



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 2016



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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: King & Wood Mallesons

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>

Interim Dividend

The board of directors (the “**Board**” or the “**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 2016 (for the six months ended 30 June 2015: Nil).

Management Discussion and Analysis

Summary of Financial Results

Turnover and gross profit

For the six months ended 30 June 2016, the Group recorded a turnover of approximately HK\$439.9 million (for the six months ended 30 June 2015: approximately HK\$170.3 million), representing an increase of approximately 158% compared to the corresponding period of last year mainly due to the recognition in sales of properties of the agricultural and by-product exchange markets in Yulin city (“**Yulin Market**”) and Qinzhou city (“**Qinzhou Market**”) in Guangxi Zhuang Autonomous Region (“**Guangxi**”) and a continuous growth in turnover of the agricultural and by-product exchange markets in Luoyang city (“**Luoyang Market**”) of Henan province, in Qinzhou city of Guangxi and in Kaifeng city (“**Kaifeng Market**”) of Henan province but was slightly set off by the drop of income of Wuhan Baisazhou Agricultural and By-Product Exchange Market (“**Wuhan Baisazhou Market**”) and Xuzhou Agricultural and By-Product Exchange Market (“**Xuzhou Market**”) and the drop of Renminbi against Hong Kong dollars. The Group recorded a gross profit of approximately HK\$203.5 million (for the six months ended 30 June 2015: approximately HK\$119.0 million), representing an increase of approximately 71% compared to the corresponding period of last year mainly due to the abovementioned property sales recognition and turnover growth.

Management Discussion and Analysis

Other revenue and other net income

The Group recorded other revenue and other net income of approximately HK\$25.2 million (for the six months ended 30 June 2015: approximately HK\$10.4 million) mainly due to an increase in government subsidies to Huai'an Hongjin Agricultural and By-Product Exchange Market ("**Huai'an Market**") and Panjin Hongjin Agricultural and By-Product Exchange Market ("**Panjin Market**").

General and administrative expenses, selling expenses and finance costs

The Group recorded the general and administrative expenses of approximately HK\$139.8 million (for the six months ended 30 June 2015: approximately HK\$165.8 million). The decrease in general and administrative expenses was mainly due to the tightening control of operating expenses netting off by the expenses incurred for our new projects. Selling expenses were approximately HK\$20.9 million (for the six months ended 30 June 2015: approximately HK\$21.8 million). The slight decrease was mainly due to our effective control over marketing and promotion expenses. Finance costs were approximately HK\$135.1 million (for the six months ended 30 June 2015: approximately HK\$131.1 million). Such slight increase was mainly due to the increase in finance cost of interest bearing debts charged to profit and loss account during the period under review.

Net loss in fair value of investment properties and written down of stock of properties

The net loss in fair value of investment properties was approximately HK\$55.2 million (for the six months ended 30 June 2015: net gain of approximately HK\$3.5 million). The written down of stock of properties was approximately HK\$18.4 million (for the six months ended 30 June 2015: Nil). The differences were mainly due to the drop in fair value of property prices derived from the agri-produce markets in the People's Republic of China (the "**PRC**") during the period under review.

Management Discussion and Analysis

Loss attributable to owners of the Company

The loss attributable to owners of the Company was approximately HK\$137.5 million compared to approximately HK\$199.1 million for the corresponding period of last year. The decrease was mainly due to the decrease in general and administrative expenses and the increase in finance costs. The overall loss was mildly offset by the increase in property sales recognition when compared with the same period of last year.

Review of Operations

The Group is principally engaged in the business of management and sales of properties in 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 310,000 square metres and a total gross floor area of approximately 190,000 square metres. In December 2015, Wuhan Baisazhou Market was awarded “Top 5 most outstanding contribution National Agricultural Wholesale Markets” by China Agricultural Wholesale Market Association. This award was a testament to the Group’s effort and expertise in being an outstandingly performed agricultural produce exchange market operator in the PRC.

During the period under review, the turnover of Wuhan Baisazhou Market decreased at the rate of approximately 7% compared with the corresponding period of last year. Wuhan Baisazhou Market has established its reputation and track record to customers and tenants and delivered satisfactory performance all along the period under review.

Management Discussion and Analysis

Yulin Market

Yulin Market with a site area of approximately 415,000 square metres and a total gross floor area of approximately 196,000 square metres is one of the largest agricultural produce exchange markets in Guangxi. It has various types of market stalls and multi-storey godown. 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. In order to diversify the product portfolio of Yulin Market, the Group continuously look for new trading opportunities to increase the competitiveness and introduced seafood trading as one of the new businesses in the market. As an energetic member of our agricultural produce exchange markets, the business operations of Yulin Market has become one of the key agricultural produce exchange markets in Guangxi. The performance of Yulin Market's operation was satisfactory, achieving property sales recognition contributed to the Group during the period under review.

Luoyang Market

Luoyang Market is one of the flagship projects 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 213,000 square metres. In the first half of 2016, the operating performance and occupancy rate of Luoyang Market had been gradually improving. As a result of the improvement, Luoyang Market's performance turned around from loss to profit during the period under review.

Management Discussion and Analysis

Xuzhou Market

Xuzhou Market with an area of approximately 200,000 square metres 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 2016 decreased by approximately 19% compared to the corresponding period of last year mainly due to the decrease in commission income of Xuzhou Market because of the drop in fruit and vegetable prices.

Puyang Market

Puyang Hongjin Agricultural and By-Product Exchange Market (“**Puyang Market**”) is one of the Group’s joint venture projects with the local partners in Henan province. The joint venture business model is proved to be a successful one. The manpower and operations are localized in order to adapt to the local situation. During the period under review, the operating performance of Puyang Market achieved a satisfactory result with fair result in its turnover as compared to the same period of last year.

Kaifeng Market

Kaifeng Market had a total gross floor area of approximately 120,000 square metres and was the third point of market operations for facilitating the Group to build an agricultural produce market network in Henan province. During the period under review, Kaifeng Market was still in the business development stage and was expected to take more time to build up its customers and tenants’ bases.

Management Discussion and Analysis

Qinzhou Market

Qinzhou Market, our second agricultural exchange market in Guangxi, had a gross floor construction area of approximately 180,000 square metres and is located in the highway entrance of Qinzhou city in Guangxi where is the key member of Beibu Bay of Guangxi. During the period under review, property sales recognition from Qinzhou Market was one of the key drivers enabling the Group to achieve an increment in turnover for the period under review.

Huangshi Market

Huangshi Hongjin Agricultural and By-Product Exchange Market (“**Huangshi Market**”) is the Group’s new joint venture project in Huangshi city of Hubei province, a county level city in Hubei province, where is around 100 kilometres away from Wuhan Baisazhou Market. Huangshi Market, being a second-tier agricultural produce exchange market, creates synergy effect with Wuhan Baisazhou Market for increasing vegetable and by-products trade volume. During the period under review, the operating performance of Huangshi Market was satisfactory.

Huai’an Market

Huai’an Market is located in Huai’an city of Jiangsu province. Phase one of Huai’an Market commenced its operations in October 2015 and more time is expected to be needed for the business performance of Huai’an Market to achieve a better result.

Panjin Market

Panjin Market is located at Panjin city of Liaoning province with the construction of gross floor area of approximately 50,000 square metres. It is the first agricultural produce exchange market in Liaoning province and will take more time to develop its business operations.

Management Discussion and Analysis

Huanggang Market

Huanggang Hongjin Agricultural and By-Product Exchange Market (“**Huanggang Market**”) was an attempt to expand our agricultural market network in Hubei province. The business model of Huanggang Market was to rent a local agricultural produce market with a view to creating synergy effect with our two other markets in Hubei province. However, Huanggang Market’s performance was not up to expectations and the project was ceased during the period under review.

E-commerce development

Since 2015, the Group has put resources in e-commerce development for linking customers in the physical agricultural exchange markets to the virtual electronic market. Our e-commerce website and two mobile phone applications of trading platform providing one-stop shopping experience to our customers was launched in early 2016 with steady progress in its business development. The advanced technology model in e-commerce brings benefit to both the customers and the Group. On one hand, the customers and suppliers can save time and manpower to handle paper documents and cash transactions. On the other hand, the Group can acquire the big data from the transactions of the customers and suppliers in order to analyze their needs and, in turn, provide a more comprehensive service to them. During the period under review, our customers and suppliers in Wuhan Baisazhou Market was the first batch of our target groups to enjoy such innovative electronic services and the Group will gradually extend such services to the other agricultural produce exchange markets.

Management Discussion and Analysis

Establishment of electronic business using contractual arrangements

Shenzhen Gudeng Technology Limited (“**Shenzhen Gudeng**”), established in 2015, was an indirect wholly-owned subsidiary of the Group carrying the business of e-commerce and trading platform of the Group. For the compliance of PRC regulatory requirements, on 11 July 2016 (i.e. after the period under review), the Group entered into a disposal agreement to dispose its entire interest in Shenzhen Gudeng to a nominee shareholder and will further enter into a set of contractual arrangements after obtaining the Internet Content Provider (“**ICP**”) license to enable the Group to manage and operate the ICP services of Shenzhen Gudeng in the future. Details of the disposal and the contractual arrangements were disclosed in the Company’s announcement dated 11 July 2016.

Fund Raising Activity

Capital Reorganisation and Rights Issue

On 4 November 2015, the Company announced, inter alia, a capital reorganisation (the “**Capital Reorganisation**”) and a rights issue (the “**Rights Issue**”) of 698,006,782 rights shares at the price of HK\$0.42 per rights share which were approved by the shareholders of the Company at the special general meeting of the Company held on 21 December 2015 by an ordinary resolution. The closing price of the shares in the Company as at 30 October 2015 was HK\$0.117. The Rights Issue was completed on 28 January 2016. The gross proceeds and net proceeds raised from the Rights Issue were approximately 293.2 million and approximately HK\$283.0 million respectively in which approximately HK\$264.0 million was intended to be utilized for the repayment of borrowings and interests of the Group and the remaining balance of approximately HK\$19.0 million was intended to be utilized for general working capital. As at 30 June 2016, (i) approximately HK\$263.3 million was utilized for the repayment of borrowings and interests of the Group; (ii) approximately HK\$18.2 million was utilized for general working capital (major component of which was operating expenses, such as rental expenses); and (iii) the remaining will be utilized as intended. Details of the Capital Reorganisation and the Rights Issue were disclosed in the announcements of the Company dated 4 November 2015, 27 January 2016, the circular of the Company dated 27 November 2015 and the prospectus of the Company dated 5 January 2016 respectively.

Management Discussion and Analysis

Liquidity and Financial Resources

As at 30 June 2016, the Group had the total cash and cash equivalents amounting to approximately HK\$261.3 million (31 December 2015: approximately HK\$276.0 million) whilst the total assets and net assets were approximately HK\$6,609.2 million (31 December 2015: approximately HK\$7,043.2 million) and approximately HK\$1,817.5 million (31 December 2015: approximately HK\$1,777.8 million) respectively. The Group's gearing ratio as at 30 June 2016 was approximately 1.5 (31 December 2015: approximately 1.6), being a ratio of the total of bank and other borrowings, bonds and promissory notes of approximately HK\$2,941.2 million (31 December 2015: approximately HK\$3,261.6 million), net of cash and cash equivalents and pledged bank deposits of approximately HK\$261.3 million and approximately HK\$44.4 million respectively (31 December 2015: approximately HK\$276.0 million and approximately HK\$148.0 million respectively) to total shareholders' funds of approximately HK\$1,817.5 million (31 December 2015: approximately HK\$1,777.8 million).

Capital Commitments, Pledges and Contingent Liabilities

As at 30 June 2016, outstanding capital commitment, contracted but not provided for, amounted to approximately HK\$218.8 million in relation to the purchase of property, plant and equipment, and construction contracts (31 December 2015: approximately HK\$304.6 million).

As at 30 June 2016, the Group pledged the land use rights, properties and bank deposits with an aggregate carrying value of approximately HK\$2,562.9 million (31 December 2015: approximately HK\$3,005.0 million) to secure certain bank borrowings.

The Group did not have any outstanding foreign exchange contracts, interest or currency swaps or other financial derivatives as at 30 June 2016. The revenue, operating costs and bank deposits of the Group are mainly denominated in Renminbi and Hong Kong dollars. The Group will continue to monitor its foreign exchange exposure and consider alternative risk hedging tools when necessary.

Management Discussion and Analysis

As at 30 June 2016, the Group has provided the financial guarantees of approximately HK\$4.7 million in relation to the guarantees provided by a wholly-owned subsidiary of the Company to our customers in favor of a bank for the loans provided by the bank to the customers of our project (31 December 2015: approximately HK\$0.1 million). Save of the above, the Group had no significant contingent liability.

Debt Profiles and Financial Planning

The interest bearing debts profiles of the Group as at 30 June 2016 and 31 December 2015 were analyzed as follows:

	30 June 2016		31 December 2015	
	Outstanding amount HK\$ million	Approximate effective interest rate (per annum)	Outstanding amount HK\$ million	Approximate effective interest rate (per annum)
Bond Issuances	1,561.0	11%	1,547.5	11%
Financial Institution Borrowings	755.8	6%	1,069.1	6%
Non-Financial Institution Borrowings	248.4	11%	268.9	11%
Promissory Notes	376.0	5%	376.0	5%
Total	2,941.2		3,261.5	

In order to meet interest bearing debts and business capital expenditure for, inter alia, the increase of land bank and/or payment of construction costs for the development of our agri-products exchange markets, the Group had been from time to time considering various financing alternatives including but not limited to new share placing, rights issue of new shares, financial institution borrowings, non-financial institution borrowings, bonds issuance, convertible notes, other debt financial instruments, disposal of investment properties and sales of stock of properties.

Management Discussion and Analysis

Litigation

References were made to the announcements of the Company dated 11 January 2011, 22 May 2012, 19 June 2014, 4 July 2014, 13 January 2015, 14 January 2015, 28 May 2015, 8 January 2016, 11 January 2016 and 24 May 2016 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 alleged that the share transfer agreements in relation to the acquisition of an aggregate 90% interest in Baisazhou Agricultural by the Company from Ms. Wang (as to 70% thereof) and Tian Jiu (as to 20% thereof) (the **“Contended Agreements”**) were forged. They sought an order from the Higher People’s Court of Hubei province, the PRC (the **“Hubei Court”**) that the Contended Agreements were void and invalid from the beginning and should be terminated, and claimed against the Company and Baisazhou Agricultural all relevant profits of Baisazhou Agricultural which were attributable to Ms. Wang and Tian Jiu, together with costs of the Legal Proceedings.

The Company received the judgment from the Hubei Court in relation to the Legal Proceedings (the **“Hubei Court Judgment”**) in June 2014. By the Hubei Court Judgment, the Hubei Court dismissed the claims of Ms. Wang and Tian Jiu, and ordered Ms. Wang and Tian Jiu to bear the legal costs of the Legal Proceedings. Ms. Wang and Tian Jiu filed an appeal notice to the Supreme People’s Court of the PRC (the **“Supreme People’s Court”**). On 13 January 2015, the Company received the judgment (the **“Beijing Judgment”**) handed down from the Supreme People’s Court in relation to Ms. Wang and Tian Jiu’s appeal against the Hubei Court Judgment. The Supreme People’s Court ordered that (i) the Hubei Court Judgment be revoked; (ii) the Contended Agreements were void; and (iii) acknowledged that the HK\$1,156 million sale and purchase agreement (the **“SPA”**) shall be the actual agreement being performed by the Company, Ms. Wang and Tian Jiu.

Management Discussion and Analysis

In May 2015, in view of the Beijing Judgment, the Company issued a writ against Ms. Wang and Tian Jiu which was accepted by the Hubei Court. The Company sought 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 the Ministry of Commerce (“**MOFCOM**”).

In May 2015, Ms. Wang and Tian Jiu jointly commenced legal proceedings against 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 “**Application**”). The cases were accepted by the Beijing Second Intermediate People’s Court (the “**Beijing Court**”) in May 2015. The Company and Baisazhou Agricultural then made an application to join the cases as third party. The Company received a judgment dated 31 December 2015 on 8 January 2016 issued by the Beijing Court, by which the Beijing Court demanded MOFCOM to handle the Application again within 30 days.

In relation to Ms. Wang and Tian Jiu’s application for revoking the approval in respect of the Contended Agreements, the Company received a decision (the “**Decision**”) on 23 May 2016 issued by MOFCOM dated 19 May 2016 to the effect, amongst other things, that its approval issued in November 2007 in relation to the Contended Agreements shall not be revoked and shall remain to be in force. In making the Decision, MOFCOM considered that the revocation of approval as requested by Ms. Wang and Tian Jiu may cause serious damage to the public interest. According to the Decision, Ms. Wang and Tian Jiu may (i) apply to MOFCOM for an administrative review within 60 days from the date of their receipt of the Decision; or (ii) bring an administrative proceeding to the Beijing Court within 6 months from the date of their receipt of the Decision. Up to the date of this report, the Company is not aware of any administrative reviews being applied for nor any administrative proceedings brought by Ms. Wang and Tian Jiu in respect of the Decision.

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 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 and the Decision.

For other detailed information of litigation cases, please refer to note 18 to the Interim Financial Statements as stated in this interim report of the Company for the six months ended 30 June 2016.

Employees and Remuneration Policies

As at 30 June 2016, the Group had 1,779 employees (31 December 2015: 1,951 employees), approximately 98% 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's remuneration is determined by reference to market terms, the Company's performance, and individual qualifications and performance. Meanwhile, the Group also continued to invest resources in providing training opportunities for staff, aiming to improve work and operation performance and professional competence of employees.

Future Plans and Prospects

The first half of 2016 is a tough period with the gradually slow growth of the PRC economy and the fluctuation of the fruit and vegetable prices due to the unstable weather in the Central China. However, the Group has adopted steady approach to the continuous improvement of various agricultural exchange markets, which marked confidence to the Group's steady pace of business development.

Management Discussion and Analysis

The agricultural issue has been a highlighted theme of the “2016 Number 1 Documents” of the PRC government. The Group will continue to adopt business model to suit the overall government policy requirements. Coupled with the PRC State Council’s issuance of the framework of “Opinion of the Internet Action by the PRC State Council” in July 2015 and “Opinion of Internet and Logistics Action Plan” in April 2016, the PRC State Council, the Ministry of Commerce, the Ministry of Agriculture and the relevant government departments have issued various action plans to detail e-commerce in agricultural sector. The Group has put resources in this blue ocean area and has attempted to bridge up the connection between the physical agricultural markets and the virtual internet world from offline to online business model.

After the continuous effort being put by the management, the Group has built up a national network of agricultural produce exchange markets. Our brand name “Hongjin” not only receives high reputation among our customers and suppliers but is also well recognized in the agricultural produce market industry. 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' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares or Debentures of the Company and its Associated Corporations

As at 30 June 2016, none of the Directors or the 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

Save as disclosed in the section headed “Share Option Scheme”, at no time during the period for the six months ended 30 June 2016 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 spouses 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 2016, to the best knowledge of the Directors, the following persons (other than the Directors or the 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 <i>(Note a)</i> %
Easy One Financial Group Limited ("Easy One")	Interest of controlled corporation	334,616,677 <i>(Note b)</i>	28.76
Chu Yuet Wah	Interest of controlled corporation	183,346,176 <i>(Note c)</i>	15.76
Active Dynamic Limited ("Active Dynamic")	Interest of controlled corporation	183,346,176 <i>(Note c)</i>	15.76
Galaxy Sky Investments Limited ("Galaxy Sky")	Interest of controlled corporation	183,346,176 <i>(Note c)</i>	15.76

Disclosure of Interests

Name of shareholder	Capacity	Total number of shares held	Approximate percentage of the Company's total issued share capital <i>(Note a)</i> %
Kingston Capital Asia Limited (" Kingston Capital ")	Interest of controlled corporation	183,346,176 <i>(Note c)</i>	15.76
Kingston Financial Group Limited (" Kingston Financial ")	Interest of controlled corporation	183,346,176 <i>(Note c)</i>	15.76
Kingston Securities Limited (" Kingston Securities ")	Beneficial owner	183,346,176 <i>(Note c)</i>	15.76

Notes:

- (a) The percentages stated represented the percentages of the Company's share capital as stated in the relevant disclosure of interests forms.
- (b) Easy One, through Onger Investments Limited, its indirect wholly-owned subsidiary, was taken to be interested in such shares.
- (c) The 183,346,176 shares were held by Kingston Securities. The interests of Chu Yuet Wah, Active Dynamic, Kingston Financial, Kingston Capital and Galaxy Sky were deemed to have interest under the SFO in the 183,346,176 shares.

Save as disclosed above, as at 30 June 2016, there were no other person (other than the Directors or the 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 (“**Participant(s)**”) 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 closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the date of offer of grant, which must be a business day; (ii) the average 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 any Participant 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, or any of their respective associates, in any 12-month period up to and including the date of grant 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 2016, no share options under the Scheme remained outstanding. During the period ended 30 June 2016, no share option had been exercised, granted, lapsed and cancelled. As at the date of this interim report, the total number of Shares available for issue under the Scheme is 116,334,463, representing approximately 10% of the number of the issued Shares.

Corporate Governance and Other Information

The Company had complied with the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules during the period from 1 January 2016 to 30 June 2016, except the following deviation: —

Code provision A.2.1

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

Changes in Information of Directors

The changes in the information of Directors since the publication of the 2015 annual report are set out below pursuant to Rule 13.51B(1) of the Listing Rules:

- Mr. Chan Chun Hong, Thomas is the non-executive chairman of Wang On Properties Limited, a company listed on the main board of the Stock Exchange on 12 April 2016.

Corporate Governance and Other Information

- Mr. Ng Yat Cheung resigned as an independent non-executive director of VST Holdings Limited with effect from 31 May 2016.
- The basic annual salary payable to Mr. Chan Chun Hong, Thomas and Mr. Leung Sui Wah, Raymond have been increased by HK\$21,120 and HK\$29,760 respectively with effect from 1 April 2016.

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 2016.

Model Code for Securities Transactions by Directors

The Company has 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, internal controls and risk management. 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 and HLB Hodgson Impey Cheng Limited, the Group's external auditors, the unaudited condensed consolidated interim results for the six months ended 30 June 2016.

Corporate Governance and Other Information

Appreciation

I would like to take this opportunity to thank our customers, business partners and shareholders 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, 17 August 2016

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)

Introduction

We have reviewed the interim financial information set out on pages 28 to 60, 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 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 18 to the interim financial information which describe 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 Province Administration of Industry and Commerce (“**Hubei AIC**”) in relation to the acquisition of Wuhan Baisazhou Agricultural By-Product Grand Market Company Limited (“**Baisazhou Agricultural**”) were void. On 23 May 2016, the Company received a decision issued by MOFCOM dated 19 May 2016 (the “**MOFCOM’s decision**”) to the effect, inter alia, that its approval issued in November 2007 in relation to the contended agreements shall not be revoked and shall remain to be in force. Although the decision is in favour of the Company, the plaintiffs may bring an administrative proceeding to Beijing Second Intermediate People’s Court within 6 months from the date of their receipt of the MOFCOM’s decision. Up to the

Independent Review Report

date of this report, the Company is not aware of any administrative reviews being applied for nor any administrative proceedings brought by plaintiffs in respect of the MOFCOM's decision. The Group incurred a net loss of approximately HK\$134,916,000. 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, 17 August 2016

Interim Results

The Board announces the unaudited condensed consolidated results of the Group for the six months ended 30 June 2016, together with the comparative figures for the corresponding period in 2015. These interim condensed consolidated financial statements were not audited, but have been reviewed by HLB Hodgson Impey Cheng Limited (“HLB”), 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 2016

	Notes	For the six months ended 30 June 2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Turnover	3	439,941	170,278
Cost of operation		(236,444)	(51,323)
Gross profit		203,497	118,955
Other revenue and other net income		25,162	10,350
General and administrative expenses		(139,806)	(165,765)
Selling expenses		(20,897)	(21,752)
Profit/(loss) from operations before fair value change of investment properties and impairment		67,956	(58,212)
Net (loss)/gain in fair value of investment properties		(55,176)	3,486
Written down of stock of properties		(18,383)	—
Loss from operations		(5,603)	(54,726)
Finance costs	4	(135,112)	(131,094)
Loss before taxation	5	(140,715)	(185,820)
Income tax	6	5,799	(7,736)
Loss for the period		(134,916)	(193,556)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2016

	Notes	For the six months ended 30 June	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Other comprehensive loss, net of income tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		(89,044)	(5,048)
Other comprehensive loss for the period, net of income tax		(89,044)	(5,048)
Total comprehensive loss for the period, net of income tax		(223,960)	(198,604)
(Loss)/profit attributable to:			
Owners of the Company		(137,538)	(199,062)
Non-controlling interests		2,622	5,506
		(134,916)	(193,556)
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(218,971)	(203,321)
Non-controlling interests		(4,989)	4,717
		(223,960)	(198,604)
Loss per share			
— Basic (restated)	8	HK\$0.13	HK\$1.44
— Diluted (restated)	8	HK\$0.13	HK\$1.44

Condensed Consolidated Statement of Financial Position

As at 30 June 2016

	Notes	As at 30 June 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	9	69,176	66,960
Investment properties	10	3,244,397	3,398,040
Intangible assets	11	21,214	24,244
Goodwill		6,444	6,444
		3,341,231	3,495,688
Current assets			
Stock of properties		2,676,112	2,831,975
Trade and other receivables	12	280,212	280,838
Loan receivables		2,630	7,140
Financial assets at fair value through profit or loss		3,259	3,662
Pledged bank deposits		44,418	147,974
Cash and cash equivalents		261,342	275,966
		3,267,973	3,547,555
Current liabilities			
Deposits and other payables	13	727,873	838,568
Deposit receipts in advance		616,526	629,880
Bonds		198,644	197,074
Bank and other borrowings	14	263,639	569,196
Promissory notes		376,000	376,000
Income tax payable		42,609	41,506
		2,225,291	2,652,224
Net current assets		1,042,682	895,331
Total assets less current liabilities		4,383,913	4,391,019

Condensed Consolidated Statement of Financial Position

As at 30 June 2016

	<i>Notes</i>	As at 30 June 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) HK\$'000
Non-current liabilities			
Bonds		1,362,354	1,350,474
Banks and other borrowings	14	740,568	768,806
Deferred tax liabilities		463,511	493,953
		2,566,433	2,613,233
Net assets			
		1,817,480	1,777,786
Capital and reserves			
Share capital	15	11,633	4,653
Reserves		1,396,791	1,336,545
Total equity attributable to owners of the Company			
		1,408,424	1,341,198
Non-controlling interests		409,056	436,588
Total equity			
		1,817,480	1,777,786

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	Attributable to owners of the Company										
	Share capital	Share premium	Capital redemption reserve	Contributed surplus	Shareholders' contribution	Other reserve	Exchange reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (note a)	HK\$'000 (note b)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2015 (audited)	17,242	2,221,576	945	2,215,409	664	(15,021)	138,034	(3,155,556)	1,423,291	452,967	1,876,258
Exchange differences on translating foreign operations	-	-	-	-	-	-	(4,259)	-	(4,259)	(789)	(5,048)
Other comprehensive loss for the period	-	-	-	-	-	-	(4,259)	-	(4,259)	(789)	(5,048)
(Loss)/profit for the period	-	-	-	-	-	-	-	(199,062)	(199,062)	5,506	(193,556)
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(4,259)	(199,062)	(203,321)	4,717	(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 issues	-	(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	460,849	2,184,038
At 1 January 2016 (audited)	4,653	2,794,423	945	2,215,409	664	(15,021)	(48,900)	(3,610,975)	1,341,198	436,588	1,777,786
Exchange differences on translating foreign operations	-	-	-	-	-	-	(81,433)	-	(81,433)	(7,611)	(89,044)
Other comprehensive loss for the period	-	-	-	-	-	-	(81,433)	-	(81,433)	(7,611)	(89,044)
(Loss)/profit for the period	-	-	-	-	-	-	-	(137,538)	(137,538)	2,622	(134,916)
Total comprehensive loss for the period	-	-	-	-	-	-	(81,433)	(137,538)	(218,971)	(4,989)	(223,960)
Rights issue for the period	6,980	286,183	-	-	-	-	-	-	293,163	-	293,163
Transaction cost relating to rights issues	-	(6,966)	-	-	-	-	-	-	(6,966)	-	(6,966)
Dividend paid	-	-	-	-	-	-	-	-	-	(22,543)	(22,543)
At 30 June 2016 (unaudited)	11,633	3,073,640	945	2,215,409	664	(15,021)	(130,333)	(3,748,513)	1,408,424	409,056	1,817,480

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 2016

	For the six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Net cash generated from/(used in) operating activities	4,954	(433,957)
Investing activities		
Payments for purchasing of property, plant and equipment	(12,031)	(3,133)
Payments of investment properties	(16,571)	(6,541)
Proceeds from disposal of investment properties	44,308	—
Proceeds from disposal of property, plant and equipment	820	—
Bank interest received	2,929	3,217
Acquisition of intangible assets	—	(25,010)
Increase in structured deposit	—	(44,937)
Net cash generated from/(used in) investing activities	19,455	(76,404)
Financing activities		
Proceeds from new bank borrowings	5,786	228,305
Proceeds from new other borrowings	—	110,000
Proceeds from renewal of other borrowings	55,000	55,000
Net proceeds from issue of bonds	—	17,195
Repayments of other borrowings	(75,000)	(165,000)
Repayments of bank borrowings	(298,512)	(141,784)
Net proceeds from rights issue	286,197	503,219
Decrease in pledged bank deposit	100,451	—
Dividend paid to non-controlling interest	(22,543)	—
Interest paid	(103,494)	(82,525)
Net cash (used in)/generated from financing activities	(52,115)	524,410

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	For the six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Net (decrease)/increase in cash and cash equivalents	(27,706)	14,049
Cash and cash equivalents at 1 January	275,966	200,387
Effect of foreign exchange rate changes	13,082	2,058
Cash and cash equivalents at 30 June	261,342	216,494

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

1. Basis of Preparation

(a) Statement of compliance

The unaudited condensed consolidated interim financial statements (the “**Interim Financial Statements**”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and 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 Statements has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an Interim Financial Statements in conformity with HKAS 34 requires management to make judgment, 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

As disclosed in the Interim Financial Statements, the 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. On 23 May 2016, the Company received a decision issued by MOFCOM dated 19 May 2016 (the “**MOFCOM’s decision**”) to the effect, inter alia, that its approval issued in November 2007 in relation to the contended agreements shall not be revoked and shall remain to be in force. Although the decision is in favour of the Company, the plaintiffs may bring an administrative proceeding to Beijing Second Intermediate People’s Court within 6 months from the date of their receipt of the MOFCOM’s decision. Up to the date of this report, the Company is not aware of any administrative reviews being applied for nor any administrative proceedings brought by plaintiffs in respect of the MOFCOM’s decision.

Notes to the Condensed Consolidated Financial Statements

1. Basis of Preparation *(Continued)*

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

The Group incurred a net loss of approximately HK\$134,916,000. 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 the matters described above, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

As at 30 June 2016, the Group has bank and other borrowings and bonds of approximately HK\$263,639,000 and approximately HK\$198,644,000 respectively repayable within 12 months from 30 June 2016.

(1) Attainment of profitable and positive cash flow operations

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

(2) Necessary facilities

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

(3) Writ issued by the Company against Ms. Wang 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.

Notes to the Condensed Consolidated Financial Statements

1. Basis of Preparation *(Continued)*

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

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

On 5 October 2012, the Company obtained a court order from the Court to the effect that undertakings (the “**Undertakings**”) were given by Ms. Wang and Tian Jiu not to indorse, assign, transfer or negotiate the Instruments, and enforce payment by presentation of the Instruments until the final determination of the court action or further court order. Under the undertakings, the Instruments will no longer fall due for payment by the Company on 5 December 2012.

The Instruments are recorded at book value at approximately HK\$376,000,000, together with interest payable in the amount of approximately HK\$553,950,000 included under other payables as at 30 June 2016.

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

Should the Group be unable to continue to operate as a going concern, adjustments would have 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 consolidated financial statements.

Notes to the Condensed Consolidated 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.

The Group has adopted the following revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA for the first time for these Interim Financial Statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27(2011)	Equity Method in Separate Financial Statements
Annual Improvements to 2012-2014 Cycle	Amendments to numbers of HKFRSs

The adoption of the revised HKFRSs has had no significant financial effect on these Interim Financial Statements and there have been no significant changes to the accounting policies applied in these Interim Financial Statements.

3. Segment Reporting

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

Notes to the Condensed Consolidated Financial Statements

3. Segment Reporting (Continued)**Segment revenue and results**

An analysis of the Group's revenues and results by reportable segment for the six months ended 30 June 2016 and 2015:

	Agricultural produce exchange market operation		Property sales		Unallocated		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Turnover								
External sales	165,198	170,278	274,743	–	–	–	439,941	170,278
Result								
Segment result	32,290	15,546	75,617	–	–	–	107,907	15,546
Other revenue and other net income	22,494	8,431	–	–	2,668	1,919	25,162	10,350
Net (loss)/gain in fair value of investment properties	(55,176)	3,486	–	–	–	–	(55,176)	3,486
Written down of stock of properties	–	–	(18,383)	–	–	–	(18,383)	–
Unallocated corporate expenses	–	–	–	–	(65,113)	(84,108)	(65,113)	(84,108)
Loss from operations	–	–	–	–	–	–	(5,603)	(54,726)
Finance costs	(25,193)	(30,312)	–	–	(109,919)	(100,782)	(135,112)	(131,094)
Loss before taxation	–	–	–	–	–	–	(140,715)	(185,820)
Income tax	–	–	–	–	–	–	5,799	(7,736)
Loss for the period	–	–	–	–	–	–	(134,916)	(193,556)

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 2016 and 31 December 2015:

	Agricultural produce exchange market operation		Property sales		Consolidated	
	2016	2015	2016	2015	2016	2015
	HK\$'000 (Unaudited)	HK\$'000 (Audited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Assets						
Segment assets	3,773,331	4,084,627	2,676,112	2,831,974	6,449,443	6,916,601
Unallocated corporate assets					159,761	126,642
Consolidated total assets					6,609,204	7,043,243
Liabilities						
Segment liabilities	1,807,694	2,195,944	493,736	493,789	2,301,430	2,689,733
Unallocated corporate liabilities					2,490,294	2,575,724
Consolidated total liabilities					4,791,724	5,265,457

4. Finance Costs

	For the six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Interest on bank and other borrowings wholly repayable within five years	40,322	43,434
Interest on bank and other borrowings wholly repayable over five years	322	7,075
Interest on bonds	83,708	81,856
Interest on promissory notes	11,750	11,750
Less: — amounts classified as capitalised into stock of properties	(990)	(13,021)
	135,112	131,094

Notes to the Condensed Consolidated Financial Statements

5. Loss Before Taxation

	For the six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<hr/>		
Loss before taxation has been arrived at after charging the following items:		
Depreciation and amortisation	10,291	10,973
Loss on disposal of property, plant and equipment	279	—
	<hr/>	

6. Income Tax

	For the six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<hr/>		
Current tax		
— PRC enterprise income tax	14,600	5,771
Deferred tax		
— Origination and reversal of temporary differences	(20,399)	1,965
	(5,799)	7,736
	<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% (2015: 25%).

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 2015:Nil).

Notes to the Condensed Consolidated Financial Statements

8. Loss Per Share

On 28 January 2016, the Company issued and allotted 698,006,782 rights shares in the proportion of 3 rights shares for every 2 adjusted shares held on the record date at HK\$0.42 per rights share. The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately HK\$137,538,000 (six months ended 30 June 2015: approximately HK\$199,062,000) and weighted average number of approximately 1,074,791,268 ordinary shares (period from 1 January 2015 to 30 June 2015: approximately 138,345,337 ordinary shares (restated)). The weighted average of ordinary shares for the purpose of calculating basic loss per share for the period ended 30 June 2015 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 2015. The diluted loss per share for the period ended 30 June 2016 and 2015 were the same as the basis loss per share as there were no diluted potential ordinary shares in issue during the six months ended 30 June 2016 and 2015.

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\$12,031,000 (six months ended 30 June 2015: approximately HK\$3,133,000).

10. Investment Properties

During the period under review, the Group's addition of investment properties at cost and exchange realignment of approximately HK\$16,571,000 and HK\$70,729,000 (six months ended 30 June 2015: approximately HK\$9,706,000 and HK\$6,357,000). The Group's investment properties were fair valued by valuers at 30 June 2016.

During the period under review, the Group had no investment properties transferred to stock of properties (six months ended 30 June 2015: Nil).

During the period under review, investment properties with carrying amount of approximately HK\$1,429,284,000 (31 December 2015: approximately HK\$1,628,928,000) were pledged to banks for the Group's borrowings.

The investment properties were classified as Level 3 under the fair value hierarchy (31 December 2015: Level 3).

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\$10,548,000 (31 December 2015: approximately HK\$5,974,000) and their aged analysis at each reporting period is as follow:

	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
Less than 90 days	6,370	3,311
More than 90 days but less than 180 days	994	1,155
More than 180 days	3,184	1,508
Total trade receivables	10,548	5,974
Deposit for land acquisition	101,399	99,984
Other deposits	3,448	13,740
Prepayments	72,819	72,536
Amount due from non-controlling interest	5,124	4,169
Other receivables	86,874	84,435
	280,212	280,838

13. Deposits and Other Payables

	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
Accrued charges	74,102	44,042
Construction payables	115,826	175,702
Deposit received	73,732	85,444
Interest payables	212,190	194,018
Other tax payables	35,240	36,840
Other payables	216,783	302,522
	727,873	838,568

Notes to the Condensed Consolidated Financial Statements

14. Bank and Other Borrowings

	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
Secured bank borrowings	755,829	1,069,123
Unsecured other borrowings	248,378	268,879
	1,004,207	1,338,002
Carrying amount repayable:		
Within one year	263,639	569,196
More than one year, but within two years	306,587	213,416
More than two years, but within five years	422,540	525,869
More than five years	11,441	29,521
	1,004,207	1,338,002
Less: amounts due within one year shown under current liabilities	(263,639)	(569,196)
	740,568	768,806

- (a) Included in the above balances are bank borrowings with variable-rate and fixed-rate borrowings of approximately HK\$131,519,000 and HK\$624,310,000 respectively (31 December 2015: approximately HK\$1,069,123,000 and HK\$Nil respectively). The variable-rate borrowings carry interest adjustable for changes of borrowing rate offered by The People's Bank of China. The average rate of variable-rate and fixed-rate borrowings charged by the banks during the period ranged from 5.3% to 7.1% and 5.3% to 7.7% per annum respectively (31 December 2015: 2.7% to 7.8% and nil per annum respectively). Interest is re-priced according to contract term. The other borrowings of approximately HK\$248,378,000 (31 December 2015: HK\$268,879,000) were obtained from four (31 December 2015: four) parties and carry interest fixed from approximately 10% to 12% (31 December 2015: from approximately 10% to 12%) per annum.

Notes to the Condensed Consolidated Financial Statements

14. Bank and Other Borrowings (Continued)

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

	As at 30 June 2016 Per annum	As at 31 December 2015 Per annum
Effective interest rate:		
Fixed-rate borrowings	5.3%-12%	10%-12%
Variable-rate borrowings	5.3%-7.1%	2.7%-7.8%

- (c) The secured bank borrowings are secured by (i) investment properties; (ii) pledged bank deposit; (iii) stock of properties; and (iv) land use right of the Company with an aggregate carrying amount of approximately HK\$2,562,873,000 (31 December 2015: approximately HK\$3,005,026,000).

15. Share Capital

	As at 30 June 2016		As at 31 December 2015	
	Number of shares	Nominal values HK\$'000	Number of shares	Nominal values HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	30,000,000,000	300,000	30,000,000,000	300,000
Ordinary shares, issued and fully paid:				
At 1 January	465,337,855	4,653	1,724,168,251	17,242
Share consolidation and capital reduction	—	—	(1,508,647,220)	(15,086)
Issue of share upon rights issue	698,006,782	6,980	1,724,168,248	17,241
Issue of shares upon placing	—	—	387,000,000	3,870
Capital reduction	—	—	(1,861,351,424)	(18,614)
At 30 June (Unaudited) and 31 December (Audited)	1,163,344,637	11,633	465,337,855	4,653

Notes to the Condensed Consolidated Financial Statements

16. Fair Value Measurement

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

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

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

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

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

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable as at 30 June 2016 and 31 December 2015.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Notes to the Condensed Consolidated Financial Statements

16. Fair Value Measurement (Continued)

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets				
At 30 June 2016 (Unaudited)				
Financial assets at fair value				
through profit or loss	3,259	—	—	3,529
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 31 December 2015 (Audited)				
Financial assets at fair value				
through profit or loss	3,662	—	—	3,662

17. Commitments

- (a) Capital commitments outstanding at 30 June 2016 not provided for in the Interim Financial Statements were as follows:

	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
Capital expenditure authorized and contracted for in respect of construction of:		
— acquisition of properties	218,757	304,649

Notes to the Condensed Consolidated Financial Statements

17. Commitments (Continued)

- (b) At 30 June 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
Within one year	2,313	4,531
After one year but within five years	4,613	4,712
	6,926	9,243

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.

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

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

- it is alleged that Baisazhou Agricultural forged a share transfer agreement (the "**Contented 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;
- 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 Contented Agreement involved forged signatures; and

Notes to the Condensed Consolidated Financial Statements

18. 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)

1. (Continued)

- (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.
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.

Notes to the Condensed Consolidated Financial Statements

18. 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)

5. 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.
6. 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.
 7. On 21 July 2015, the Company received the written Notice of Acceptance of the retrial application from the Supreme People's Court.
 8. On 22 December 2015, the Supreme People's Court dismissed the Company's petition ("**December 2015 Judgment**"). The Company received the December 2015 Judgment on 7 January 2016 and is currently seeking legal advice from its legal advisors on the steps to be taken following the December 2015 Judgment.
 9. The Company is also seeking legal advice as to the possible impacts of the Beijing Judgment on the Group, if any, in view of the development as set out in Paragraph 6 of Part (F) below.

Notes to the Condensed Consolidated Financial Statements

18. 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)
10. If event 5(b)(i) and/or 5(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 2015, Baisazhou Agricultural contributed approximately the following to the Group: (i) approximately HK\$164.2 million (approximately 45% of the Group) in revenue; (ii) approximately HK\$106.1 million (approximately 21% increase in the loss attributable to owners of the Company of the Group) in profit attributable to owner of the Company; (iii) approximately HK\$1,853.8 million (approximately 26% of the Group) in assets; (iv) approximately HK\$845.4 million (approximately 16% of the Group) in liabilities; and (v) approximately HK\$1,008.4 million (approximately 57% 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 2016, the instruments are recorded at book value of approximately HK\$376.0 million, together with interest payable in the aggregate amount of approximately HK\$554.0 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 5(b)(i) or 5(b)(ii) above occur.

Notes to the Condensed Consolidated Financial Statements

18. 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. Baisazhou Agricultural remains as plaintiff of the proceedings.
3. On 12 January 2016, the Hubei Court issued a notice to the parties, informing the parties that the composition of the judges for the proceedings would be changed.

(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, on 14 December 2012 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

18. Litigation (Continued)

(C) Writ issued in PRC by Wuhan Long Xiang Trading Development Limited and Hubei 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 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

18. Litigation (Continued)

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

15. On 13 August 2015, the Wuhan Intermediate People's Court dismissed the objection to the Rulings of Enforcement.
16. On 27 August 2015, Baisazhou Agricultural filed an application with the Hubei Court for reconsideration of the dismissal of the objection.
17. On 14 September 2015, the application to reconsider the dismissal of the objection was heard before the Hubei Court.
18. On 12 October 2015, the Wuhan Intermediate People's Court made an order to continue to freeze the two bank accounts of Baisazhou Agricultural until 11 October 2016.
19. On 26 October 2015, the Hubei Court upheld the decision to dismiss the objection.
20. On 18 January 2016, the Wuhan Intermediate People's Court made an order to discharge the freezing of the sum of 25 million in the bank account of Baisazhou Agricultural and transfer of HK\$2,139,618.41 to the Wuhan Intermediate People's Court.
21. On 11 March 2016, the Wuhan Intermediate People's Court made a Ruling on Enforcement to discharge the freezing of another sum of HK\$30 million in the bank account of Baisazhou Agricultural maintained and transfer of RMB24,294,483.7 to the Wuhan Intermediate People's Court.
22. The case has concluded accordingly.

(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.

Notes to the Condensed Consolidated Financial Statements

18. Litigation (Continued)

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

3. The Instruments are recorded at book value at approximately HK\$376.0 million, together with interest payable in the amount of approximately HK\$554.0 million as at 30 June 2016.
4. At the Case Management Summons dated 20 April 2016, Registrar K.W. Lung gave directions for, inter alia, the filing and exchange of the supplemental lists of documents, supplemental witness statements, and expert evidence on PRC law. And the Case Management Conference is scheduled to take place on 9 November 2016.

(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.
4. On 6 September 2015, the Wuhan Intermediate People's Court revoked the verdict, and appointed the Hongshan District People's Court of Wuhan City to conduct the trial.

(F) Legal proceedings against 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 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 "**Application**"). 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

18. Litigation (Continued)

(F) Legal proceedings against MOFCOM by Ms. Wang and Tian Jiu (Continued)

4. On 8 January 2016, the Company received a judgment dated 31 December 2015 issued by the Beijing Court, by which the Court demanded MOFCOM to handle the Application again within 30 days.
5. On 15 February 2016, an inquiry was held by MOFCOM where the relevant parties to the legal proceedings were invited to attend and make submissions.
6. On 23 May 2016, the Company received a decision issued by MOFCOM dated 19 May 2016 to the effect, inter alia, that its approval issued in November 2007 in relation to the Contended Agreement shall not be revoked and shall remain to be in force. Up to the date of this report, the Company is not aware of any administrative reviews being applied for nor any administrative proceedings brought by Ms. Wang and Tian Jiu in respect of the decision.

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

1. 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.
2. On 26 May 2015, the writ was accepted by the Hubei Court.
3. On 15 June 2015, Ms. Wang and Tian Jiu brought a jurisdiction objection to Hubei Court.
4. On 25 August 2015, the Hubei Court dismissed the jurisdiction objection.
5. On 6 September 2015, Ms. Wang and Tian Jiu appealed to the Supreme People's Court regarding the dismissal of jurisdiction objection.
6. On 30 October 2015, the Supreme People's Court dismissed the appeal of Ms. Wang and Tian Jiu.
7. On 20 July 2016, the Hubei Court issued a notice to the parties for attendance at the pre-trial review on 11 August 2016.
8. According to the counterclaim filed by Ms. Wang and Tian Jiu dated 6 August 2016, they sought a declaration from the Hubei Court that the SPA no longer have any force.

Notes to the Condensed Consolidated Financial Statements

18. Litigation (Continued)

(H) Writ issued by the Company against Guangxi Zhengdi Construction Development Company Limited

- On 13 April 2016, the Company issued a writ against Guangxi Zhengdi Construction Development Company Limited (“**Guangxi Zhengdi**”) for its delay in completing the construction works in an agricultural produce exchange market in Qinzhou. The Company claimed against Guangxi Zhengdi for damages in a sum of RMB45,100,000 calculated at the rate of RMB100,000 for each day of delay pursuant to the construction agreement. The writ was accepted by the Qinzhou Intermediate People’s Court (“**Qinzhou Court**”).
- On 16 March 2016, the Qinzhou Court made an order to freeze the bank account of Guangxi Zhengdi for RMB44,900,000 until 15 March 2017.

Save as disclosed above, as at 30 June 2016, 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.

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

	For the six months ended 30 June	
	2016	2015
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)
Short-term employee benefits	5,605	5,914
Post-employment benefits	71	59
	5,676	5,973

Notes to the Condensed Consolidated Financial Statements

19. Material Related Party Transactions *(Continued)*

(b) Finance cost

During the period ended 30 June 2016, the Group paid a bond interest expenses to a wholly-owned subsidiary of Easy One Financial Group Limited (formerly known as “PNG Resources Holdings Limited”) at the amount of approximately HK\$7,475,000 (30 June 2015: approximately HK\$7,434,000).

20. Comparative Figures

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

21. Events After The Interim Period

On 11 July 2016, an indirectly wholly-owned subsidiary of the Company Shenzhen Zhibo Tianyu Trading Development Limited (“**Shenzhen Zhibo**”) entered into the disposal agreement with the nominee shareholder by disposing its wholly-owned subsidiary Shenzhen Gudeng in order to satisfy the foreign shareholding restrictions of provision of the ICP in the PRC. The Company will then enter into the contractual arrangement with the nominee shareholder to ensure Shenzhen Zhibo is able to manage and operate the ICP services of Shenzhen Gudeng. Detail of the arrangement is set out in the Company's announcement dated 11 July 2016.

22. Approval Of Interim Financial Statements

The Interim Financial Statements were approved and authorised to issue by the Board on 17 August 2016.