December 2014

	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	**925,280**	**925,280**	**925,280**	**—**	**—**	**—**
Bank and other borrowings	**1,166,154**	**1,324,966**	**411,436**	**351,495**	**501,546**	**60,489**
Bonds	**1,503,117**	**2,461,401**	**140,911**	**341,286**	**1,571,804**	**407,400**
Promissory notes	**376,000**	**376,000**	**376,000**	**—**	**—**	**—**
	3,970,551	**5,087,647**	**1,853,627**	**692,781**	**2,073,350**	**467,889**

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

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

(b) Liquidity risk *(Continued)*

The Company

	2014					
	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**
Other payables	**289,844**	**289,844**	**289,844**	**—**	**—**	**—**
Bank and other borrowings	**108,700**	**111,566**	**22,514**	**89,052**	**—**	**—**
Bonds	**1,503,117**	**2,461,401**	**140,911**	**341,286**	**1,571,804**	**407,400**
Promissory notes	**376,000**	**376,000**	**376,000**	**—**	**—**	**—**
	2,277,661	**3,238,811**	**829,269**	**430,338**	**1,571,804**	**407,400**

	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$'000	More than 5 years HK$'000
Other payables	242,750	242,750	242,750	—	—	—
Bank and other borrowings	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	—

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank and other borrowings, bonds, promissory notes, pledged bank deposits 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 0.001% to 3.1% as at 31 December 2014 (2013: approximately 0.1% to 3.1%).

The interest rates of the Group's bank and other borrowings, bonds and promissory notes are disclosed in notes 26, 28 and 29 respectively.

The Group is exposed to fair value interest rate risk in relation to fixed-rate other borrowings, bonds and promissory notes (see notes 26, 28 and 29 for details).

The Group is exposed to cash flow interest rate risk in respect of its variable-rate bank and other borrowings (see note 26), pledged bank deposits (see note 24) 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.

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

(c) Interest rate risk *(Continued)*

Sensitivity analysis

At 31 December 2014, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's (loss)/profit after tax and increase/decrease accumulated losses by approximately HK$10,730,000 (2013 approximately HK$17,986,000). Other components of equity would not be affected (2013: 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 2013.

(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 (loss)/profit for the year would increase/decrease by approximately HK$240,000 (2013: approximately HK$277,000). This is mainly due to the changes in financial assets at fair value through profit or loss.

(f) Fair value of financial instrument

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

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

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

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

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

(f) Fair value of financial instrument *(Continued)*

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 2014 and 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).

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets				
At 31 December 2014				
Financial assets at fair value through profit or loss	**4,792**	**—**	**—**	**4,792**

	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

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

34. COMMITMENTS

(a) Capital commitments outstanding at 31 December 2014 not provided for in the financial statements were as follows:
The Group

	2014 HK$'000	2013 HK$'000
Capital expenditure authorised and contracted for in respect of:		
— acquisition of properties	**270,716**	590,515

(b) At 31 December 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2014 HK$'000	2013 HK$'000
Within one year	**1,963**	1,735
After one year but within five years	**4,285**	4,024
	6,248	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 two to five years. The leases did not include extension options. None of the leases includes contingent rentals.

35. 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")

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 ("**Hubei Court**"), 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:

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

(b) it is alleged that Baishazhou Agricultural forged the related documentation for filing with the MOFCOM and the Hubei AIC, and that such documentation and the Contended Agreement involved forged signatures; and

(c) it is alleged that MOFCOM and the Hubei AIC approved the Acquisition and processed the related filings on the basis of the above forged documents.

For the year ended 31 December 2014

35. 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)*

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

On 18 November 2011, the Hubei Court made an interim order that the 8 per cent. equity interest held by the Company in Baishazhou Agricultural be subject to a freezing order pending determination of the Writ. The percentage of equity interest held by the Company in Baishazhou Agricultural subject to a freezing order was subsequently reduced from 8 per cent. to 1.3 per cent. As advised by the Company's PRC legal advisers, the Board was of the view that the freezing order did not affect the daily operation and management of Baisazhou exchange, or the operation of Baishazhou Agricultural and thus of no material effect on the Group as a whole.

On 18 June 2014, the Company received the judgment (the "**Hubei Court Judgment**") from the Hubei Court in relation to the PRC Action No. 1. In the Hubei Court 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 (the "**Supreme People's Court**") from Ms. Wang and Tian Jiu regarding the PRC Action No. 1 (the "**Appeal**"). In the Appeal, Ms. Wang and Tian Jiu were seeking an order from the court that the Contended Agreement is void.

On 20 November 2014, the parties to the proceedings attended the trial of the Appeal.

On 13 January 2015 the Company received the judgment dated 31 December 2014 handed down from the Supreme People's Court in relation to the Appeal ("**Beijing Judgment**"). In the Beijing Judgment, the Supreme People's Court ordered that (a) the Hubei Court Judgment be revoked; and (b) the Contended Agreement was void.

As advised by the PRC legal adviser of the Company:

(a) The Supreme People's Court only ordered the Contended Agreement void, but it did not make any ruling regarding the Acquisition itself, and/or the approval of the Acquisition issued by MOFCOM in November 2007.

(b) The Beijing Judgment will not directly lead to any immediate change of ownership of Baishazhou Agricultural. The Company continues to be the legal owner of Baishazhou Agricultural until and unless the revocation of:

    (i) the approval from MOFCOM; and

    (ii) the registration of the transfer of shareholding by the Hubei AIC.

(c) The Company can apply for re-trial within a period of 6 months from the date of receipt of the Beijing Judgment.

After receiving the Beijing Judgment up to the date hereof, the Company has not received any further order from the Supreme People's Court on this case.

The Company will take all necessary actions in the PRC as advised by its PRC legal adviser in response to the Beijing Judgment.

35. LITIGATION *(Continued)*

(B) Writ issued in PRC by the Company and Baishazhou Agricultural against Ms. Wang, Tian Jiu and others

On 28 January 2011, the Company and Baishazhou 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 Baishazhou Agricultural which were unlawfully misappropriated etc.

On 16 October 2014 the Company applied to the Higher People's Court of Hubei Province to withdraw its claim in the proceedings. The Company's application was granted on 22 October 2014.

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

On 1 July 2011, Baishazhou Agricultural received a writ issued by Wuhan Long Xiang Trading Development Limited ("**Long Xiang**") (as plaintiff) against Baishazhou Agricultural (as defendant) ("**Long Xiang Action**") and filed it with the Wuhan Intermediate People's Court, the PRC, together with the related court summons dated 20 June 2011. It was alleged that Baishazhou 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, Baishazhou Agricultural and another party known as Wubei Zhong An Enterprise Investment Company Limited.

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 pursuant to which Baishazhou 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.

On 16 May 2012, Baishazhou Agricultural appealed to the Higher People's Court of Hubei Province.

On 19 October 2013 the Higher People's Court of Hubei Province handed down the final judgment of the Long Xiang Action. The Court found against Baishazhou Agricultural that it was liable to make repayment to Long Xiang.

On 16 April 2014, the Wuhan Intermediate People's Court granted a Notice of Enforcement to Baishazhou Agricultural. In the said notice, it was stated that on 3 April 2014, Long Xiang applied to the Wuhan Intermediate People's Court to enforce the judgment against Baishazhou Agricultural.

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

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

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 two instruments (purportedly described as promissory notes in the Sale and Purchase Agreement) (the "**Instruments**"), and enforce payment by presentation of the Instruments until the final determination of the court action or further court order. Under the Undertakings, the Instruments will no longer fall due for payment by the Company on 5 December 2012.

The Instruments are recorded at book value at approximately HK$376,000,000, together with interest payable in the amount of approximately HK$518,700,000 as at 31 December 2014.

35. LITIGATION *(Continued)*

(E) Writ issued in PRC by Mr. Yeung

On 15 July 2013, Baishazhou Agricultural received a writ issued by Mr. Yeung Guang Wu ("**Mr. Yeung**") (as plaintiff) against Baishazhou 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 latest practicable date, being the date for the 2014 annual report of the Company, so far as the Directors were 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.

36. MATERIAL RELATED PARTY TRANSACTIONS

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

(a) Transactions with key management personnel

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

	2014 **HK$'000**	2013 HK$'000
Short-term employee benefits	**10,538**	8,748
Post-employment benefits	**100**	99
	10,638	8,847

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 2014 and 2013 are set out in notes 21, 26 and 28.

(c) Material related party transaction

	2014 **HK$'000**	2013 HK$'000
Peony Finance Limited		
— Unsecured other borrowing interest	**19,951**	—
— Interest on bond	**1,396**	—
	21,347	—

37. EVENTS AFTER THE REPORTING PERIOD

1. On 23 December 2014, the Company entered into the underwriting agreement with, among other, the underwriters, whereby the Company proposes to raise gross proceeds of approximately HK$517.3 million, before expenses, by way of the rights issue. The Company may allot and issue 1,724,168,248 rights shares at the subscription price of HK$0.30 per rights share. For the detail, please refer to the Company's announcements date 8 January 2015, 29 January 2015 and 13 February 2015 respectively.

   On 8 January 2015, the Company also announced that the net proceeds of the rights issue is approximately HK$501.7 million.

2. On 13 February 2015, the Company entered into a loan agreement with Double Leads, an indirectly wholly-owned subsidiary of Wang On Group Limited. Under the agreement, Double Leads agreed to advance 1-year unsecured loan of HK$110,000,000 to the Company at an annual interest rate of 12.0%. For the details, please refer to the Company's announcement date 13 February 2015.

38. COMPARATIVE FINANCIAL INFORMATION

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

39. AUTHORISATION FOR ISSUE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 17 February 2015.

FIVE YEAR FINANCIAL SUMMARY

	Year ended 31 December				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (restated)
Results					
Turnover	**298,043**	408,544	287,482	211,845	99,349
(Loss)/profit before taxation	**(292,068)**	419,176	351,972	280,302	(379,602)
Income tax (expense)/credit	**(44,001)**	(198,457)	(135,488)	(64,865)	43,335
(Loss)/profit for the year	**(336,069)**	220,719	216,484	215,437	(336,267)
Attributable to:					
Owners of the Company	**(340,420)**	154,980	145,678	117,717	(325,689)
Non-controlling interests	**4,351**	65,739	70,806	97,720	(10,578)
	(336,069)	220,719	216,484	215,437	(336,267)

	As at 31 December				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**6,906,025**	5,698,794	4,331,898	2,927,943	1,691,882
Total liabilities	**(5,029,767)**	(4,077,946)	(3,064,392)	(1,892,592)	(1,416,611)
	1,876,258	1,620,848	1,267,506	1,035,351	275,271
Attributable to:					
Owners of the Company	**1,423,291**	1,199,589	917,680	755,757	87,917
Non-controlling interests	**452,967**	421,259	349,826	279,594	187,354
	1,876,258	1,620,848	1,267,506	1,035,351	275,271