



# 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

Interim Report 2015

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## Corporate Information

### Board of Directors

#### Executive Directors

Mr. Chan Chun Hong, Thomas  
*Chairman and Chief Executive Officer*  
Mr. Leung Sui Wah, Raymond  
Mr. Yau Yuk Shing

#### Independent Non-executive Directors

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

### Audit Committee

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

### Remuneration Committee

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

### Nomination Committee

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

### Company Secretary

Mr. Cheung Chin Wa, Angus

### Principal Bankers

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

#### Shares Listing

The Stock Exchange of Hong Kong Limited  
Stock Code: 0149

#### Notes Listing

The Stock Exchange of Hong Kong Limited  
The Company's 1% notes due 2024  
Stock Code: 5755

### Homepage

[Http://www.cnagri-products.com](http://www.cnagri-products.com)

## Interim Dividend

The board of directors (the “**Board**” or “**Director(s)**”) of China Agri-Products Exchange Limited (the “**Company**” together with its subsidiaries, collectively the “**Group**”) does not recommend any payment of an interim dividend for the six months ended 30 June 2015 (for the six months ended 30 June 2014: Nil).

## Management Discussion and Analysis

### Summary of Financial Results

#### Turnover and gross profit

For the six months ended 30 June 2015, the Group recorded a turnover of approximately HK\$170.3 million (for the six months ended 30 June 2014: approximately HK\$150.9 million), representing an increase of approximately 12.8% compared to the corresponding period last year mainly due to the net result of the decrease in sales of properties of the agricultural and by-product exchange market in Yulin city (the “**Yulin Market**”) in Guangxi Zhuang Autonomous Region (“**Guangxi**”) and set off by the continuous turnover growth of the agricultural and by-product exchange markets in Xuzhou city in Jiangsu Province (the “**Xuzhou Market**”), in Baisazhou, Wuhan city in Hubei Province (the “**Wuhan Baisazhou Market**”), in Luoyang city in Henan Province (the “**Luoyang Market**”), in Qinzhou city in Guangxi (the “**Qinzhou Market**”), in Kaifeng city in Henan Province (the “**Kaifeng Market**”), in Puyang city in Henan Province (the “**Puyang Market**”) and in Huangshi city in Hubei Province (the “**Huangshi Market**”). The Group recorded a gross profit of approximately HK\$119.0 million (for the six months ended 30 June 2014: approximately HK\$107.4 million), representing an increase of approximately 10.8% compared to the corresponding period last year mainly due to the increase in the number of operating markets.

## Management Discussion and Analysis

### Net gain in fair value of investment properties

The fair value gain on investment properties was approximately HK\$3.5 million (for the six months ended 30 June 2014: approximately HK\$257.9 million). The substantial difference is mainly due to the very mild rise in fair value of property prices during the period deriving from the continuous income growth of our markets in the People's Republic of China (the “**PRC**”).

### Administrative expenses, selling expenses and finance cost

The Group recorded an administrative expenses of approximately HK\$165.8 million (for the six months ended 30 June 2014: approximately HK\$128.5 million) mainly due to the increase of cost of new markets acquisition of Huangshi Market and Puyang Market as well as new project development. Selling expenses were approximately HK\$21.8 million (for the six months ended 30 June 2014: approximately HK\$30.2 million) and the decrease in selling expenses of the agricultural produce exchanges in the period of 2015 due to tight control of market and promotion expenses. Finance costs were approximately HK\$131.1 million (for the six months ended 30 June 2014: approximately HK\$110.5 million) and such increase was mainly due to obtaining new interest bearing debts during the period under review.

### Loss attributable to owners of the Company

The loss attributable to owners of the Company was approximately HK\$199.1 million compared to the profit attributable to owners of the Company of approximately HK\$10.1 million for the corresponding period last year which is due to the substantial decrease in net gain in fair value of investment properties, increase in administrative expenses and finance costs. The overall loss was mildly offset by decrease in selling expenses and increase in revenue from agricultural produce exchange operation due to an increase in the number of operating markets when compared with the same period of last year.

## Management Discussion and Analysis

### Review of Operations

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

#### Wuhan Baisazhou Market

Located in the provincial capital of Hubei Province, Wuhan Baisazhou Market is one of the largest agricultural produce exchange operators in the PRC. Wuhan Baisazhou Market is situated in the Hongshan District of Wuhan City with a site area of approximately 313,000 square metres and a total gross floor area of approximately 160,000 square metres. In January 2015, Wuhan Baisazhou Market was awarded “Top 10 most outstanding contribution National Agricultural Wholesale Markets” by the Sixth Congregation of Asia Pacific Agricultural Wholesale Market Association. This award is a testament to the Group’s effort and expertise in being an outstanding performance agricultural produce exchange market operator in the PRC.

During the period under review, the turnover of Wuhan Baisazhou Market continued to rise at the rate of approximately 11% compared with the corresponding period of last year. Wuhan Baisazhou Market has established its reputation and track record to customers and tenants and delivered outstanding performance all along the period.

#### Yulin Market

Yulin Market is one of the largest agricultural produce exchanges in Guangxi, the PRC. It has various types of market stalls and multi-storey godown, with a site area of approximately 415,000 square metres. The Group has completed the construction of an extension to the phase two development of the Yulin Market which became a new growth driver for the Group. To diversify the business segment of Yulin Market, tea trader from Fujian Province is one of the new sectors in the market. The agricultural produce exchange market operation performance was satisfactory, achieving a revenue growth of approximately 15% as compared with the corresponding period of last year.

## Management Discussion and Analysis

### Luoyang Market

Luoyang Market is the new flagship project of the Group and the first agricultural produce exchange market project in Henan Province. The site area of Luoyang Market is approximately 255,000 square metres with a total gross floor area of approximately 160,000 square metres. In the first half of 2015, the operating performance and occupancy rate of Luoyang Market was gradually improved.

### Xuzhou Market

Xuzhou Market occupies approximately 200,000 square metres and is located in the northern part of Jiangsu Province. The market houses various market stalls and godowns. Xuzhou Market is 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. Income for the six months ended 30 June 2015 is approximately HK\$30.7 million (for the six months ended 30 June 2014: approximately HK\$33.9 million), representing a decrease of approximately 9% compared to the corresponding period last year mainly due to the drop of fruit and vegetable price affecting commission income from agricultural produce exchange.

### Puyang Market

Following the completion of acquisition of Puyang Market in April 2014, Puyang Market is the Group's joint venture project in Henan Province. The cooperation with the joint venture partner remarks a new way of the Group's expansion policy. During the period under review, the operating performance of Puyang Market is satisfactory.

## Management Discussion and Analysis

### Huangshi Market

Following the completion of acquisition of Huangshi Market in January 2015, Huangshi Market is one of the Group's new joint venture projects in Hubei Province. Huangshi city is a county level city in Hubei Province and around 100 kilometers away from Wuhan Baisazhou Market. Huangshi Market, as the second-tier agricultural produce exchange market, can create synergy with Wuhan Baisazhou Market for increasing vegetable and by-products trading. During the period under review, the operating performance of Huangshi Market is satisfactory.

### Qinzhou Market

The phase one construction of Qinzhou Market with the construction area of approximately 189,000 square metres was completed in late 2014. Qinzhou Market is located in the entrance of highway of Qinzhou city in Guangxi and Qinzhou city is the key members of Beibu Bay of Guangxi district. Qinzhou Market commenced business operations in late 2014 and the management expects to bring vegetable, seafood and by-products food traders to this good and modernized market.

### Kaifeng Market

The phase one construction of the Kaifeng Market with the construction area of approximately 100,000 square metres was completed in late 2014. Kaifeng Market commenced operations in late 2014 and the operating performance of Kaifeng Market is still in the infant stage. The management expects that Kaifeng Market would take more time to develop its customers and suppliers base.



## Management Discussion and Analysis

### Panjin and Huai'an Markets

Following the forthcoming completion of construction of Panjin Hongjin Agricultural and By-Product Exchange Market (the “**Panjin Market**”) which will focus on supplying crab and Huai'an Hongjin Agricultural and By-Product Exchange Market (the “**Huai'an Market**”) which will focus on fruit and by-products supply, the management expects that Panjin and Huai'an Markets will commence their preliminary operations in late 2015.

### Material Transactions

On 3 June 2015, the Group entered into an agreement with the joint venture partner to set up a joint venture company to consolidate the resources of Huai'an Hong Jin Agri-Products Logistics Exchange and Huai'an Qingjiang Agri-Products Exchange, both located in Huai'an city of Jiangsu Province. Details of the transactions were disclosed in the Company's announcement dated 3 June 2015.

### Fund Raising Activities

#### Capital reorganization and rights issue

On 8 January 2015, the Company announced, inter alia, a capital reorganisation (the “**Capital Reorganisation**”) and a rights issue (“**Rights Issue**”), both of which were approved at a special general meeting of the Company held on 8 April 2015 and were completed on 9 April 2015 and 14 May 2015, respectively. The net proceeds raised from the Rights Issue was approximately HK\$501.7 million, which is intended to be used for development of existing and future agricultural exchange projects, repayment of indebtedness and general working capital of the Group. Details of the Capital Reorganisation and the Rights Issue were disclosed in the announcements of the Company dated 8 January 2015, 29 January 2015, 8 April 2015, 13 May 2015, 26 May 2015 and 16 June 2015, the circular of the Company dated 13 March 2015 and the prospectus of the Company dated 21 April 2015.

## Management Discussion and Analysis

### Placing of Shares and Issue of Convertible Notes

On 23 June 2015, the Company entered into (i) a notes placing agreement (the **“Notes Placing Agreement”**) with Kingston Securities Limited (**“Kingston”**) pursuant to which, subject to the fulfilment of certain conditions including shareholders’ approval at a special general meeting of the Company, Kingston agreed to procure notes places to subscribe for convertible notes with an interest rate of 5% per annum for a term of 3 years to be issued by the Company (the **“Convertible Notes”**); (ii) a share placing agreement (the **“Share Placing Agreement”**) with Kingston pursuant to which Kingston has agreed to place or procure the placing of, shares issued by the Company pursuant to both a general mandate obtained by the Company (the **“General Mandate Placing”**) and a specific mandate to be sought at a special general meeting of the Company (the **“Specific Mandate Placing”**); (iii) a notes subscription agreement (the **“Shenzhen Agricultural Subscription Agreement”**) with Shenzhen Agricultural Products Co., Limited (**“Shenzhen Agricultural”**) pursuant to which, subject to the fulfilment of certain conditions including shareholders’ approval at a special general meeting of the Company, Shenzhen Agricultural has agreed to subscribe for Convertible Notes; (iv) a notes subscription agreement (the **“PNG Notes Subscription Agreement”**) with PNG Resources Holdings Limited (**“PNG”**) pursuant to which, subject to the fulfilment of certain conditions including shareholders’ approval at a special general meeting of the Company, PNG has agreed to subscribe for Convertible Notes; and (v) a share subscription agreement (the **“PNG Share Subscription Agreement”**) with PNG pursuant to which PNG has agreed to subscribe for shares to be issued by the Company pursuant to a specific mandate to be sought at a special general meeting of the Company. The Notes Placing Agreement, the Share Placing Agreement, the Shenzhen Agricultural Subscription Agreement, the PNG Notes Subscription Agreement and the PNG Share Subscription Agreement are together referred to herein as the **“Transactions”**.

## Management Discussion and Analysis

Due to the change in market conditions, the Company subsequently entered into supplemental agreements on 10 July 2015 and 15 July 2015 to amend certain terms of the Transactions. Pursuant to these supplemental agreements, (i) the subscription price per share to be issued under the Share Placing Agreement and the PNG Share Subscription Agreement was amended from HK\$0.315 to HK\$0.245; and (ii) the conversion price per Convertible Note under the Notes Placing Agreement, the Shenzhen Agricultural Subscription Agreement and the PNG Notes Subscription Agreement was amended from HK\$0.395 to HK\$0.305. As a consequence, the aggregate principal gross proceeds to be received from the Notes Placing Agreement, the Share Placing Agreement, the Shenzhen Agricultural Subscription Agreement, the PNG Notes Subscription Agreement and the PNG Share Subscription Agreement, was amended to approximately HK\$78 million, approximately HK\$484 million (approximately HK\$95 million under the General Mandate Placing and approximately HK\$389 million under the Specific Mandate Placing), approximately HK\$230 million, approximately HK\$155 million, and approximately HK\$78 million, respectively.

The General Mandate Placing under the Share Placing Agreement was completed on 27 July 2015, in which 387,000,000 shares of the Company were issued and placed to not less than six placees. The Company raised net proceeds of approximately HK\$84 million under the General Mandate Placing, which will be utilized as to approximately (i) HK\$65 million for the development of new or existing agricultural produce exchange projects in the PRC; and (ii) approximately HK\$19 million for general working capital of the Group.

In order to provide the shareholders of the Company more recent and up-to-date financial information of the Company to enable shareholders to undertake more informed voting decisions at the special general meeting of the Company in respect of the Transactions, the information relating to this results announcement will be included in the circular to be issued in respect of the Transactions, which is expected to be dispatched to the shareholders of the Company on or before 1 September 2015. Details of the Transactions were disclosed in the announcements of the Company dated 7 July 2015, 16 July 2015, 17 July 2015, 27 July 2015 and 28 July 2015, respectively.

## Management Discussion and Analysis

### Liquidity and Financial Resources

As at 30 June 2015, the Group had total cash and cash equivalents amounting to approximately HK\$216.5 million (31 December 2014: approximately HK\$200.4 million) whilst total assets and net assets were approximately HK\$7,344.8 million (31 December 2014: approximately HK\$6,906.0 million) and approximately HK\$2,184.0 million (31 December 2014: approximately HK\$1,876.3 million), respectively. The Group's gearing ratio as at 30 June 2015 was approximately 1.3 (31 December 2014: approximately 1.5), being a ratio of the total of bank and other borrowings, bonds and promissory notes of approximately HK\$3,159.1 million (31 December 2014: approximately HK\$3,045.3 million), net of cash and cash equivalents and pledged bank deposits of approximately HK\$216.5 million and HK\$94.0 million (31 December 2014: approximately HK\$200.4 million and HK\$93.0 million), to total shareholders' funds of approximately HK\$2,184.0 million (31 December 2014: approximately HK\$1,876.3 million).

### Capital Commitments, Pledge and Contingent Liabilities

As at 30 June 2015, outstanding capital commitment, contracted but not provided for, amounted to approximately HK\$289.7 million in relation to the purchase of property, plant and equipment, and construction contracts (31 December 2014: approximately HK\$270.7 million).

As at 30 June 2015, the Group pledged the land use rights, properties and bank deposits with an aggregate carrying value of approximately HK\$2,405.9 million (31 December 2014: approximately HK\$2,604.6 million) to secure certain bank borrowings.

## Management Discussion and Analysis

The Group did not have any outstanding foreign exchange contracts, interest or currency swaps or other financial derivatives as at 30 June 2015. 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.

As at 30 June 2015, the Group had no significant contingent liability.

### 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, 14 January 2015 and 28 May 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 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 Claims**”), together with costs of the Legal Proceedings. The Company received the judgment from the Higher People’s Court of Hubei Province, the PRC (“**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,

## Management Discussion and Analysis

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. The Supreme People’s Court ordered that (i) the Hubei Court Judgment be revoked; and (ii) the Contended Agreements were void.

The Company noted that Ms. Wang and Tian Jiu had jointly commenced legal proceedings against the Ministry of Commerce (“**MOFCOM**”) alleging that MOFCOM failed to discharge its statutory duties for handling their application submitted in January 2015 for revoking the certificate of approval and letter of approval in relation to the Contended Agreements. The cases have been accepted by the Beijing Second Immediate People’s Court (“**Beijing Court**”) in May 2015. Each of the Company and Baisazhou Agricultural has then made an application to join the cases as third party and the Company’s application has been accepted by the Beijing Court in May 2015.

In May 2015, the Company issued a writ against Ms. Wang and Tian Jiu which was accepted by Hubei Court. According to the Beijing Judgment, the HK\$1,156 million sale and purchase agreement (“**SPA**”) (as disclosed by the Company in its announcement dated 10 May 2007) shall be the actual agreement being performed by the Company, Ms. Wang and Tian Jiu. The Company seeks an order from the Hubei Court that Ms. Wang and Tian Jiu shall assist Baisazhou Agricultural to discharge its contractual duties under the SPA to make the necessary filing with MOFCOM.

In June 2015, the Company submitted an application to the Supreme People’s Court for a retrial requesting that the Beijing Judgment be set aside. In July 2015, the retrial application was accepted by the Supreme People’s Court.

## Management Discussion and Analysis

As advised by the PRC legal advisers of the Company, (i) the Supreme People's Court only ordered the Contended Agreements void, but it did not make any ruling regarding the acquisition; and (ii) 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 MOFCOM issued in November 2007; and (b) the registration of the transfer of shareholding by the Hubei Administration For Industry and Commerce. The Company will take all necessary actions in the PRC as advised by its PRC legal advisors in response to the Beijing Judgment.

For other detailed information of litigation cases, please refer to note 19 to the Interim Financial Statement.

### Employees and Remuneration Policies

As at 30 June 2015, the Group had 1,861 employees (31 December 2014: 1,883 employees), approximately 97% of whom were located in the PRC. The Group's remuneration policy is reviewed periodically by the remuneration committee of the Company and the Board and remuneration is determined by reference to market terms, company performance, and individual qualifications and performance.

### Future Plans and Prospects

The first half of 2015 is a tough period with the gradual slow growth of the PRC economy and the fluctuation of the price of fruit and vegetables. The business performance of the Group in 2015 was not satisfactory. However, the continuous improvement of various agricultural exchange markets marked confidence to the Group's steady pace of business development.

## Management Discussion and Analysis

The agricultural issue is still the theme of 2015 Number 1 Documents of the PRC government. The Group will continue adapt its business model to suit the overall government policy requirements. In July 2015, the PRC State Council issued the framework of “Opinion of the Internet Action by the PRC State Council” (the “**Opinion**”). In the Opinion, it was stated that agricultural business can fully utilize the internet to build up an integrated and diversified agricultural business model. Electronic commerce is the fashion trend of business model affecting all kinds of business sectors, the Group has started to consider this blue ocean area to bridge up the connection between the virtual internet world and the physical agricultural markets.

The Group has endeavored to build up a national network of agricultural produce exchange market. After the continuous effort being put by the management, the Group has built up a preliminary network of the markets. The Group will continue to negotiate, build and expand its network of agricultural produce exchange markets by working on establishing partnerships in the PRC and exploring business opportunities of agricultural produce exchange markets in different provinces in the PRC so as to deliver long-term benefits to the shareholders of the Company.



## Disclosure of Interests

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

As at 30 June 2015, none of the Directors or chief executive of the Company, nor any of their respective associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “**SFO**”)) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) under the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

### Directors' Rights to Acquire Shares or Debentures

At no time during the period for the six months ended 30 June 2015 was the Company, nor any of its subsidiaries or associated corporations, a party to any arrangement to enable the Directors and the chief executive of the Company (including their respective spouse or children under the age of 18) to acquire benefits by means of the acquisition of the shares, underlying shares in, or debentures of, the Company or any of its associated corporations.

## Disclosure of Interests

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

As at 30 June 2015, to the best knowledge of the Directors, the following persons (other than the Directors or chief executive of the Company) had, or were deemed or taken to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

#### Long positions in the shares of the Company

Name of shareholder	Capacity	Total number of shares held	Approximate percentage of the Company's total issued share capital (Note a) %
PNG Resources Holdings Limited ("PNG Resources")	Interest of a controlled corporation (Note b)	529,233,356	27.28
	Beneficial owner	824,329,113	42.50

*Notes:*

- (a) The percentage stated represented the number of shares over the total number of 1,939,689,279 shares in the issued share capital of the Company as at 30 June 2015.
- (b) PNG Resources, through Onger Investments Limited, its indirect wholly-owned subsidiary, was taken to be interested in such shares.

Save as disclosed above, as at 30 June 2015, there were no other person (other than the Directors or chief executive of the Company) who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

## Share Option Scheme

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

## Share Option Scheme

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

As at 30 June 2015, no share options under the Scheme remained outstanding. During the period ended 30 June 2015, no share option was exercised, granted, lapsed and cancelled. At as the date of this interim report, the total number of shares of the Company available for issue under the Scheme is 193,968,927 shares, representing approximately 8.3% of the existing issued share capital of the Company.

## Corporate Governance and Other Information

The Company had complied with the Corporate Governance Code (“**CG Code**”) during the period from 1 January 2015 to 30 June 2015 as set out in Appendix 14 to the Listing Rules, except the following deviation:—

### Code provision A.2.1

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

### Change in Information of Directors

The change in the information of Directors since the publication of the 2014 annual report are set out below pursuant to Rule 13.51B(1) of the Listing Rules:

## Corporate Governance and Other Information

### Directors' Emoluments

With effect from 1 April 2015, the basic annual salary payable to Mr. Chan Chun Hong, Thomas has been increased by HK\$25,800, to Mr. Leung Sui Wah, Raymond has been increased by HK\$43,320 and to Mr. Yau Yuk Shing has been increased by HK\$21,360.

### Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2015.

### Model Code for Securities Transactions by Directors

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

### Audit Committee

The Company has an audit committee (the "**Audit Committee**"), which was established in accordance with the requirements of the Listing Rules, for the purposes of reviewing and providing supervision over the Group's financial reporting processes and internal controls. The Audit Committee comprises all the independent non-executive Directors, namely Ms. Lam Ka Jen, Katherine, Mr. Ng Yat Cheung and Mr. Lau King Lung, and is chaired by Ms. Lam Ka Jen, Katherine, which has reviewed with the management the unaudited condensed consolidated interim results for the six months ended 30 June 2015.

## Corporate Governance and Other Information

### Appreciations

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

By Order of the Board

**CHINA AGRI-PRODUCTS EXCHANGE LIMITED**

中國農產品交易有限公司

**Chan Chun Hong, Thomas**

*Chairman and Chief Executive Officer*

Hong Kong, 19 August 2015

# Independent Review Report



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

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

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

*(incorporated in Bermuda with limited liability)*

We have reviewed the interim financial information set out on pages 26 to 56, which comprises the condensed consolidated statement of financial position of China Agri-Products Exchange Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) at 30 June 2015 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.



## Independent Review Report

### Scope of Review

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

### Conclusion

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

### Emphasis of Matter

Without qualifying our conclusion, we draw attention to notes 1(b) and 19 to the Interim Financial Information 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 Hubei Administration For 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 judgement 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. On 23 June 2015, the Company submitted an application to the

## Independent Review Report

Supreme People's Court of the PRC for a retrial, requesting the court judgement to be set aside and on 21 July 2015, the Company received the written notice of acceptance of the retrial application from the Supreme People's Court of the PRC. 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\$193,556,000 and the net operating cash outflow of approximately HK\$433,957,000. Notwithstanding the above, the interim financial information have been prepared on a going concern basis, the validity of which is dependent on the Group's ability to extend its short-term borrowings upon maturity, obtain long-term financing facilities to re-finance its short-term borrowings, and derive adequate 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 1(b), indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

### **HLB Hodgson Impey Cheng Limited**

Certified Public Accountants

### **Wong Sze Wai, Basilia**

Practising Certificate Number P05806

Hong Kong, 19 August 2015

## Interim Results

The Board announces the unaudited condensed consolidated results of the Group for the six months ended 30 June 2015, together with the comparative figures for the corresponding period in 2014. These interim condensed consolidated financial statements were not audited, but have been reviewed by HLB Hodgson Impey Cheng Limited, the Group's external auditors, and the Audit Committee.

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2015

		<b>For the six months ended 30 June</b>	
		<b>2015</b>	2014
		<b>(Unaudited)</b>	(Unaudited)
		<b>HK\$'000</b>	HK\$'000
	Notes		
<b>Turnover</b>	3	<b>170,278</b>	150,947
Cost of operation		<b>(51,323)</b>	(43,597)
<b>Gross profit</b>		<b>118,955</b>	107,350
Other revenue and other net income		<b>10,350</b>	21,583
Net gain in fair value of investment properties		<b>3,486</b>	257,927
General and administrative expenses		<b>(165,765)</b>	(128,469)
Selling expenses		<b>(21,752)</b>	(30,152)
<b>(Loss)/profit from operations</b>		<b>(54,726)</b>	228,239
Finance costs	4	<b>(131,094)</b>	(110,458)
<b>(Loss)/profit before taxation</b>	5	<b>(185,820)</b>	117,781
Income tax	6	<b>(7,736)</b>	(71,615)
<b>(Loss)/profit for the period</b>		<b>(193,556)</b>	46,166
<b>Other comprehensive loss</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		<b>(5,048)</b>	(94,882)
<b>Other comprehensive loss for the period</b>		<b>(5,048)</b>	(94,882)

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2015

	Notes	For the six months ended 30 June	
		2015	2014
		(Unaudited) HK\$'000	(Unaudited) HK\$'000
<b>Total comprehensive loss for the period</b>		<b>(198,604)</b>	(48,716)
<b>(Loss)/profit attributable to:</b>			
Owners of the Company		<b>(199,062)</b>	10,054
Non-controlling interests		<b>5,506</b>	36,112
		<b>(193,556)</b>	46,166
<b>Total comprehensive (loss)/income attributable to:</b>			
Owners of the Company		<b>(203,321)</b>	(73,925)
Non-controlling interests		<b>4,717</b>	25,209
		<b>(198,604)</b>	(48,716)
<b>(Loss)/earnings per share</b>			
— Basic (restated)	8	<b>HK\$(0.29)</b>	HK\$0.06
— Diluted (restated)	8	<b>HK\$(0.29)</b>	HK\$0.06

# Condensed Consolidated Statement of Financial Position

As at 30 June 2015

	Notes	As at 30 June 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	9	61,413	72,546
Investment properties	10	3,568,398	3,554,194
Intangible assets	11	39,391	—
Goodwill		6,444	6,444
		<b>3,675,646</b>	3,633,184
<b>Current assets</b>			
Stock of properties		2,996,029	2,715,778
Trade and other receivables	12	290,295	231,749
Loan receivables		22,131	27,173
Financial assets at fair value through profit or loss		5,335	4,792
Structured deposit	13	44,937	—
Pledged bank deposits		93,954	92,962
Cash and cash equivalents		216,494	200,387
		<b>3,669,175</b>	3,272,841
<b>Current liabilities</b>			
Deposits and other payables	14	990,103	973,209
Deposit receipts in advance		444,486	445,415
Bank and other borrowings	15	477,808	434,534
Promissory notes		376,000	376,000
Income tax payable		41,548	41,413
		<b>2,329,945</b>	2,270,571
<b>Net current assets</b>		<b>1,339,230</b>	1,002,270
<b>Total assets less current liabilities</b>		<b>5,014,876</b>	4,635,454

## Condensed Consolidated Statement of Financial Position

As at 30 June 2015

	Notes	As at 30 June 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
<b>Non-current liabilities</b>			
Bonds		1,532,291	1,503,117
Bank and other borrowings	15	773,063	731,620
Deferred tax liabilities		525,484	524,459
		<b>2,830,838</b>	2,759,196
<b>Net assets</b>			
		<b>2,184,038</b>	1,876,258
<b>Capital and reserves</b>			
Share capital	16	19,397	17,242
Reserves		1,703,792	1,406,049
<b>Total equity attributable to owners of the Company</b>			
		<b>1,723,189</b>	1,423,291
Non-controlling interests		460,849	452,967
<b>Total equity</b>			
		<b>2,184,038</b>	1,876,258

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

	Attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Capital redemption reserve	Contributed surplus	Shareholders' contribution	Options reserve	Exchange reserve	Accumulated losses	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (note a)	HK\$'000 (note b)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2014 (audited)	29,510	1,601,208	945	2,215,409	664	(15,021)	210,784	(2,843,910)	1,199,589	1,620,848
Exchange differences on translating foreign operations	—	—	—	—	—	—	(83,979)	—	(83,979)	(94,882)
Other comprehensive income for the period	—	—	—	—	—	—	(83,979)	—	(83,979)	(94,882)
Profit for the period	—	—	—	—	—	—	—	10,054	10,054	46,166
Total comprehensive (loss)/income for the period	—	—	—	—	—	—	(83,979)	10,054	(73,925)	(48,716)
Capital reduction for the period	(28,772)	—	—	—	—	—	—	28,772	—	—
Rights issue for the period	11,066	503,512	—	—	—	—	—	—	514,578	514,578
Transaction cost relating to rights issue	—	(14,586)	—	—	—	—	—	—	(14,586)	(14,586)
Bonus issue for the period	738	(738)	—	—	—	—	—	—	—	—
Capital injected by non-controlling interest	—	—	—	—	—	—	—	—	43,706	43,706
At 30 June 2014 (unaudited)	12,542	2,089,396	945	2,215,409	664	(15,021)	126,805	(2,805,084)	1,625,656	2,115,830
At 1 January 2015 (audited)	17,242	2,221,576	945	2,215,409	664	(15,021)	138,034	(3,155,558)	1,423,291	1,876,258
Exchange differences on translating foreign operations	—	—	—	—	—	—	(4,259)	—	(4,259)	(5,049)
Other comprehensive loss for the period	—	—	—	—	—	—	(4,259)	—	(4,259)	(5,049)
(Loss)/profit for the period	—	—	—	—	—	—	—	(199,062)	(199,062)	(193,556)
Total comprehensive (loss)/income for the period	—	—	—	—	—	—	(4,259)	(199,062)	(203,321)	(198,604)
Capital reduction for the period	(15,087)	—	—	—	—	—	—	15,087	—	—
Rights issue for the period	17,242	500,009	—	—	—	—	—	—	517,251	517,251
Transaction cost relating to rights issue	—	(14,032)	—	—	—	—	—	—	(14,032)	(14,032)
Capital injected by non-controlling interest	—	—	—	—	—	—	—	—	3,165	3,165
At 30 June 2015 (unaudited)	19,397	2,707,553	945	2,215,409	664	(15,021)	133,775	(3,339,533)	1,723,189	2,184,038

## Condensed Consolidated Statement of Changes in Equity

### Notes:

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

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

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

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



# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	<b>For the six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Net cash used in operating activities</b>	<b>(433,957)</b>	(460,282)
<b>Investing activities</b>		
Payments for purchases of property, plant and equipment	<b>(3,133)</b>	(9,712)
Payments for purchase of investment properties	<b>(6,541)</b>	(5,242)
Bank interest received	<b>3,217</b>	2,520
Acquisition of intangible assets	<b>(25,010)</b>	—
Increase in structured deposit	<b>(44,937)</b>	—
<b>Net cash used in investing activities</b>	<b>(76,404)</b>	(12,434)
<b>Financing activities</b>		
Proceeds from new bank borrowings	<b>228,305</b>	286,695
Proceeds from new other borrowings	<b>110,000</b>	—
Proceeds from renewal of other borrowings	<b>55,000</b>	—
Proceeds from other financial liabilities	<b>—</b>	28,624
Net proceeds from issue of bonds	<b>17,195</b>	—
Repayments of other borrowings	<b>(165,000)</b>	—
Repayments of bank borrowings	<b>(141,784)</b>	(85,804)
Net proceed from rights issue	<b>503,219</b>	499,992
Interest paid	<b>(82,525)</b>	(61,341)
<b>Net cash generated from financing activities</b>	<b>524,410</b>	668,166
<b>Net increase in cash and cash equivalents</b>	<b>14,049</b>	195,450
<b>Cash and cash equivalents at 1 January</b>	<b>200,387</b>	267,422
<b>Effect of foreign exchange rate changes</b>	<b>2,058</b>	10,250
<b>Cash and cash equivalents at 30 June</b>	<b>216,494</b>	473,122

# Notes to the Condensed Consolidated Financial Statements

## 1. Basis of Preparation

### (a) Statement of compliance

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

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgement, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

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

Going concern basis

As disclosed in note 19 to the Interim Financial Statements, share transfer agreements filed with the Ministry of Commerce (“**MOFCOM**”) of the People's Republic of China and the Hubei Administration For 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 MOFCOM and the registration of the transfer of shareholding by the Hubei AIC. On 23 June 2015, the Company submitted an application to the Supreme People's Court of the PRC for a retrial, requesting the court judgement to be set aside and on 21 July 2015, the Company received the written notice of acceptance of the retrial application from the Supreme People's Court of the PRC. 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\$193,556,000 and the net operating cash outflow of approximately \$433,957,000. In preparing the condensed 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 cash flow position of the Group.

## Notes to the Condensed Consolidated Financial Statements

### 1. Basis of Preparation *(Continued)*

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

Going concern basis *(Continued)*

##### (1) Alternative sources of external funding

On 23 June 2015, 10 July 2015 and 15 July 2015, the Company entered into the notes placing agreement, share subscription agreement and supplemental agreement are presented as following:

- (i) On 23 June 2015, the Company entered into note placing agreement with placing agent and agreed to place convertible notes in a maximum aggregate principal amount of up to HK\$100 million. On 10 July 2015, the Company entered into a supplemental agreement to amend the maximum aggregate principal amount of placing convertible notes to HK\$78 million.
- (ii) On 23 June 2015, the Company entered into a notes subscription agreement (the **"Shenzhen Agricultural Subscription Agreement"**) with Shenzhen Agricultural Product Co., Ltd. (the **"Shenzhen Agricultural"**), and the Shenzhen Agricultural has agreed to subscribe the convertible notes in an maximum aggregate principal amount of HK\$300 million. On 15 July 2015, the Company entered into a supplemental agreement to amend the maximum aggregate principal amount of placing convertible notes to HK\$230 million.
- (iii) On 23 June 2015, the Company entered into notes subscription agreement with PNG Resources Holdings Limited (**"PNG"**), and PNG has agreed to subscribe the convertible notes in an maximum aggregate principal amount of HK\$200 million. On 10 July 2015, the Company entered into a supplemental agreement to amend the maximum aggregate principal amount of placing convertible notes to HK\$155 million.
- (iv) On 23 June 2015, the Company entered into the share placing agreement with placing agent and agreed to allot and issue a maximum of 387,000,000 general mandate placing share and, 1,587,000,000 specific mandate placing shares at the price of HK\$0.315 per placing share. On 10 July 2015, the Company entered into a supplemental agreement to amend the placing share price to HK\$0.245 per placing share. On 27 July 2015, the general mandate placing shares of 378,000,000 shares have been successfully placed by the placing agent to not less than six shares placees at the placing share price of HK\$0.245 per placing share.
- (v) On 23 June 2015, the Company entered into the share subscription agreement with PNG and agreed to allot and issue 318,000,000 subscription share at the price of HK\$0.315 per placing share. On 10 July 2015, the Company entered into a supplemental agreement to amend the placing share price to HK\$0.245 per placing share.

## Notes to the Condensed Consolidated Financial Statements

### 1. Basis of Preparation *(Continued)*

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

##### Going concern basis *(Continued)*

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

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

#### (3) Necessary facilities

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

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

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

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

The Instruments are recorded at book value at approximately HK\$376,000,000, together with interest payable in the amount of approximately HK\$530,500,000 as at 30 June 2015.

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

## Notes to the Condensed Consolidated Financial Statements

### 1. Basis of Preparation *(Continued)*

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

##### Going concern basis *(Continued)*

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

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

### 2. Application of New and Revised HKFRSs

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

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("**new and revised HKFRSs**") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2015.

Amendments to HKFRSs  
Amendments to HKFRSs

Annual Improvements to HKFRSs 2010-2012 Cycle  
Annual Improvements to HKFRSs 2011-2013 Cycle

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

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## Notes to the Condensed Consolidated Financial Statements

### 3. Segment Reporting

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

#### Segment revenue and results

An analysis of the Group's revenues and results by business segment for the six months ended 30 June 2015 and 2014:

	Agricultural produce exchange market operation		Property sale		Unallocated		Consolidated	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
<b>Turnover</b>								
External sales	170,278	141,737	—	9,210	—	—	170,278	150,947
<b>Result</b>								
Segment result	15,546	11,745	—	(2,683)	—	—	15,546	9,062
Other revenue and other income	8,431	9,820	—	10,666	1,919	1,097	10,350	21,583
Net gain in fair value of investment properties	3,486	257,927	—	—	—	—	3,486	257,927
Unallocated cooperate expense					(84,108)	(60,333)	(84,108)	(60,333)
(Loss)/profit from operations							(54,726)	228,239
Finance costs	(30,312)	(21,078)	—	(732)	(100,782)	(88,648)	(131,094)	(110,458)
(Loss)/profit before taxation							(185,820)	117,781
Income tax							(7,736)	(71,615)
(Loss)/profit for the period							(193,556)	46,166

## Notes to the Condensed Consolidated Financial Statements

**3. Segment Reporting** (Continued)**Segment assets and liabilities**

An analysis of the Group's assets and liabilities by reportable segment as at 30 June 2015 and 31 December 2014:

	<b>Agricultural produce exchange market operation</b>		<b>Property sale</b>		<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Assets</b>						
Segment assets	4,246,730	4,103,168	2,996,029	2,715,778	7,242,759	6,818,946
Unallocated corporate assets					102,062	87,079
Consolidated total assets					7,344,821	6,906,025
<b>Liabilities</b>						
Segment liabilities	2,206,590	2,134,593	603,586	535,721	2,810,176	2,670,314
Unallocated corporate liabilities					2,350,607	2,359,453
Consolidated total liabilities					5,160,783	5,029,767

**4. Finance Costs**

	<b>For the six months ended 30 June</b>	
	<b>2015</b>	<b>2014</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Interest on bank advances and other borrowings		
wholly repayable within five years	43,434	92,724
Interest on bank and other borrowings,		
wholly repayable over five years	7,075	7,971
Interest on bonds	81,856	122
Interest on promissory notes	11,750	11,750
Less: — amounts classified as capitalised into stock of properties	(13,021)	(2,109)
	131,094	110,458

## Notes to the Condensed Consolidated Financial Statements

**5. (Loss)/Profit Before Taxation**

	<b>For the six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<hr/>		
(Loss)/profit before taxation has been arrived at after charging the following items:		
Depreciation and amortisation	<b>10,973</b>	4,465
Unrealised loss on financial assets through profit or loss	<b>—</b>	417
	<hr/>	

**6. Income Tax**

Taxation in the Interim Financial Statements represents:

	<b>For the six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<hr/>		
<b>Current tax</b>		
— PRC enterprise income tax	<b>5,771</b>	16,953
	<b>5,771</b>	16,953
<b>Over provision in prior year</b>		
— PRC enterprise income tax	<b>—</b>	(8,297)
<b>Deferred tax</b>		
— Origination and reversal of temporary differences	<b>1,965</b>	62,959
	<b>7,736</b>	71,615
	<hr/>	

No provision for Hong Kong Profits Tax has been made in the Interim Financial Statements as the Company and its subsidiaries had no assessable profits in both periods. PRC Enterprise Income Tax is computed to the relevant legislation interpretations and practices in respect thereof during the period. PRC Enterprise Income Tax rate is 25% (2014: 25%)



## Notes to the Condensed Consolidated Financial Statements

### 7. Dividends

The Directors do not propose the payment of any interim dividend in respect of the period under review (six months ended 30 June 2014: Nil).

### 8. (Loss)/Earnings Per Share

On 9 April 2015, the Company completed share consolidation and capital reduction and on 14 May 2015, the Company had issued and allotted 1,724,168,248 rights shares in the proportion of 8 adjusted shares for every 1 adjusted share held on the record date at HK\$0.30 per rights share. The calculation of basic (loss)/earnings per share is based on the (loss)/profit attributable to owners of the Company of approximately HK\$199,062,000 (six months ended 30 June 2014: approximately HK\$10,054,000) and weighted average number of approximately 682,074,683 ordinary shares (period from 1 January 2014 to 30 June 2014: approximately 165,993,000 (restated)). The weighted average of ordinary shares for the purpose of calculating basic (loss)/earnings per share for the period ended 30 June 2014 have been adjusted for the effects of share consolidation and rights issue retrospectively by restating the opening weighted average number of ordinary shares as at 1 January 2014. The diluted (loss)/earnings per share for the period ended 30 June 2015 and 2014 were the same as the basis (loss)/earnings per share as there were no diluted potential ordinary shares in issue during the six months ended 30 June 2015 and 2014.

### 9. Movement In Property, Plant And Equipment

During the period under review, the Group's acquired property, plant and equipment at cost of approximately HK\$3,133,000 (six months ended 30 June 2014: approximately HK\$9,712,000).

### 10. Investment Properties

During the period under review, the Group's addition of investment properties at cost and exchange realignment of approximately HK\$9,706,000 and HK\$6,357,000 (six months ended 30 June 2014: approximately HK\$48,948,000 and HK\$88,334,000). The Group's investment properties were fair valued by valuers at 30 June 2015.

During the period under review the Group had no investment properties transferred to stock of properties (six months ended 30 June 2014: Nil).

During the period under review, investment properties with carrying amount of approximately HK\$1,375,866,000 (31 December 2014: approximately HK\$1,559,808,000) were pledged to banks for the Group's borrowings.

The investment properties were classified as Level 3 under the fair value hierarchy (31 December 2014: Level 3).

## Notes to the Condensed Consolidated Financial Statements

## 11. Intangible Assets

	Operating right HK\$'000
<b>Cost</b>	
As at 1 January 2015	—
Addition	43,768
As at 30 June 2015 (Unaudited)	43,768
<b>Accumulated amortisation and impairment</b>	
As at 1 January 2015	—
Amortisation expenses during the period	4,377
As at 30 June 2015 (Unaudited)	4,377
<b>Carrying amount</b>	
<b>As at 30 June 2015 (Unaudited)</b>	<b>39,391</b>
As at 31 December 2014 (Audited)	—

The following useful lives are used in the calculation of amortisation:

Operating right	5 years
-----------------	---------

The license entitles a subsidiary of the Company to operate an agricultural products exchange market in PRC for 5 years from the date of acquisition. The net carrying amount will therefore be amortised over the remaining useful lives of 4.5 years and less impairment loss.

## Notes to the Condensed Consolidated Financial Statements

### 12. Trade and Other Receivables

The Group allows an average credit period ranging from 30 days to its trade customers. Included in trade and other receivables are trade receivables of approximately HK\$6,032,000 (31 December 2014: approximately HK\$6,002,000) and their aged analysis at each reporting period is as follow:

	As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)
Less than 90 days	4,052	4,668
More than 90 days but less than 180 days	438	896
More than 180 days	1,542	438
Total trade receivables	6,032	6,002
Deposit for land acquisition	116,460	116,605
Other deposits	4,420	7,483
Prepayments	50,613	48,385
Amount due from non-controlling interest	23,723	12,572
Other receivables	89,047	40,702
	290,295	231,749

### 13. Structured Deposit

The structured deposit of RMB36,000,000 (the "Principal") was a time deposit placed with a bank with a fixed maturity date. On the maturity date, the return of Principal was guaranteed plus variable interest return on the structured deposit based on result of foreign currency exchange rates. The Group used the structured deposit primarily to enhance the return on investment. The structured deposit was stated at its fair value as quoted by the bank at the end of the reporting period. The structured deposit was pledged to the bank for bill payable.

## Notes to the Condensed Consolidated Financial Statements

**14. Deposits and Other Payables**

	As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)
Accrued charges	49,305	47,929
Construction payables	322,978	346,307
Deposit received	121,444	70,345
Interest payables	219,147	212,225
Other tax payables	43,060	34,261
Other payables	234,169	262,142
	<b>990,103</b>	<b>973,209</b>

**15. Bank and Other Borrowings**

	As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)
Secured bank borrowings	1,133,459	1,048,629
Unsecured bank borrowings	62,412	62,525
Unsecured other borrowings	55,000	55,000
	<b>1,250,871</b>	<b>1,166,154</b>
Carrying amount repayable:		
Within one year	477,808	434,534
More than one year, but not exceeding two years	219,593	219,289
More than two years, but not exceeding five years	495,464	436,645
More than five years	58,006	75,686
	<b>1,250,871</b>	<b>1,166,154</b>
Less: amounts due within one year shown under current liabilities	<b>(477,808)</b>	<b>(434,534)</b>
	<b>773,063</b>	<b>731,620</b>

## Notes to the Condensed Consolidated Financial Statements

**15. Bank and Other Borrowings** (Continued)

- (a) Included in the above balances are bank borrowings with variable-rate borrowings of approximately HK\$1,195,871,000 (31 December 2014: approximately HK\$1,111,154,000) which carry interest adjustable for changes of borrowing rate offered by The People's Bank of China (the "PBOC"). The average rate charged by the banks during the period ranged from 2.7% to 7.8% (31 December 2014: 2.7% to 8.4% per annum) per annum. Interest is re-priced every 30 days. The other borrowings of approximately HK\$55,000,000 (31 December 2014: HK\$55,000,000) were obtained from one (31 December 2014: one) party and carry interest fixed at 10% (31 December 2014: 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:

	As at 30 June 2015 Per annum	As at 31 December 2014 Per annum
Effective interest rate:		
Fixed-rate borrowings	10% to 12%	10% to 12%
Variable-rate borrowings	2.7% to 7.8%	2.7% to 8.4%

- (c) The secured bank borrowings are secured by (i) the land use rights; (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\$2,405,921,000 (31 December 2014: HK\$2,604,647,000).
- (d) The secured other borrowings are secured by (i) share charges in respect of the equity interests of three subsidiaries of the Company; (ii) floating charges of assets of the aforesaid three subsidiaries; and (iii) a loan assignment by way of charge executed by the Company on loans owned by the aforesaid three subsidiaries to it.

## Notes to the Condensed Consolidated Financial Statements

## 16. Share Capital

	As at 30 June 2015		As at 31 December 2014	
	Number of shares	Nominal value HK\$'000	Number of shares	Nominal value HK\$'000
<b>Authorised:</b>				
Ordinary shares of HK\$0.01 each	30,000,000,000	300,000	30,000,000,000	300,000
<b>Ordinary shares, issued and fully paid:</b>				
At 1 January	1,724,168,251	17,242	2,950,984,135	29,510
Share consolidation and capital reduction	(1,508,647,220)	(15,087)	(2,877,209,532)	(28,772)
Issue of share upon rights issue	1,724,168,248	17,242	1,106,619,045	11,066
Issue of share up bonus issue	—	—	73,774,603	738
Issue of shares upon placing	—	—	250,000,000	2,500
Issue of shares upon placing	—	—	220,000,000	2,200
At 30 June (Unaudited) and 31 December (Audited)	1,939,689,279	19,397	1,724,168,251	17,242

## 17. Fair Value Measurement

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

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

- 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
- 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.

## Notes to the Condensed Consolidated Financial Statements

### 17. Fair Value Measurement (Continued)

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

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

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable as at 30 June 2015 and 31 December 2014.

- 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
<b>Financial assets</b>				
At 30 June 2015 (Unaudited)				
Financial assets at fair value				
through profit or loss	5,335	—	—	5,335
	5,335	—	—	5,335
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 31 December 2014 (Audited)				
Financial assets at fair value				
through profit or loss	4,792	—	—	4,792
	4,792	—	—	4,792

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

## Notes to the Condensed Consolidated Financial Statements

**18. Commitments**

- (a) Capital commitments outstanding at 30 June 2015 not provided for in the Interim Financial Statements were as follows:

	As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)
Capital expenditure authorised and contracted for in respect of construction of:		
— acquisition of properties	289,663	270,716

- (b) At 30 June 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)
Within one year	2,696	1,963
After one year but within five years	7,475	4,285
	10,171	6,248

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of two to five years. The leases did not include extensions options. None of the leases includes contingent rentals.



## Notes to the Condensed Consolidated Financial Statements

### 19. 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**")

1. On 7 January 2011, the Company received a writ (the "**Writ**") issued by Ms. Wang Xiu Qun ("**Ms. Wang**") and Wuhan Tian Jiu Industrial and Commercial Development Co., Ltd. ("**Tian Jiu**") (as plaintiffs) against the Company (as defendant) and filed with the Higher People's Court of Hubei Province ("**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 Baisazhou 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 Baisazhou Agricultural forged the related documentation for filing with the PRC Ministry of Commerce ("**MOFCOM**") and the Hubei Administration For Industry and Commerce (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.

At the relevant time of the Acquisition, none of the current Directors or senior management of the Company as at the date of this report were involved in the Acquisition.

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

2. On 18 November 2011, the Hubei Court made an interim order that the 8% of the equity interest held by the Company in Baisazhou Agricultural be subject to a freezing order pending determination of the Writ. The percentage of equity interest held by the Company in Baisazhou Agricultural subject to a freezing order was subsequently reduced from 8% to 1.3%. On 26 May 2015, a decision was issued by the Wuhan Intermediate People's Court discharging this freezing order. It follows that the freezing order no longer has any effect on the Group.

## Notes to the Condensed Consolidated Financial Statements

### 19. 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)
3. 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 were ordered to bear the legal costs of the matter.
  4. 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 sought an order from the Supreme People's Court that the Contended Agreement was void.
  5. On 20 November 2014, the parties to the proceedings attended the trial of the Appeal.
  6. 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; (b) the Contended Agreement was void; and (c) acknowledged that the HK\$1,156 million sale and purchase agreement ("**SPA**") shall be the actual agreement being performed by the Company, Ms. Wang and Tian Jiu.

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 Baisazhou Agricultural. The Company continues to be the legal owner of Baisazhou Agricultural until and unless the revocation of:
  - (i) the approval of the Acquisition from MOFCOM; and
  - (ii) the registration of the transfer of shareholding by the Hubei AIC.
7. On 23 June 2015, the Company submitted an application to the Supreme People's Court for a retrial, requesting that the Beijing Judgment be set aside.
8. On 6 July 2015, the retrial application was accepted by the Supreme People's Court.

## Notes to the Condensed Consolidated Financial Statements

### 19. 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)
9. On 21 July 2015, the Company received the written Notice of Acceptance of the retrial application from the Supreme People's Court.
  10. As advised by the PRC legal advisers of the Company, it is possible for events 6(b)(i) and/or 6(b)(ii) above to happen before the re-trial judgment is made.

If event 6(b)(i) and/or (b)(ii) outlined above do happen, possible impacts on the Group may include, but are not limited to, the following:

- (a) Baisazhou Agricultural ceasing to be a subsidiary of the Company. For the financial year ended 31 December 2014, Baisazhou Agricultural contributed approximately the following to the Group: (i) approximately HK\$151.4 million (approximately 50.81% of the Group) in revenue; (ii) approximately HK\$1,898.1 million (approximately 27.48% of the Group) in assets; (iii) approximately HK\$858.0 million (approximately 17.06% of the Group) in liabilities, and (iv) approximately HK\$1,040.2 million (approximately 73.08% of the Group) in total equity attributable to owners of the Company;
- (b) the Company cancelling the provision for payment of the two outstanding instruments purportedly described as promissory notes in the respective sale and purchase agreement between the Company and Ms. Wang and Tian Jiu. As at 30 June 2015, the instruments are recorded at book value of approximately HK\$376.0 million, together with interest payable in the aggregate amount of approximately HK\$530.5 million; and
- (c) the Company may take all necessary actions to seek (i) the return of the remaining balance of approximately HK\$705.9 million, being the consideration paid for the Acquisition, and (ii) the investments made by the Company over the years in Baisazhou Agricultural.

However, at this stage it is premature for the Company to provide any definitive view on the possible overall impact on the Group if events 6(b)(i) or 6(b)(ii) above occur.

## Notes to the Condensed Consolidated Financial Statements

### 19. Litigation (Continued)

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

1. On 28 January 2011, the Company and Baisazhou Agricultural commenced court proceedings at the Hubei Court against, inter alia, Ms. Wang and Tian Jiu for the return of assets and operating profits of Baisazhou Agricultural which were unlawfully misappropriated etc.
2. On 16 October 2014 the Company applied to the Hubei Court 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 Hubei Zhong An Enterprise Investment Company Limited

1. On 1 July 2011, Baisazhou Agricultural received a writ issued by Wuhan Long Xiang Trading Development Limited ("**Long Xiang**") (as plaintiff) against Baisazhou Agricultural (as defendant) ("**Long Xiang Action**") and filed it with the Wuhan Intermediate People's Court, the PRC, together with the related court summons dated 20 June 2011.
2. It was alleged that Baisazhou Agricultural is obliged to make payment under a settlement agreement dated 16 August 2010 and a supplemental settlement agreement dated 19 August 2010 (the "**Settlement Agreements**") entered into between Long Xiang, Baisazhou Agricultural and another party known as Hubei Zhong An Enterprise Investment Company Limited ("**Zhong An**").
3. On 20 April 2012, the Wuhan Intermediate People's Court at first instance granted a judgment in favour of Long Xiang under which Baisazhou Agricultural was ordered to repay RMB20,659,176 together with interest at the borrowing rate offered by the People's Bank of China for the period from 19 August 2010 to 16 May 2011 to Long Xiang as damages for economic loss suffered.
4. On 16 May 2012, Baisazhou Agricultural appealed to the Hubei Court.
5. Due to overlapping of issues of another PRC court action between Baisazhou Agricultural (as defendant) and Zhong An (as plaintiff) in relation to the Settlement Agreements ("**Zhong An Action**") with the Long Xiang Action, the Hubei Court ordered that the Long Xiang Action be suspended and the Zhong An Action to be retried by the Wuhan Intermediate People's Court.

## Notes to the Condensed Consolidated Financial Statements

### 19. Litigation (Continued)

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

6. On 22 May 2013, the Wuhan Intermediate People's Court delivered judgment upon retrying the Zhong An Action, and it maintained its judgment against Baisazhou Agricultural. On or about June 2013, Baisazhou Agricultural appealed to the Hubei Court, but the appeal was dismissed. Baisazhou Agricultural then applied to the Supreme People's Court for re-trial of the case. On 18 December 2013, the Supreme People's Court dismissed the application.
7. On 19 October 2013 the Hubei Court handed down the final judgment of the Long Xiang Action. The Court found against Baisazhou Agricultural that it was liable to make repayment to Long Xiang.
8. On 16 April 2014, the Wuhan Intermediate People's Court granted a Notice of Enforcement to Baisazhou Agricultural. The notice stated that on 3 April 2014, Long Xiang applied to the Wuhan Intermediate People's Court to enforce the judgment against Baisazhou Agricultural.
9. On 23 May 2014, the Wuhan Intermediate People's Court granted a Ruling of Enforcement seizing the land use rights owned by Baisazhou Agricultural in Qinglingxiang, Hongshan, Wuhan, Hubei until 22 May 2016 ("**432 Enforcement Ruling**"). The Company received the 432 Enforcement Ruling on 14 July 2015.
10. On 14 April 2015, the Wuhan Intermediate People's Court further granted two Rulings of Enforcement and an Assistance Enforcement Notice in Freezing Bank Accounts to the Bank of Communication (Wuhan Fruit Lake Sub-branch), ordering to freeze two bank accounts of Baisazhou Agricultural until the 13 October 2015 ("**432-1/2 Enforcement Rulings**").
11. On 17 April 2015, Baisazhou Agricultural filed its Objection to the Rulings of Enforcement to the Wuhan Intermediate People's Court in relation to the 432-1/2 Enforcement Rulings.
12. On 15 June 2015, Baisazhou Agricultural received the Wuhan Intermediate People's Court's dismissal to its objection to the 432-1/2 Enforcement Rulings.
13. On 18 June 2015, Baisazhou Agricultural filed its application to the Hubei Court seeking for reconsideration of the dismissal of the objection.
14. On 16 July 2015, Baisazhou Agricultural filed its Objection to the Rulings of Enforcement to the Wuhan Intermediate People's Court in relation to the 432 Enforcement Ruling.

## Notes to the Condensed Consolidated Financial Statements

### 19. Litigation (Continued)

#### (D) Writ issued by the Company against Ms. Wang and Tian Jiu in Hong Kong

1. On or about 24 October 2011, the Company issued a Writ of Summons in the Hong Kong Court of First Instance (the "**Court**") against Ms. Wang and Tian Jiu. The Company (as purchaser) sought damages from Ms. Wang and Tian Jiu (as vendors) for their breach of various provisions of the SPA for the Acquisition.
2. 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 (i) indorse, assign, transfer or negotiate the two instruments (purportedly described as promissory notes in the SPA) (the "**Instruments**"), and (ii) enforce payment by presentation of the Instruments until the final determination of the court action or further court order. Pursuant to the Undertakings, the Instruments will no longer fall due for payment by the Company on 5 December 2012.
3. The Instruments are recorded at book value at approximately HK\$376.0 million, together with interest payable in the amount of approximately HK\$530.5 million as at 30 June 2015.

#### (E) Writ issued in PRC by Mr. Yeung

1. On 15 July 2013, Baisazhou Agricultural received a writ issued by Mr. Yeung Guang Wu ("**Mr. Yeung**") (as plaintiff) against Baisazhou Agricultural (as defendant) and demand for an outstanding construction payment of RMB3,816,707 together with interest since August 2009.
2. On 29 May 2015, the Hongshan District People's Court of Wuhan City dismissed the claims of Mr. Yeung.
3. On 5 June 2015, Mr. Yeung appealed to the Wuhan Intermediate People's Court.

#### (F) Legal proceedings against the PRC Ministry of Commerce ("**MOFCOM**") by Ms. Wang and Tian Jiu

1. On 4 May 2015 and 5 May 2015, Ms. Wang and Tian Jiu had jointly commenced two separate legal proceedings against the MOFCOM alleging that MOFCOM failed to discharge its statutory duties for handling their application submitted in January 2015 for revoking the certificate of approval and letter of approval in relation to the Contended Agreements. The cases have been accepted by the Beijing Second Intermediate People's Court ("**Beijing Court**").
2. On 20 May 2015, MOFCOM had filed its defence and each of the Company and Baisazhou Agricultural has then made an application to join the cases as third party.
3. On 25 May 2015, the Company's application has been accepted by the Beijing Court.

## Notes to the Condensed Consolidated Financial Statements

### 19. Litigation (Continued)

#### (G) Writ issued by the Company against Ms. Wang and Tian Jiu in Hubei

- On 22 May 2015, in view of the Beijing Judgment (as disclosed in paragraph (A) above), the Company upon being advised by the PRC legal adviser of the Company and out of an abundance of caution, issued a writ against Ms. Wang and Tian Jiu. The Company seeks an order from the Hubei Court that Ms. Wang and Tian Jiu shall assist Baisazhou Agricultural to discharge its contractual duties under the SPA to make the necessary filing with MOFCOM.
- On 26 May 2015, the writ was accepted by the Hubei Court.

Save as disclosed above, as at 30 June 2015, so far as the Directors were aware, the Group was not engaged in any litigation or claims of material importance, and no litigation or claims of material importance are pending or threatened against the Group.

### 20. Material Related Party Transactions

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

#### (a) Transactions with key management personnel

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

	<b>For the six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Short-term employee benefits	<b>5,914</b>	5,408
Post-employment benefits	<b>59</b>	50
	<b>5,973</b>	5,458

## Notes to the Condensed Consolidated Financial Statements

### 20. Material Related Party Transactions *(Continued)*

#### (b) Finance cost

During the period ended 30 June 2015, the Group paid a loan interest expenses to a wholly-owned subsidiary of PNG Resources Holdings Limited at the amount of approximately HK\$Nil (30 June 2014: approximately HK\$10,910,000).

During the period ended 30 June 2015, the Group paid a bond interest expenses to a wholly-owned subsidiary of PNG Resources Holdings Limited at the amount of approximately HK\$7,434,000 (30 June 2014: approximately HK\$Nil).

### 21. Comparative Figures

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

### 22. Events After The Interim Period

On 23 June 2015, 10 July 2015 and 15 July 2015, the Company entered into the notes placing agreement, share subscription agreement and supplemental agreement are presented as following:

- (i) On 23 June 2015, the Company entered into note placing agreement with placing agent and agreed to place convertible notes in a maximum aggregate principal amount of up to HK\$100 million. On 10 July 2015, the Company entered into a supplemental agreement to amend the maximum aggregate principal amount of placing convertible notes to HK\$78 million.
- (ii) On 23 June 2015, the Company entered into a notes subscription agreement (the **"Shenzhen Agricultural Subscription Agreement"**) with Shenzhen Agricultural Product Co., Ltd. (the **"Shenzhen Agricultural"**), and the Shenzhen Agricultural has agreed to subscribe the convertible notes in an maximum aggregate principal amount of HK\$300 million. On 15 July 2015, the Company entered into a supplemental agreement to amend the maximum aggregate principal amount of placing convertible notes to HK\$230 million.
- (iii) On 23 June 2015, the Company entered into notes subscription agreement with PNG Resources Holdings Limited (**"PNG"**), and PNG has agreed to subscribe the convertible notes in an maximum aggregate principal amount of HK\$200 million. On 10 July 2015, the Company entered into a supplemental agreement to amend the maximum aggregate principal amount of placing convertible notes to HK\$155 million.



## Notes to the Condensed Consolidated Financial Statements

### 22. Events After The Interim Period *(Continued)*

- (iv) On 23 June 2015, the Company entered into the share placing agreement with placing agent and agreed to allot and issue a maximum of 387,000,000 general mandate placing share and, 1,587,000,000 specific mandate placing shares at the price of HK\$0.315 per placing share. On 10 July 2015, the Company entered into a supplemental agreement to amend the placing share price to HK\$0.245 per placing share. On 27 July 2015, the general mandate placing shares of 378,000,000 shares have been successfully placed by the placing agent to not less than six shares placees at the placing share price of HK\$0.245 per placing share.
- (v) On 23 June 2015, the Company entered into the share subscription agreement with PNG and agreed to allot and issue 318,000,000 subscription share at the price of HK\$0.315 per placing share. On 10 July 2015, the Company entered into a supplemental agreement to amend the placing share price to HK\$0.245 per placing share

Details of the above subscriptions and placing were disclosed in the announcements of the Company dated 7 July 2015, 16 July 2015, 17 July 2015, 27 July 2015 and 28 July 2015.

### 23. Approval Of Interim Financial Statements

The Interim Financial Statements were approved and authorised to issue by the Board on 19 August 2015.