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

Massive supply

Excellent quality with reasonable price

2016 Annual Report

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Mr. Ng Yat Cheung, *JP*
Mr. Lau King Lung
Mr. Wong Hin Wing *(appointed on 23 December 2016)*

AUDIT COMMITTEE

Mr. Wong Hin Wing, *Chairman (appointed on 23 December 2016)*
Mr. Ng Yat Cheung, *JP*
Mr. Lau King Lung

REMUNERATION COMMITTEE

Mr. Ng Yat Cheung, *JP, Chairman*
Mr. Lau King Lung
Mr. Chan Chun Hong, Thomas
Mr. Wong Hin Wing *(appointed on 23 December 2016)*

NOMINATION COMMITTEE

Mr. Lau King Lung, *Chairman*
Mr. Ng Yat Cheung, *JP*
Mr. Chan Chun Hong, Thomas
Mr. Leung Sui Wah, Raymond
Mr. Wong Hin Wing *(appointed on 23 December 2016)*

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

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2 Church Street
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Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Kowloon Bay
Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

LISTING INFORMATION

Share Listing

The Stock Exchange of Hong Kong Limited
Stock Code: 0149

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

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "**Board**" or the "**Directors**") of China Agri-Products Exchange Limited (the "**Company**", together with its subsidiaries, collectively the "**Group**"), I hereby present this annual report for the year ended 31 December 2016 to our shareholders. During the year under review, we stepped up our business transformation movements and attained a rapid business growth. Turnover of the Group increased to approximately HK$603 million, as compared to approximately HK$365 million in the corresponding period in 2015. The loss attributable to owners of the Company was approximately HK$741 million, which was mainly due to the significant increase of net loss in fair value of investment properties.

BUSINESS ENVIRONMENT

Under the backdrop of slowdown in the economic growth of the People's Republic of China (the "**PRC**"), the real estate sector of agri-product exchanges had also been undergoing some adjustments in 2016.

In 2016, PRC Government launched various supportive policies to vitalise the agricultural sector. As a result, the business prospects of agricultural produce exchange markets continued to be promising. The "No.1 Central Document for 2017" and the "13th Five-Year plan" concentrate on optimising product and industrial structure, promoting green production methods, strengthening the new industry innovation and speeding up agri-cultural rural area reforms in country. Meanwhile, the PRC State Council issued "National Agricultural Modernisation Plan (2016-2020)" in October 2016, which was aimed to tighten the connection between the production bases and the consuming regions primarily through structural reforms on the supply side of the sector. It aimed to boost the quality, efficiency and competitiveness of agricultural industry with an approach oriented at market demands.

In addition, the "Internet plus" concept remains influential to our business development. E-commerce provides a fresh development opportunity for traditional agricultural exchanges and eliminates common spatial restrictions to help enterprises boost their market shares and reduce operating costs. We have been working on the business of agricultural produce e-commerce platform since 2015 and continued to improve our e-commerce platform in the year under review as an aid to agricultural wholesale market to increase its efficiency and income.

BUSINESS REVIEW

The Group has ten ongoing projects in hand which are situated in strategic locations of the PRC, namely Wuhan City, Yulin City, Luoyang City, Xuzhou City, Puyang City, Kaifeng City, Qinzhou City, Huangshi City, Huai'an City and Panjin City. During the year under review, we paved the way for our expansion to rural e-commerce segment and continued to optimise the operation model of "gdeng.cn (谷登農批網)", an O2O agricultural produce e-commerce platform, to foster its synergy with the physical markets as well as to lay a solid foundation for the Group's efforts in developing a leading O2O agricultural produce e-commerce platform in the PRC. Furthermore, in December 2016, we also announced the proposed acquisition of the pawn loan business operated by CITIC XinBang Asset Management Corporation Ltd ("**CITIC XinBang**") with a view to diversify the Group's existing business portfolio and broaden the source of income to the Group.

BUSINESS DEVELOPMENT

Management and sales of properties in agricultural produce exchange markets in the PRC

The Group operates ten agricultural produce exchange markets which are expected to be mature under the wing of the Group and generate additional recurring income for the Group in 2017. We believe that the ten projects in operation will contribute stable income to the Group in the coming year.

E-commerce

Rural e-commerce was a recommended focus in the "13th Five-Year Plan" and the "Internet Plus" strategy had been extending into the agricultural sector. During the year under review, in response to the national policies, the Group continued to develop the O2O agricultural produce e-commerce platform to optimise and upgrade the agricultural produce exchange system. The agricultural produce e-commerce platform comprises a website — "gdeng.cn" (谷登農批網) and two smartphone applications — "NSY(農商友)" and "NST(農速通)", which combines information, finance, ancillary facilities, logistics, promotion, transaction and social network. "gdeng.cn (谷登農批網)" focuses on solving the low efficiency and a relatively severe wear-and-tear in agricultural products circulation and provides advanced one-stop solutions for comprehensive agricultural produce exchanges management and operation to our customers. The e-commerce platform and the smartphone applications would line up our physical markets and logistic centres to provide a one-stop service package for agri-products to our customers.

Proposed New Business

In December 2016, the Group announced the entering of a conditional sale and purchase agreement with 11 vendors, amongst them including 中信資產管理有限公司 (CITIC Asset Management Corporation Ltd.) ("**CITIC AMC**"), under which the Company conditionally agreed to acquire the right and power to control over and the right to enjoy the economic benefits in the pawn loan business operated by CITIC XinBang (the "**Acquisition**") at an aggregate consideration of HK$3,116,632,579 which is to be satisfied by the issue and allotment of new shares of the Company at the issue price of HK$1.35 per share. CITIC XinBang is primarily engaged in the pawn loan business in the PRC. As at the date of the announcement of the Company dated 4 December 2016 relating to the Acquisition, CITIC XinBang had 25 pawn shops in 15 provinces or municipalities in the PRC. The completion of the Acquisition is subject to, among other things, compliance with regulatory requirements under The Rules (the "**Listing Rules**") Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Hong Kong Code on Takeovers and Mergers. We believe that a diversified business portfolio can significantly broaden our income streams and facilitate profit realisation which in turn will benefit the Company and its shareholders as a whole.

FUND RAISING ACTIVITIES

In order to further the development of the Group, the Company completed a rights issue on 28 January 2016 and an issue and placing of convertible notes on 19 October 2016. The Company also entered into a subscription agreement on 16 November 2016 in respect of the subscription of shares of the Company which is conditional upon, among other things, the completion of the Acquisition.

CORPORATE STRATEGIES

Looking forward, the PRC government will continue to accelerate agricultural modernisation and intensely promote rural e-commerce development. In alignment with the trend, the Group took the lead in the O2O agricultural e-commerce industry and launched the platform "gdeng.cn (谷登農批網)". We will continuously promote the use of the platform. With the assistance of innovative technologies, we will offer customers efficient and excellent solutions for agricultural produce exchanges and actively participate in the development of agricultural wholesale business in the PRC. We have successfully built a nationwide chain of wholesale markets and a network of modern agriculture products logistics centre which is based in central China linking between the southern and northern regions of China and across the eastern and southwestern parts of China. We believe our market share and business will keep a steady growth. With the policy support from the PRC government, we will thoroughly implement such directions and adhere to a demand-driven operation model, and develop "gdeng.cn (谷登農批網)", our O2O agricultural produce e-commerce platform in the PRC. Combining with our huge off-line market resources on agricultural produce exchanges, it shall link up urban and rural areas efficiently. In light of the slowdown in economic growth in the PRC, the Group will actively explore development opportunities and new businesses with growth potential in the future and strive to create good returns for our shareholders.

In 2017, the Group will continue to maintain a balance between its expansion and financial sustainability with a prudent pace of development. As always, we will adopt a cautious operation model and seek opportunities for business development and steadily forge a sustainable business environment to maximise the benefits to our shareholders and the agricultural industry.

SOCIAL RESPONSIBILITY

As a social caring corporation, the Group is committed to promoting sustainable business development. In 2016, the Company signed the carbon reduction charter initiated by the Hong Kong Environmental Protection Department and participated in computer recycling program and donated used computer equipment to recycle center, which subsequently sent to charitable organisations after repairment and renewal. For our PRC operation, we implemented a proactive approach towards environmental management in order to ensure our construction works and business operations in compliance with the PRC environmental laws and regulations. Details of our works done in 2016 relating to environmental, social and governance matters were disclosed in our Environmental, Social and Governance Report of this annual report.

APPRECIATION

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

Chan Chun Hong, Thomas
Chairman and Chief Executive Officer

Hong Kong, 21 February 2017

MANAGEMENT DISCUSSION AND ANALYSIS

The gross profit of the Group increased by approximately 30% to approximately HK$309 million from approximately HK$238 million for the last financial year. The gross profit margin of the Group for the financial year under review was approximately 51% as compared to approximately 65% for the last financial year. The decrease in gross profit margin was mainly due to the effect of the property sales margin being lower than that of agricultural produce exchange market operation and the increase of operating costs incurred by our newly opened agricultural markets.

SUMMARY OF FINANCIAL RESULTS

Turnover and gross profit

For the year ended 31 December 2016, the Group recorded a turnover of approximately HK$603 million, an increase of approximately HK$238 million or approximately 65% increase from approximately HK$365 million for the last financial year. The increase was mainly attributable to the properties sales recognition of Yulin Hongjin Agricultural and By-Product Exchange Market ("**Yulin Market**") and Qinzhou Hongjin Agricultural and By-Product Exchange Market ("**Qinzhou Market**").

The gross profit of the Group increased by approximately 30% to approximately HK$309 million from approximately HK$238 million for the last financial year. The gross profit margin of the Group for the financial year under review was approximately 51% as compared to approximately 65% for the last financial year. The decrease in gross profit margin was mainly due to the effect of the property sales margin being lower than that of agricultural produce exchange market operation and the increase of operating costs incurred by our newly opened agricultural markets.

Net loss in fair value of investment properties and impairment loss of stock of properties

The net loss in fair value of investment properties of approximately HK$594 million (2015: approximately HK$33 million) and the written down of stock of properties of approximately HK$17 million (2015: approximately HK$60 million) were mainly due to the rapid change of commercial property market which led to the decrease in market price for commercial properties in the PRC and competition of the entire market business environment in the PRC which have introduced various new competitors to the market and led to a decrease in turnover of the Group's agri-products market.

General and administrative expenses, selling expenses and finance costs

General and administrative expenses were approximately HK$288 million (2015: approximately HK$326 million). The decrease was mainly due to the tightening control of operating expenses netting off by our expenses incurred for our new projects. Selling expenses were approximately HK$50 million (2015: approximately HK$55 million). The decrease in selling expenses was mainly due to the implementation of cost saving polices in the Group's marketing and promotion events in 2016. Finance costs were approximately HK$269 million (2015: approximately HK$268 million).

Loss attributable to owners of the Company

The loss attributable to owners of the Company for the year under review was approximately HK$741 million as compared to the last year loss of approximately HK$489 million. While the profit from operations before fair value changes and impairment achieved a turnaround from the loss from operations before fair value changes and impairment of approximately HK$121 million for the last financial year to profit from operations before fair value changes and impairment of approximately HK$37 million for the year under review. The loss attributable to owners of the Company was mainly due to the significant increase of net loss in fair value of investment properties.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, the Group had total cash and cash equivalents amounting to approximately HK$330 million (2015: approximately HK$276 million) whilst total assets and net assets were approximately HK$5,957 million (2015: approximately HK$7,043 million) and approximately HK$1,159 million (2015: approximately HK$1,778 million), respectively. The Group's gearing ratio as at 31 December 2016 was approximately 2.3 (2015: approximately 1.6), being a ratio of total bank and other borrowings, bonds, convertible bonds and promissory notes of approximately HK$2,993 million (2015: approximately HK$3,262 million), net of cash and cash equivalents and pledged bank deposits of approximately HK$330 million and nil respectively (2015: cash and cash equivalents of approximately HK$276 million and pledged bank deposit of approximately HK$148 million) to shareholders' funds of approximately HK$1,159 million (2015: approximately HK$1,778 million).

DIVIDENDS

The Directors do not recommend any payment of final dividend for the year ended 31 December 2016 (2015: Nil). No interim dividend for 2016 was paid to the shareholders of the Company during the year under review (2015: Nil).

REVIEW OF OPERATIONS

During the year under review, the Group was principally engaged in management and sales of properties in agricultural produce exchange markets in the PRC. Both the operating performance and market ranking of our markets remarked steady progress in 2016.

WUHAN BAISAZHOU Market

Agricultural Produce Markets

1. ***Wuhan Baisazhou Market***

   Located in the provincial capital of Hubei Province, the PRC, Wuhan Baisazhou Agricultural and By-Product Exchange Market ("**Wuhan Baisazhou Market**") is one of the largest agricultural produce exchange operators in the PRC. Wuhan Baisazhou Market is situated in the Hongshan District of Wuhan City with a site area of approximately 310,000 square metres and a total gross floor area of approximately 190,000 square metres. In 2016, Wuhan Baisazhou Market was awarded top 50 of agricultural products supply chain contributors by China Agricultural Wholesale Market Association. In October 2016, Wuhan Baisazhou Market was awarded National Prominent Enterprise in Agricultural Industry by the Ministry of Agriculture. These awards were a sign to the market contribution being made by the Group's effort and expertise as an agricultural produce exchange market operator in the PRC.

   During the year under review, the turnover of Wuhan Baisazhou Market continued to operate at a steady pace compared to last financial year. As a mature market in Wuhan, Wuhan Baisazhou Market has established its reputation and track record to customers and tenants and continued to make significant contribution to the community.

YULIN Market

2. *Yulin Market*

Yulin Market is one of the largest agricultural produce exchange markets in Guangxi Zhuang Autonomous Region ("**Guangxi Region**"), the PRC with site area of approximately 415,000 square metres and total gross floor area of approximately 196,000 square metres. It consisted of various types of market stalls and multi-storey godown. Phase two development of the Yulin Market became a new growth driver for the Group. As an energetic agricultural produce exchange market, Yulin Market's continuously remarkable performance proved it having become one of the key agricultural produce exchange markets in the Guangxi Region.

Yulin Market's operation performance was satisfactory, achieving a revenue growth of approximately 164% as compared to the last financial year.

LUOYANG Market

3. *Luoyang Market*

Luoyang Hongjin Agricultural and By-Product Exchange Market ("**Luoyang Market**") was the flagship project of the Group in Henan Province, the PRC. Both occupancy rate and vehicles traffic were satisfactory. The site area and gross floor area of Luoyang Market were approximately 255,000 square metres and approximately 213,000 square metres, respectively. After several years' operation, the business performance of Luoyang Market has gradually improved. In December 2016, operation income of Luoyang Market increased by 39% compared to the last financial year. In 2016, Luoyang Market was awarded one of the best agricultural products supply chain contributors by China Agricultural Wholesale Market Association.

XUZHOU Market

4. ***Xuzhou Market***

Xuzhou Agricultural and By-Product Exchange Market ("**Xuzhou Market**") occupied approximately 200,000 square metres and was located in the northern part of Jiangsu Province, the PRC. The market housed various market stalls, godowns and cold storage. Xuzhou Market was a major marketplace for the supply of fruit and seafood in the city and the northern part of Jiangsu Province, the PRC. In October 2016, Xuzhou Market was awarded National Prominent Enterprise in Agricultural Industry by the Ministry of Agriculture.

Being a mature market of the Group, Xuzhou Market faced fierce competitions. As its income in 2016 decreased by approximately 19% to approximately HK$47,571,000 as compared to the last financial year (2015: approximately HK$58,882,000), based on the same assumptions as well as the same discount rate of approximately 12% (2015: approximately 12%) and growth rate of 3% (2015: 3%), an impairment of approximately HK$6,444,000 has been provided for goodwill to the year ended 31 December 2016. For further details of the impairment on goodwill, please refer to note 18 to the consolidated financial statements.

PUYANG Market

5. *Puyang Market*

Puyang Hongjin Agricultural and By-Product Exchange Market ("**Puyang Market**") is one of our joint venture projects in cooperation with a local partner. During the year under review, Puyang Market resulted a decrement of approximately 9% in turnover as compared to the last financial year.

KAIFENG Market

6. *Kaifeng Market*

Kaifeng Hongjin Agricultural and By-Product Exchange Market ("**Kaifeng Market**"), with the gross floor construction area of approximately 120,000 square metres, was the third point of market operations for facilitating the Group to build an agricultural produce market network in Henan Province, the PRC. After a year of business operations, Kaifeng Market was still in the business development stage during the financial year. It was expected that the performance of Kaifeng Market will gradually improve after the market has become more mature.

QINZHOU Market

7. ***Qinzhou Market***

Qinzhou Market, with the gross floor construction area of approximately 180,000 square metres, was the second point of market operations and facilitated the Group to build an agricultural produce market network in Guangxi Region. During the year under review, approximately HK$200 million were recognized as property sales income of Qinzhou Market.

HUANGSHI Market

8. *Huangshi Market*

The Group completed the acquisition of Huangshi Hongjin Agricultural and By-Product Exchange Market ("**Huangshi Market**") in January 2015. Huangshi Market was one of the Group's joint venture projects in Hubei Province, the PRC. Huangshi city is a county level city in Hubei and around 100 kilometers away from Wuhan Baisazhou Market. Huangshi Market, as a second tier agricultural produce exchange market, creates synergy effect with Wuhan Baisazhou Market for increasing vegetable and by-products trading. During the year under review, the operating performance of Huangshi Market was satisfactory, bringing positive operating cashflow to the Group.

HUAI'AN Market

9. *Huai'an Market*

Huai'an Hongjin Agricultural and By-Product Exchange Market ("**Huai'an Market**") is the Group's joint venture project located at Huai'an city of Jiangsu Province, the PRC. Phase one of Huai'an Market has been in operation since October 2015 and it is expected that the performance of Huai'an Market will gradually improve after the market has become more mature.

PANJIN Market

10. *Panjin Market*

Phase one of Panjin Hongjin Agricultural and By-Product Exchange Market ("**Panjin Market**") with the construction area of around 50,000 square metres is in operation and the first attempt of the Group's investment in Liaoning Province, the PRC. Panjin Market focused on the trading of river crabs and was still in the preliminary stage of operation development. It was expected that the performance of Panjin Market will gradually improve after the market has become more mature.

HUANGGANG Market

11. 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 PRC. 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, the performance of Huanggang Market was not up to expectations and the project ceased during the year under review.

E-commerce development

With extensive usage of internet application and online shopping in the PRC, the Group has allocated resources in e-commerce development for linking customers in the physical agricultural exchange markets to the virtual electronic market. Our e-commerce trading platform comprising one website and two mobile applications, providing one-stop shopping experience to our customers, was launched in early 2016 and has achieved a steady progress in its business development during the year under review. The advanced technology model in e-commerce brings benefit to both the customers and the Group. On the one hand, customers and suppliers can save time and manpower to handle paper documents and cash transactions. On the other hand, the Group can acquire big data from the transactions from customers and suppliers in order to analyse their needs and, in turn, provide more comprehensive services to them. During the year under review, our e-commerce platform has attracted more than 250,000 registered members from our customers and suppliers and captured more than RMB8 billion food trading transactions between customers and suppliers. Apart from carrying business in our physical existing agricultural produce markets, our e-commerce business model has extended our footprints to a new area. The operation of the e-commerce business was held via Shenzhen Gudeng Technology Limited by using contractual arrangements. Details of the establishment of the contractual arrangements were disclosed in the section below headed "Material Transactions".

RISK FACTORS RELATING TO OUR INDUSTRY AND BUSINESS OPERATIONS

As at 31 December 2016, the Group operated 10 agricultural products exchange markets across 5 provinces and e-commerce in the PRC. In view of the ever-changing business environment in the PRC, the following are the principal risks, challenges and uncertainties faced by the Group, including (1) fluctuation in the exchange rate of Renminbi against Hong Kong dollars, which affects the translation of the PRC assets and liabilities from Renminbi to Hong Kong dollars in the Group's financial reporting; (2) difficulty in obtaining adequate financing, including equity and debt financing to support our agri-products exchange markets that are capital intensive and high gearing ratio of approximately 2.3 as at 31 December 2016 (Details of the gearing ratio were disclosed in the above section headed "Liquidity and Financial Resources"); (3) preserving or enhancing our competitive position in the agri-products exchange markets industry; (4) maintaining or enhancing the level of occupancy at our agri-products exchange markets; (5) obtaining all necessary licenses and permits for the development, construction, operations and acquisition of agri-products exchange markets; and (6) the effect of changes and amendments in the national and local laws and regulations, especially the laws and regulations relating to agri-products exchange markets, on the Group's operations and development.

Through our governance processes and proactive management approach we seek to mitigate, where possible, the impacts of certain risks, challenges and uncertainties should they materialise. In particular, we would consider, from time to time, to (1) make use of risk hedging tools, if appropriate, to mitigate Renminbi currency exchange risk; (2) utilise various financing alternatives including equity and debt financing to obtain sufficient financing to support our operations; (3) adapt to the fast-changing market and adhere to any changes in the PRC government's policies and regulations; and (4) review the external environment and modify our market strategies.

DEPENDENCE OF EMPLOYEES, CUSTOMERS AND SUPPLIERS

As the Group is adopting market remuneration practices by reference to market terms, company performance, and individual qualifications and performance and well-organized structure management, no key and specific employee would materially and significantly affect the Group's success. During the year under review, no major customers and suppliers accounted for over 5% of the Group's income and no major suppliers cannot be replaced by other appropriate suppliers. In this connection, no customers and suppliers would have material impact on the success of the Group's business performance.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The operations and development of agri-products exchange markets are subject to a variety of environmental laws and regulations during the construction and operations of agri-products exchange markets. Major environmental impacts are waste and wastewater generated during the construction and operation of the markets. The Group has, in strict compliance with the PRC environmental law, engaged independent environmental consultants to conduct environmental impact assessments at all of our constructions projects in all material aspects. The environmental investigations conducted to date have not revealed any environmental liability that would be expected to have a material adverse effect on our business condition. Upon completion of construction of each market, the environmental authorities will inspect the site to ensure compliance with all applicable environmental standards. All our construction projects comply with the "three simultaneities" principle stipulated in the "Environmental Protection Law of PRC". For further details on the impact of the environmental laws and regulations on our operations and our environmental policies, please refer to our Environmental, Social and Governance Report in this annual report.

MATERIAL TRANSACTIONS

Establishment of e-commerce business by using contractual arrangements

Shenzhen Gudeng Technology Limited ("**Shenzhen Gudeng**"), established in 2015, was an indirect-owned subsidiary of the Group carrying out the business of e-commerce and electronic trading platform of the Group. For the compliance of the PRC regulatory requirements, on 11 July 2016, the Group entered into an agreement to transfer its entire interest in Shenzhen Gudeng to a nominee shareholder and further entered into a series of contractual arrangements after obtaining the Internet Content Provider ("**ICP**") license issued by the Communication Authority of Guangdong Province on 7 September 2016 to enable the Group to manage and operate the ICP services of Shenzhen Gudeng. Details of the disposal and the contractual arrangements were disclosed in the Company's announcements dated 11 July 2016 and 11 October 2016, respectively.

Acquisition of pawn loan business

On 16 November 2016, the Company entered into the sale and purchase agreement with, inter alia, CITIC Asset Management Corporation Ltd. and other vendors (the "**Vendors**") pursuant to which the Company has conditionally agreed to acquire the right and power to control over and the right to enjoy the economic benefits in the pawn loan business through structured contracts. The aggregate consideration of the acquisition is HK$3,116,632,579, which will be satisfied by the allotment and issue of 2,308,616,725 consideration shares of the Company at the issue price of HK$1.35 per share. Completion of the acquisition has yet to take place as at the date of this report. Details of the transaction and structured contracts were disclosed in the Company's announcements dated 4 December 2016, 23 December 2016 and 6 January 2017.

CAPITAL COMMITMENTS, PLEDGES AND CONTINGENT LIABILITIES

As at 31 December 2016, outstanding capital commitments, contracted but not provided for, amounted to approximately HK$194 million (2015: approximately HK$305 million) in relation to the purchase of property, plant and equipment, construction contracts, capital injection of entity and operating lease agreements. As at 31 December 2016, the Group had significant contingent liabilities in the amount of approximately HK$15 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 (2015: approximately HK$0.1 million).

As at 31 December 2016, the Group pledged the land use rights and properties with an aggregate carrying amount of approximately HK$2,269 million (2015: approximately HK$3,005 million for land use rights, properties and bank deposits) 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 31 December 2016. The revenue, operating costs and bank deposits of the Group were mainly denominated in Renminbi and Hong Kong dollars. During the year under review and due to the currency fluctuation of Renminbi against Hong Kong dollars, the Group had been considering alternative risk hedging tools to mitigate Renminbi currency exchange risk.

DEBT PROFILES AND FINANCIAL PLANNING

As at 31 December 2016 and 31 December 2015, interest bearing debts profiles in the consolidated balance sheet of the Group were analyzed as follows:

	2016		2015	
	Carrying amount *HK$ million*	**Approximate effective interest rate *(per annum)***	Carrying amount *HK$ million*	Approximate effective interest rate *(per annum)*
Bonds issuance	**1,336**	**11%**	1,548	11%
Convertible bonds	**413**	**12%**	–	–
Financial Institution Borrowings	**707**	**6%**	1,069	6%
Non-Financial Institution Borrowings	**161**	**11%**	269	11%
Promissory Notes	**376**	**5%**	376	5%
Total	**2,993**		3,262	

Note:

Save as the financial institution borrowings was made in Renminbi with fixed and floating interest rates, other items as mentioned in the above table were made in Hong Kong dollars with fixed interest rates.

In order to meet interest bearing debts and business capital expenditure, the Group is, from time to time, considering various financing alternatives including equity and debt financing 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 property inventories.

FUND RAISING ACTIVITIES

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 a special general meeting of the Company held on 21 December 2015. The closing price of the shares in the Company as at 30 October 2015 was HK$0.117. The Capital Reorganisation and the Rights Issue were completed on 22 December 2015 and 28 January 2016, respectively.

The gross proceeds and net proceeds of the Rights Issue were approximately HK$293 million and approximately HK$283 million, respectively in which approximately HK$264 million was intended to be utilized for the repayment of borrowings and interests of the Group and the remaining balance of approximately HK$19 million was intended to be utilized for general working capital. As at 31 December 2016, (i) approximately HK$264 million was utilized for the repayment of borrowings and interest of the Group; and (ii) approximately HK$19 million was utilized for general working capital (major component of which was operating expenses, such as rental and salary expenses). Details of the Capital Reorganisation and the Rights Issue were disclosed in the announcements of the Company dated 4 November 2015 and 27 January 2016, the circular of the Company dated 27 November 2015 and the prospectus of the Company dated 5 January 2016, respectively.

Issue and placing of convertible notes

On 23 August 2016, the Company entered into a notes placing agreement (the "**Notes Placing Agreement**") with Kingston Securities Limited (the "**Placing Agent**") in relation to the placing of convertible notes in the aggregate principal amount of HK$360 million convertible into 900,000,000 convertible shares at the conversion price of HK$0.40 per convertible share (the "**Notes Placing**") in the Company. On 23 August 2016, the Company entered into a note subscription agreement (the "**Note Subscription Agreement**") with Peony Finance Limited, a wholly-owned subsidiary of Easy One Financial Group Limited ("**EOG**"), a substantial shareholder of the Company, pursuant to which the Company has agreed to issue to Peony Finance Limited a convertible note in the principal amount of HK$140 million convertible into 350,000,000 convertible shares at the conversion price of HK$0.40 per convertible share (the "**EOG Note Subscription**") in the Company.

The total gross proceeds and net proceeds of the Notes Placing and EOG Note Subscription were HK$500 million and approximately HK$488 million, respectively. The net proceeds of (i) approximately HK$200 million was intended to be utilized for the repayment of the bonds due in 2016; (ii) approximately HK$40 million was intended to be utilized for offsetting part of the principal amount of the bonds due in 2019; (iii) approximately HK$100 million was intended to be utilized towards the offsetting of the outstanding principal amounts and interest of loan from EOG; (iv) approximately HK$100 million was intended to be utilized for the repayment of principal amount and interest of interest bearing debts; and (v) the remaining balance of approximately HK$48 million was intended to be utilized for general working capital. As at 31 December 2016, (i) approximately HK$200 million was utilized for the repayment of 8.5% annual coupon bonds due in 2016; (ii) approximately HK$40 million was utilized for offsetting part of the principal amount of bonds due in 2019; (iii) approximately HK$100 million was utilized towards the offsetting of the outstanding principal amounts and interest of loan from EOG; (iv) approximately HK$43 million was utilized for the repayment of principal amount and interest of interest bearing debts; (v) approximately HK$35 million was utilized for general working capital, major component of which was operating expenses, such as rental expenses, marketing expenses and salary expenses; and (vi) the remaining balance will be used as intended. Details of the Notes Placing and the EOG Note Subscription were disclosed in the announcement of the Company dated 23 August 2016 and the circular of the Company dated 15 September 2016, respectively.

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, 24 May 2016 and 31 August 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.

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 PRC 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 of the PRC (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, among other things, that its approval issued in November 2007 (the "**Approval**") 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 the 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.

Upon the making of the Decision by MOFCOM that the Approval shall not be revoked and shall remain to be in force, in August 2016, the Company noted that Ms. Wang and Tian Jiu had brought another administrative proceedings (the "**Administrative Proceedings**") to the Beijing Court. According to a writ dated 3 August 2016, Ms. Wang and Tian Jiu requested the Beijing Court to revoke the Decision and to order MOFCOM to make a decision to revoke the Approval. According to a notice issued by the Beijing Court dated 26 August 2016 together with the writ which was served to the Company on 30 August 2016, each of the Company and Baisazhou Agricultural has been added as third party by the Beijing Court to the Administrative Proceedings.

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; 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 advisers in response to the Administrative Proceedings.

For other detailed information of litigation cases, please refer to note 36 to the consolidated financial statements.

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2016, the Group had 1,698 employees (2015: 1,951), approximately 98% of whom were located in the PRC. The Group's remuneration policy was reviewed periodically by the remuneration committee and the Board's remuneration is determined by reference to market terms, company performance, and individual qualifications and performance. The Group aimed to recruit, retain and develop competent individuals who were committed to the Group's long-term success and growth. Remunerations and other benefits of employees were reviewed annually in response to both market conditions and trends, and were based on qualifications, experience, responsibilities and performance.

PROSPECTS

Looking forward to 2017, the Group will continue to build a nationwide agricultural produce exchange network by leveraging on its leading position in the industry, readily replicable business model, well-advanced management system, information technology infrastructure and quality customer services. In 2016, State Council, Ministry of Commerce and Ministry of Agriculture issued various policies in accelerating the pace of development of "Internet Plus" policy. Ministry of Commerce has issued a 5-Year Plan for internet commerce development in December 2016. The Group is paying high attention to the government policies supporting internet development. In order to grasp the opportunities arising from the "Internet Plus" policy issued by the PRC government, the Group had established our e-commerce platform to complement our physical, online and logistic network for the provision of a more comprehensive service package for our customers. It is expected that e-commerce through internet development will change the business environment of traditional agricultural exchange market. The Group will be mindful for the change and get well prepared for this new electronic business model.

Once again, agricultural issue is the PRC central government's first priority policy for the next consecutive years under the document named "the Number 1 Policy of 2017" (the "**Policy**"). The Policy promotes agricultural e-commerce companies interface with agricultural products and agricultural processing industries. It also encourages agricultural e-commerce companies to provide comprehensive electronic solutions to the agricultural infrastructure, brand building, agricultural product logistic, manpower training, technical support and food quality assurance control.

In order to capture the new line of business opportunity, the Group has taken further steps in expanding business scope in the PRC by entering into a conditional agreement in respect of the proposed acquisition of pawn loan business operated by CITIC Asset Management Corporation Ltd.. This is a remarkable step for the Group and it is expected that, following the completion of the acquisition, it can diversify our existing business portfolio, broaden the source of income and eventually enhance the value of the Group. Taking the advantage of a leading position in the industry, the Group is confident that this strategy and business model will deliver long-term benefits to the Company and its shareholders as a whole.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Executive Directors

Mr. CHAN Chun Hong, Thomas, aged 52, joined the Group as an executive director of the Group in February 2009 and is the chairman, the chief executive officer and an authorised representative of the Company. Mr. Chan is the chairman of the executive committee and a member of each of the remuneration committee and the nomination committee of the Company. He has extensive experience in strategic planning and day-to-day operation management. Mr. Chan is an executive director of Wang On Group Limited, Wai Yuen Tong Medicine Holdings Limited and Easy One Financial Group Limited, the non-executive chairman of Wang On Properties Limited and was an independent non-executive director of Shanghai Prime Machinery Company Limited (resigned in June 2014), all of which are companies listed on the main board of the Stock Exchange. Mr. Chan graduated from the Hong Kong Polytechnic University with a degree in Accountancy and is a fellow member of The Association of Chartered Certified Accountants and an associate member of The Hong Kong Institute of Certified Public Accountants.

Mr. LEUNG Sui Wah, Raymond, aged 49, joined the Group as an executive director of the Group and the chief financial officer in June 2010. Mr. Leung was appointed as an authorised representative of the Company in February 2012. He is a member of each of the executive committee and the nomination committee of the Company. Mr. Leung had over 24 years of experience in corporate finance, accounting and company secretarial matters in Hong Kong and the PRC. He holds a Master degree in Business Administration and Master of Arts from The University of Hong Kong and City University of Hong Kong, respectively. He is a fellow member of The Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants, The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He is also a full member of Chartered Institute of Procurement and Supply and Certified Information Security Manager of Information Systems Audit and Control Association.

Mr. YAU Yuk Shing, aged 52, joined the Group in April 2012 and was appointed as an executive director of the Group in December 2012. Mr. Yau is a member of the executive committee of the Company. He has more than 22-year management experience in property development, engineering and construction businesses. Prior to joining the Group, Mr. Yau worked for certain companies with a wide spread of experience in real estate industry and project management.

Independent Non-executive Directors

Mr. NG Yat Cheung, *JP*, aged 61, joined the Company as an independent non-executive Director in February 2009. He is a member of each of the audit, remuneration and nomination committee of the Company. On 16 March 2012, Mr. Ng was also appointed as the chairman of the remuneration committee of the Company. He holds an associate degree in arts in business data processing from Chabot College in the United States. He holds offices as a director with a number of private companies which are principally engaged in technology, property development, insurance, finance and property holding. Mr. Ng is an independent non-executive director of Tao Heung Holdings Limited, a company listed on the main board of the Stock Exchange and was an independent non-executive director of VST Holdings Limited (resigned in May 2016), a company listed on the main board of the Stock Exchange and Jia Meng Holdings Limited (resigned in August 2015), a company listed on the Growth Enterprise Market of the Stock Exchange.

Mr. LAU King Lung, aged 70, joined the Company as an independent non-executive Director in May 2013. He is the chairman of the nomination committee and a member of each of the audit committee and the remuneration committee of the Company. Mr. Lau has over 40 years' experience in planning, design and contracting of civil engineering and building works in Hong Kong or the PRC. Mr. Lau is a chartered engineer with his profession registration both in the United Kingdom and Hong Kong. He participated in the design of the initial systems of the Mass Transit Railway in Hong Kong after his graduation from civil engineering department of Imperial College, University of London for 6 years with Freeman Fox and Partners, London.

Mr. WONG Hin Wing, aged 54, joined the Company as an independent non-executive Director in December 2016. He is the chairman of the audit committee and a member of each of the remuneration committee and the nomination committee of the Company. Mr. Wong holds a Master's degree in Executive Business Administration from Chinese University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England & Wales, the Association of Chartered Certified Accountants, the Hong Kong Institute of Directors and the Institute of Chartered Secretaries and Administrators. He is also a member of the American Institute of Certified Public Accountants and a chartered member of the Chartered Institute for Securities & Investment. He is an independent non-executive director of each of Dongjiang Environmental Company Limited (a public company with A shares listed on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange and H shares listed on the Stock Exchange), CRCC High-Tech Equipment Corporation Limited (a public company with H shares listed on the Stock Exchange) and AEON Credit Service (Asia) Company Limited (a public company listed on the Stock Exchange). He is also a member of Anhui Provincial Committee of the Chinese People's Political Consultative Conference, a member of the Nursing Council of Hong Kong and a council member of Hong Kong Institute of Certified Public Accountants. He has been the chief executive officer and responsible officer of China Silk Road International Capital Limited (formerly known as Legend Capital Partners, Inc.), a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) since 1997. Prior to this, he had worked with an international audit firm for four years and then a listed company as chief financial officer for seven years. He has 33 years of experience in accounting, finance, investment management and advisory.

SENIOR MANAGEMENT

Mr. CHEUNG Wai Kai, aged 61, joined the Group in April 2013. He is the director (western region) of the Group and a director of certain subsidiaries of the Group, namely China Agri-Products Corporate Development Limited, China Agri-Products Corporate Management Services Limited and Yulin Hongxin Commercial Company Limited. Mr. Cheung is an executive director of Easy One Financial Group Limited, a company listed on the main board of the Stock Exchange. Mr. Cheung has extensive experience in general management and business management.

Mr. MAK Wing Pui, Richard, aged 59, joined the Group in June 2014. He is the project director of the Group responsible for project engineering of the Group in the PRC. Mr. Mak holds a Diploma of Civil Engineering from Algonquin College, Canada. He has over 34 years' experience in project engineering in Hong Kong and the PRC.

Mr. LEUNG Wai Kai, Ray, aged 42, joined the Group in April 2013. He is the general manager of Human Resources Department of the Group and is responsible for human resources management and talent development. Mr. Leung holds a Bachelor Degree of Business Administration in Human Resources Management from Hong Kong Baptist University and he is a qualified Human Resources Professional in the PRC. Mr. Leung has over 20 years of experience in human resources both in Hong Kong and the PRC.

Mr. NG Cheuk Wing, aged 48, joined the Group in April 2009. He is the general manager (external affairs) of the Group in the PRC and also a director of two subsidiaries of the Group, namely Yulin Hong-Jin Agricultural By-Products Wholesale Marketplace Limited in Guangxi and Wuhan Baisazhou Agricultural By-Products Grand Market Company Limited in Hubei. Mr. Ng graduated from City University of Hong Kong and holds a Bachelor (Hons) Degree in Building Surveying. He is a member of The Royal Institution of Chartered Surveyors, a chartered member of the Chartered Institute of Housing and an incorporate member of the Chartered Institute of Building. Prior to joining the Group, Mr. Ng has over 18 years of project management experience in building and construction industry, both in Hong Kong and the PRC.

Mr. CHIER Ping Cheung, aged 55, joined the Group in September 2012. He is the general manager (central II region) of the Group and a director of three subsidiaries of the Group, namely Wuhan Baisazhou Agricultural By-Products Grand Market Company Limited, Huanggang Hong-Gang Agricultural By-Products Wholesale Marketplace Limited in Hubei and Xuzhou Yuan Yang Trading Development Company Limited in Jiangsu. He is responsible for project operation and management in the PRC. Mr. Chier has over 23 years of experience in accounting in Hong Kong and the PRC.

Mr. LIU Fang, aged 43, joined the Group in January 2014. He is the general manager (central I and northern region) of the Group and is responsible for the operation and management of agricultural produce exchange market of the Group located in Kaifeng, Puyang and Panjin in the PRC. Mr. Liu has over 15 years of experience related to agricultural produce exchange market in the PRC.

Mr. LIU Hai Bo, aged 50, joined the Group in July 2015. He is the general manager of the e-commerce business of the Group in the PRC responsible for its project management and operation management. He is also a director of two subsidiaries of the Group, namely Qinzhou Gudeng Technology Limited in Guangxi and Henan Gudeng Information Technology Limited in Henan. Mr. Liu is a senior expert of the China E-commerce Expert Database under the China E-commerce Association in the PRC and he holds a Diploma of Food Engineering from the night school of South China University of Technology in the PRC. Mr. Liu has over 15 years of experience in electronic and the operation of e-commerce platforms in the PRC.

Mr. CHEUNG Chin Wa, Angus, aged 39, joined the Company as company secretary in May 2012. He is also a director of a subsidiary of the Group namely Pu Yang Hong-jin Agricultural By-Products Wholesale Marketplace Limited. Mr. Cheung is a fellow member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He holds a Master Degree of Professional Accounting, a Master Degree of Corporate Governance, a Bachelor Degree of Laws and a Bachelor Degree of Arts in Translation. Prior to joining the Group, Mr. Cheung held company secretary or senior company secretarial positions in several Hong Kong listed companies.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. INTRODUCTION

Corporate Profile

The Group is mainly engaged in management and sales of agricultural exchange markets in the PRC, serving as an agri-products exchange platform characterized by high-quality management, food safety monitoring and provision of distribution and logistics services.

The Group has 10 projects in hand which are strategically situated in favorable locations of the PRC. These markets are located in Wuhan City, Yulin City, Luoyang City, Xuzhou City, Puyang City, Kaifeng City, Qinzhou City, Huangshi City, Huai'an City and Panjin City.

The Company has successfully established a modern international agricultural logistics center network. The "Hongjin" brand under the Group received highly-regarded market recognition.

About this Report

This is the first Environmental, Social and Governance ("**ESG**") report of the Company which focuses on disclosing the information of the Group in environmental and social aspects. This report is prepared in compliance with the ESG Reporting Guide sets out in Appendix 27 to the Listing Rules.

Reporting Period and Scope

This report includes data and information from the Company and its 10 agricultural exchange markets in the PRC, covering the Company's financial year from 1 January 2016 to 31 December 2016.

2. LETTER TO STAKEHOLDERS

Dear Stakeholders,

I am pleased to present the Company's first ESG report for the financial year ended 2016. For the past years, the Group has been facilitating the development of local community and domestic agri-cultural industry through operating our agricultural exchange markets in different regions of the PRC.

We have been making sure our agri-products markets in compliance with all environmental-related regulatory requirements. We implemented a proactive approach towards environmental management with stringent measures. The Group appointed independent third parties to conduct environmental impact assessment for the construction of our markets. Through acknowledging the impacts of our business to the local community and the environment, we have adopted measures to reduce the fugitive dust in construction site and implemented wastewater treatment in the markets. Apart from minimizing our impacts, we also manage our markets responsibly to ensure that they offer safe agricultural products with good quality.

The Group is committed to promoting sustainable business development. The Company has signed the carbon reduction charter initiated by the Hong Kong Environmental Protection Department and participated in computer recycling program in which we donated used computer equipments to charitable organisations.

The success of our business was supported by our employees. We strive to achieve a harmonious working environment for our staff, providing not only training, but also organizing cultural activities to our employees in order to help them to realize their full potential.

I would like to thank you for your support throughout this year. Looking ahead, the sustainability journey takes continuous effort, and we will be striving hard to create a sustainable business for all our stakeholders.

By Order of the Board
Chan Chun Hong, Thomas
Chairman and Chief Executive Officer

Hong Kong, 21 February 2017

3. LAWFUL OPERATION

The Group conducts all business in accordance with the legal and regulatory frameworks, communicating with its stakeholders including employees, suppliers, customers and regulators with respect, fairness, and equality.

Product responsibility

As a responsible corporate citizen, the Company conducted environmental impact assessment ("**EIA**") for our agri-products wholesale projects prior to construction and operation, aiming to evaluate the projects' impact to the local environment and the community. We also ensured our markets having obtained the requisite business license for business operation.

In addition, we managed our markets and ensured all the operations are in compliance with the relevant laws and regulations, such as the "Food Safety Law of the PRC" and the "Agricultural Product Quality Safety Law of the PRC". All pollution treatment facilities such as septic tank were operated in the way as required by the EIA report and the government authority.

We performed regular agricultural products safety testing in our markets to prevent any unqualified products from entering our markets. Our markets had also set up a series of rules and regulations for tenants to ensure our markets operating with sound environmental management and safety management. Any acts of disturbing the market order or selling unsafe products are prohibited and the violator will be fined.

Supplier selection

Our suppliers are an irreplaceable part of the Group's business as they provide different types of goods ranging from office equipments, labour safety products to construction materials, which support the smooth running of our daily operations. The Group is committed to treating our suppliers and other business partners with the utmost respect and integrity. The key principles of our fair supplier selection are as follows:

Fair Supplier Selection

– The suppliers are evaluated by the price, past experience and quality. Relevant information must be clearly stated on tender documents.

– All bidders or suppliers are required to issue or confirm a statement of declaration, stating that they have no kinship or close relationship with our employees nor any other financial interests.

– Procurement contracts which exceed a certain monetary amount are required to be approved by our senior management.

– All procurement processes or communications with the bidder/supplier should be carried out in written format, well-documented and kept properly.

The Group has devised a comprehensive and systematic mechanism in deciding who to work with, so that a fair and open supplier selection process can be achieved. For all important or large-scale tenders or procurements, a project team, involving the related project, finance and other functional departments, will be set up to monitor and manage the whole tendering process and strictly implement the relevant procurement policies.

Anti-Corruption

The Group is committed to achieving the highest possible standards of openness and integrity. In 2016, the Group has abided by all the relevant anti-corruption laws in both Hong Kong and the PRC.

Employees are required to declare any potential conflicts of interest. For instance, employees, who directly or indirectly hold any financial interests in companies which have business dealings with the Group, must make declarations to the Group.

Education is the key to prevent bribery. Anti-corruption training sessions are organised and related educational messages have also been included in our employee newsletter to further disseminate anti-corruption messages to our employees.

The Group has a Whistleblowing Policy in which employees are encouraged to report, in a written format, any allegedly unlawful acts or malpractices to the independent non-executive Directors. For every report received, careful evaluation will be made regarding whether a full investigation is necessary. The investigation might be dealt with by our internal audit, compliance department or our external auditors, whichever is appropriate. For any employees who are found to be in abuse of their authority and engage in corruption practices, disciplinary actions will be taken by the Group.

Community investment

The Company's community investment policy is to leverage our resources to facilitate the development of Hong Kong and mainland China's community and the agricultural industry. To achieve this target, we established and operated various agricultural and by-products exchange markets in strategic regions of the PRC, creating values to our stakeholders including investors, tenants and the community.

In 2016, the Group supported community development and encouraged our staffs to participate in volunteering and charitable activities, such as "Dress Casual Day" and "Love Teeth Day". In 2016, the Group donated RMB 18,000 to several charitable organisations in the PRC.

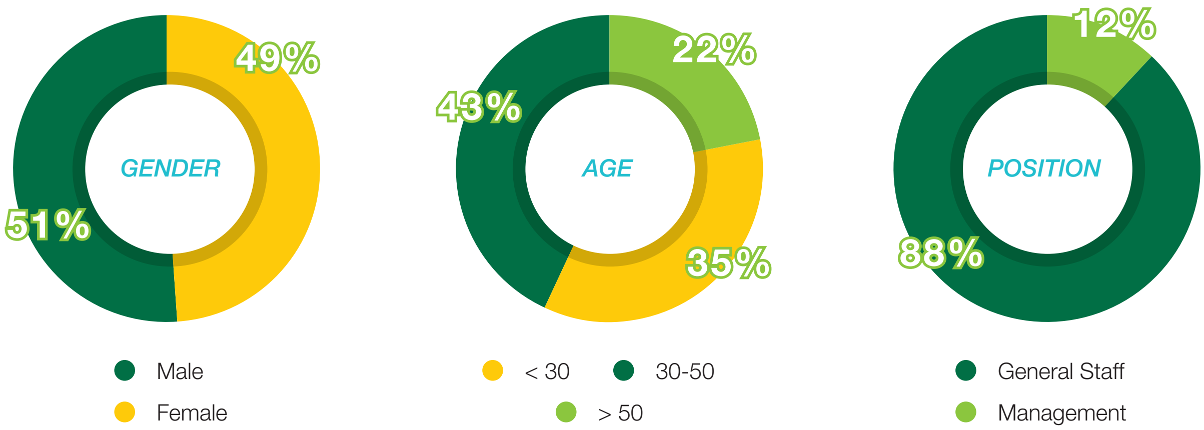
4. OUR EMPLOYEE

Employees are the key to our business success. By providing a harmonious workplace with adequate advancement opportunities, the Group has maintained a professional team of employees working diligently to support the growth of the business.

In 2016, the Group has complied with all relevant labour laws and regulations in both Hong Kong and the PRC. The Group strictly prohibits the use of child or forced labour in our business operations. In our business activities in the PRC, the Group does not employ any people those aged under 18. To prevent cases of child labour, stringent and cautious measures have been implemented by our human resources department, such as requiring all newcomers to submit their identification documents. For any employees who intentionally submit inaccurate information about their personal particulars, disciplinary action will be taken by the Group immediately.

Employee composition

As at 31 December 2016, the Group had 1,698 employees, of which approximately 98% were located in the PRC. 88% of our employee were general staff with 12% of management executive. The proportion of female to male employees was approximately 49% to 51%. Approximately 35% of our workforce were aged below 30, with approximately 43% and approximately 22% in the 30-50 age group and over 50 age group, respectively.



Appreciating the advantages of having a diverse workforce, such as increased productivity and job satisfaction, we believe having employees from a wide range of backgrounds is one of the key to achieving a positive work place environment. Therefore, in our recruitment process, all candidates who believe they have the relevant skills and know-how for the job position are welcome to apply to us. The Group does not discriminate any potential candidates based on their gender, marital status, family role or disability.

In the PRC, our recruitment process is characterized by three main principles namely openness, fairness and justice. Only factors such as the ability, experience of the candidate and the needs of the Company are taken into consideration in our recruitment process.

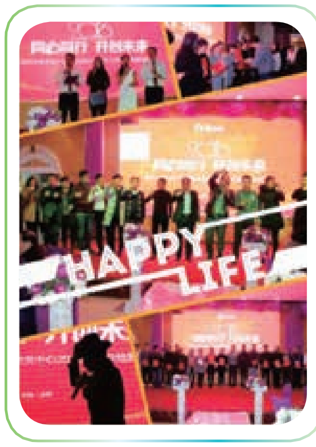
Employee rights and welfare

Employees are our biggest assets. In addition to complying with all the relevant labour laws and regulations in both Hong Kong and the PRC, we have taken a step forward to ensure that our employee's well-being is safeguarded and a good work-life balance is achieved.

The Group recognised the importance of team work. In 2016, a number of activities have been arranged for team-building and recreational purposes. Below is a glimpse of our activity highlights in 2016.

“Together Creating a Better Future” annual meeting

Our “together creating a better future” themed annual meeting was held to celebrate the new year and acknowledge the hard work of our employees in the past year. During the event, our employees were able to enjoy different entertainment performances. Moreover, a prize ceremony was also held to recognize and reward employees who had an outstanding performance.



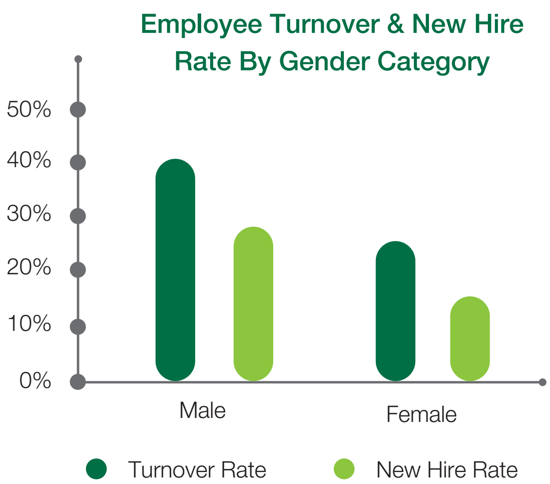
Spring outing to Leizhou City

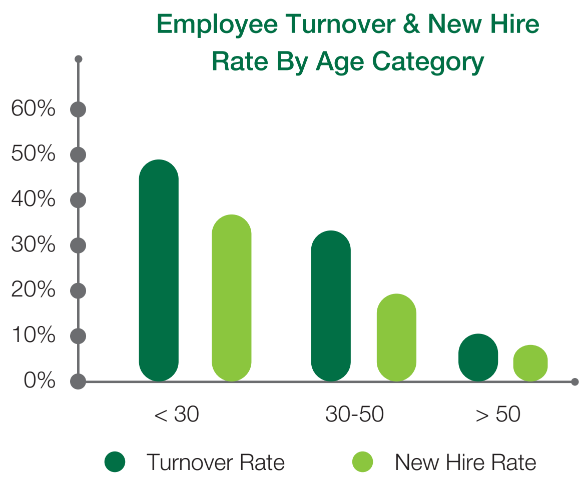
Our employees at Qinzhou visited the birthplace of China Folk Culture - Leizhou City for two days to relax and enjoy the beautiful spring weather. Not only did our employees get to experience the cultural atmosphere of past times. Most importantly, with the organization of different team building activities and games throughout the trip, employees were able to grow closer and cultivated a better relationship with their co-workers as well.

Visit to the Shenzhen Kowloon Eco-agricultural Park

Our employees got closer to nature and went to visit the Shenzhen Kowloon Eco-agricultural Park to relax and rewind. As a team-building activity, a cooking competition was held between the employees.

In 2016, the Group recorded employee turnover rate of approximately 33% and new hire rate of approximately 22%. The following graphs present a breakdown of our employee turnover and new hire rate by gender and age category in both Hong Kong and the PRC.





Employee Training and Development

The Group recognizes the increasing necessity to provide personal and career development opportunities for our employees to increase job attractiveness and improve overall job satisfaction. For the Group's future development, it is of vital importance that we invest in our employees so that they are capable of handling different market opportunities and challenges in this rapidly evolving environment.

In 2016, our Hong Kong and the PRC employees received training of 16,025 times. The percentages of male and female employees receiving training were approximately 84% and approximately 85%, respectively, whilst the percentages of management and general staff receiving training were approximately 90% and approximately 85%, respectively.

Existing employees are given prior consideration for vacant job positions. Based on the recommendations of the respective department head or performance appraisal, promotion opportunities are offered to employees who have delivered good performance in their respective position. Performance appraisals are carried out annually and act as a basis for promotion consideration.

To make sure our training system is underpinned by principles such as diversity and efficiency, our human resources department carries out a survey to apprehend the training needs of each respective department each year so that an effective training plan is devised and tailor-made based on the feedback from our employees. At the same time, other departments also take up an active role in assisting the human resources department with its survey, implementing training programmes and carrying out evaluation. In 2016, the average training hours completed per employee for both male and female were five hours whilst the average training hours completed by position level were four for management level and five for general staff respectively.

To yield effective training results, evaluations are regularly carried out by our human resources department after the respective training sessions to gauge an understanding of whether the desired training objectives have been achieved. Assessments also taken in the form of requesting written feedback from our participants after the respective training sessions on the improvements they have made in respect of knowledge, skill and wise work practice.

In response to the changing demands of our employees, the Group has dedicated a significant amount of resources to our employee's training and development. A wide range of diverse training programmes focusing on different aspects like knowledge and skill enhancement has been provided to our employees in 2016. The focuses of our training and development in 2016 are as follows:

2016 Training and Development Objectives

1. Increase the variety of training courses currently offered to our employees
2. Enhance the management ability of our training and development team
3. Build up an internal team of trainers and enhance their ability to teach
4. Promote the systematic implementation of our training assessments
5. Standardize training and development processes

In the following section, we offer a glimpse of the training activities carried out by the Group in the past year:

Learning web conferencing tools

In January 2016, our human resources department organised a training session on web conferencing and invited our staff from the information technology department to introduce the hardware used for setting up web conference calls and teach fellow co-workers in Wuhan Baisazhou Market how to use such tools. As the Group continues to develop and expand itself on a national scale, it has become all the more indispensable that web communication technologies are utilised in our daily business operations to facilitate communication between our employees located in different locations.

Enhancing communication skills

In March 2016, our Shenzhen human resources department invited a speaker from Shenzhen Municipal Federation of Trade Unions to teach our employees ways to enhance their communication skills. Being able to build quality relationships with fellow co-workers, business partners or customers, and facing with different incoming challenges are important capabilities expected from our employees. More than 80% of the attended employees reported positive feedback about the training session, and expressed that more related training sessions should be organized in the future.

Occupational health and safety

To become an international and modern agri-products exchange platform, it is important that the Group is able to maintain a healthy workforce. By providing a safe and healthy working environment, not only does the Group benefit from increase of productivity, we are also able to protect and safeguard the health and well-being of our employees. At our business operations, all employees are required to comply and familiarize themselves with all related safety rules and regulations in the workplace.

Helping our employees stay cool in a hot summer

For employees working frontline at the agri-products wholesale markets, work can be particularly challenging during the blazing and hot summer weather. To maintain the smooth operation of our markets, our security guards have to stand under the scorching sun to maintain order whilst our maintenance workers have to standby in the heat in case of unexpected emergencies. In hopes to recognize the hard-work of our frontline employees and make sure they were well, our human resources team comprising of senior management visited our frontline workers at our Yulin Market and delivered cool herbal drinks to our workers.

Taking a preventive approach, the Group encourages all employees to speak out to their respective department head or the human resources department when they spot any potential safety hazards in the workplace. After receiving such reports, the Group handles it in a prioritized manner. In case of any accidental injuries at our business activities in the PRC, the direct supervisor of the respective employee is required to write a detailed written report and attach a letter of medical necessity from an appointed hospital to the human resources department. For all work-related injury leave and compensation, the Group adheres closely to the relevant national and local laws. In 2016, there were in total 4 work-related incidents. Our injury rate was approximately 0.1% and the total lost days due to injury were 113.

Fire prevention

Fire hazard is one of our primary safety issues when operating agri-products wholesale markets. The Group has taken on a preventive approach and complied with the relevant national regulations and laws, for instance, the Law of the People's Republic of China on Work Safety and the Fire Prevention Law of the PRC. Fire safety is managed by our facilities management office and fire protection monitoring department. Working closely with our engineering department, our facilities management staff designs and plans the layout of our fire hydrants in the outdoor areas of the market. Furthermore, they are also responsible for closely monitoring the condition and maintenance of our fire hydrants to ensure that accidental fires could be well-controlled. While activity involving open flames are strictly prohibited in our agri-products markets, safety training is carried out for our staff who have to constantly deal with easily flammable and explosive materials.

Chemical substances

From engaging in pest control work to conducting safety testing on our agri-products, the Group recognizes the potential risks that our employees and contractors dealing with hazardous chemical substances are facing. Thus, to ensure our people are safe and well-protected, a number of safety measures and standard handling procedures in case of emergencies or accidents have been devised by the Group.

At our Wuhan Baisazhou Market's laboratories in which safety testing is carried out on our agri-products, all employees are required to wear appropriate work clothes and disposable gloves so that they could be well-protected when handling chemicals. After every work day, all waste are properly disposed in the trash can and the work station is maintained in a clean and tidy manner. We require all waste chemicals to be carefully handled according to the relevant regulations. Furthermore, with regards to laboratory equipment, adjustments and maintenance is carried out every six months to make sure the safety level.

On the other hand, in case of any emergencies or accidents when our contractors are carrying out pest control work and handling hazardous substances, the Group has also developed a clear and comprehensive emergency response mechanism. In the following section, we provide a brief overview of how the Group handles damaged pesticide/disinfectant containers and pesticide/disinfectant spills:

1. Individuals who discover and are aware of such a spill should report to the supervisor and person in charge of the facilities management office in a prompt manner. After receiving such a report, the facilities management appoints their staff to handle the problem onsite.

2. For all pesticides in solid form for instance granulates, they should be swept away as far as possible, stored and separated again in appropriate containers. On the other hand, for all pesticides in liquid form for instance anilofos, they should be absorbed by cotton or dry soil, etc., which are later on stored properly in disposable bag with a warning label and collected by an appointed hazardous waste collector. All contaminated ground surfaces are later on properly washed and cleaned.

3. Before the spill has been properly handled, an appointed staff is responsible to guard the contaminated area and prevent any pedestrian, child or food product from coming close or coming into contact.

5. ENVIRONMENTAL

We make sure all our markets are complied with "three simultaneities" and other relevant environmental laws and regulations.

The Group is mainly engaged in the management and sales of agricultural exchange markets. As at 31 December 2016, we operated 10 markets across the PRC. Major environmental impacts were waste and wastewater generated during the construction and operation of the markets. During the year under review, the Group had strictly complied with the relevant environmental laws and regulations, such as the "Environmental Protection Law of the PRC". There is no reported material violation of environmental laws in 2016.

We commissioned independent environmental consultants to conduct EIA for all our projects as required by the PRC laws and regulations. The independent environmental investigations did not identify any significant detrimental impacts of our projects to the environment. During the construction period, we ensured that the environmental measures were well implemented as proposed in our EIA reports. When the construction work had completed, the government authorities conducted site inspection to ensure our market operates in compliance with the environmental standards.

All our construction projects comply with the "three simultaneities" principle stipulated in the "Environmental Protection Law of the PRC". The markets and the environmental pollution treatment facilities were designed, constructed and operated at the same time, making sure the pollutants generated during the construction and the operation period of the markets were properly handled.

Air emissions

Our operations do not involve significant emission of greenhouse gas. The major sources of air emission are from the vehicles in the construction sites and odor generated in the refusal collection points. Although not significant, we have taken appropriate measures in each of our markets. During the construction period, the large vehicles generate fugitive dust affecting the neighboring environment. In order to minimize the impacts, we sprinkled water on the ground surface and the wheels of the vehicles regularly to prevent dust from stirring up and hence reduce air pollution.

Effluent and waste

The main resources consumed in our markets are electricity and water, which were supplied from the municipal public network. The majority of the electricity and water were consumed by our tenants.

We are responsible for waste water treatment in the market. Waste water generated in the markets undergoes biological treatment process in the septic tank. All the treated waste water meet level 3 of the "Integrated Wastewater Discharge Standard" before discharging into the water mains and flow into the municipal sewage treatment works.

To avoid contamination of the underground water, we use water proof materials on the water pipe and build extra layers on the ground of the refusal collection point to prevent the leakage of waste water. We have taken measures to reduce the environmental impacts of our construction works. To reduce the negative impacts to the community, we build sound insulation barrier to reduce the noise produced in the construction site. We also plant vegetation in our markets to compensate the damaged environment during the construction work and to improve the air quality of the market.

Waste generated in our markets are usually food waste, which decompose and release odor in a short time. We stored the waste in a separate collection point and ensure they are removed every day to minimize the environmental impacts to our tenants and customers in the market.

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2016, the Company has complied with the code provisions set out in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules, except for the following deviations:

Code provision A.2.1

Mr. Chan Chun Hong, Thomas, the chairman of the Board, has assumed the role of chief executive officer of the Company after the resignation of the then chief executive officer of the Company and executive Director with effect from 8 May 2014. 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 on the reasons as set out in the paragraph headed "Roles of the Chairman and Chief Executive Officer" below.

Code provision A.5.1

Code provision A.5.1 of the CG Code requires that the nomination committee should comprise a majority of independent non-executive directors. Furthermore, Rule 3.10(1) of the Listing Rules provides that every board of directors of listed companies must include at least three independent non-executive directors, Rule 3.10(2) of the Listing Rules provides that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise, Rule 3.21 of the Listing Rules provides that the audit committee should comprise a minimum of three members and Rule 3.25 of the Listing Rules provides that the remuneration committee should comprise a majority of independent non-executive directors.

Subsequent to the resignation of Ms. Lam Ka Jen, Katherine as an independent non-executive Director, the chairman of the audit committee of the Company (the "**Audit Committee**"), a member of the remuneration committee (the "**Remuneration Committee**") and nomination committee (the "**Nomination Committee**") of the Company on 30 September 2016, the number of independent non-executive Directors, the number of members of each of the Audit Committee, Remuneration Committee and Nomination Committee have fallen below the minimum number as required under Rules 3.10(1), 3.10(2), 3.21 and 3.25 of the Listing Rules and code provision A.5.1 of the CG Code. On 23 December 2016, the Company appointed Mr. Wong Hin Wing as an independent non-executive Director, the chairman of the Audit Committee and a member of each of the Remuneration Committee and Nomination Committee. Accordingly, the Company has fulfilled the requirements under Rules 3.10(1), 3.10(2), 3.21 and 3.25 of the Listing Rules and code provision A.5.1 of the CG Code.

The Company periodically reviewed its corporate governance practices to ensure they continue to meet the requirements of the CG Code during the year of 2016. The key corporate governance principles and practices of the Company are summarised in this report.

DIRECTORS' SECURITIES TRANSACTIONS

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

THE BOARD

Composition

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

Executive Directors:

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

Independent non-executive Directors:

Mr. Ng Yat Cheung
Mr. Lau King Lung
Mr. Wong Hin Wing
(appointed on 23 December 2016)
Ms. Lam Ka Jen, Katherine
(resigned on 30 September 2016)

The biographical details of the Directors are set out on pages 26 to 29 of this annual report.

Responsibilities

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

The Board possesses a balance of skills and experience which are appropriate for the requirements of the business of the Company. None of the Directors have any financial, business, family or other material/relevant relationship with each other. The opinions raised by the independent non-executive Directors at the meetings of the Board facilitate the maintenance of good corporate governance practices. The Board has three independent non-executive Directors, representing more than one-third of the Board, and at least one of the independent non-executive Directors has the appropriate professional qualification and/or accounting and related financial management experience and/or expertise as required under Rule 3.10(1) and (2) and 3.10A of the Listing Rules. A balanced composition of executive and non-executive Directors also ensures a strong independent element of the Board, which allows for an independent and objective decision making process for the best interests of the Company. The Company will review the composition of the Board regularly to ensure the Board possesses the appropriate and necessary expertise, skills and experience to meet the needs of the Group's business with due regard for the benefits of diversity, as set out in the diversity policy adopted by the Board.

All independent non-executive Directors are appointed for a term of three years under respective service agreement and all Directors (including both executive and non-executive Directors) are subject to retirement by rotation at the Company's annual general meetings in accordance with the bye-laws of the Company.

All independent non-executive Directors are free from any business or other relationship with the Company. Each independent non-executive Director is required to inform the Company as soon as practicable if there is any change in his or her own personal particulars that may affect his or her independence. No such notification was received during the year under review. The Company has also received from each of the existing independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company continues to consider the three independent non-executive Directors to be independent.

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

Apart from these, the Board will also be responsible for performing the corporate governance duties set out in code provision D.3.1 of the CG Code. During the year, the Board reviewed (i) the policies and practices on corporate governance of the Company; (ii) the training and continuous professional development of Directors and senior management of the Company; (iii) the policies and practices on compliance with legal and regulatory requirements; (iv) the code of conduct applicable to employees and Directors; and (v) the compliance of the CG Code which was disclosed in this annual report.

Save as those matters mentioned above, the Board has delegated general powers to the management to deal with day-to-day management, administration and operations of the Group. At the same time, the management will provide with the Board and its committees with adequate information, in a timely manner, to enable it to make informed decisions.

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

Board Meetings and General Meetings

During the year under review, four regular meetings of the Board, the annual general meeting (the "**2016 AGM**") and one special general meeting (the "**SGM**") were held and the attendance of each Director is set out as follows:

	Attendance/Number of meetings		
Directors	Regular board meetings	2016 AGM	SGM
Executive Directors			
Mr. Chan Chun Hong, Thomas	4/4	1/1	1/1
Mr. Leung Sui Wah, Raymond	4/4	1/1	0/1
Mr. Yau Yuk Shing	3/4	0/1	0/1
Independent non-executive Directors			
Mr. Ng Yat Cheung	4/4	1/1	0/1
Ms. Lam Ka Jen, Katherine (resigned on 30 September 2016)	3/3	1/1	N/A
Mr. Lau King Lung	4/4	1/1	1/1
Mr. Wong Hin Wing (appointed on 23 December 2016)	N/A	N/A	N/A

ROLES OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Chan Chun Hong, Thomas, the chairman of the Board, assumed the role of chief executive officer after the resignation of 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.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

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

During the year, all the Directors including the independent non-executive Directors received regular updates on corporate governance matters or news or changes to laws and regulations. Mr. Chan Chun Hong, Thomas, Mr. Leung Sui Wah, Raymond and Mr. Wong Hin Wing attended briefings or seminars on relevant topics. All Directors are requested to provide the Company with a record of the training they received.

BOARD COMMITTEES

Remuneration Committee

The Remuneration Committee comprises one executive Director, namely Mr. Chan Chun Hong, Thomas and three independent non-executive Directors, namely Mr. Ng Yat Cheung, Mr. Lau King Lung and Mr. Wong Hin Wing. Mr. Ng Yat Cheung acts as the chairman of the Remuneration Committee.

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

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

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

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

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

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

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

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

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

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

Remuneration Committee Members	Attendance
Mr. Ng Yat Cheung	1/1
Ms. Lam Ka Jen, Katherine (resigned on 30 September 2016)	N/A
Mr. Lau King Lung	1/1
Mr. Chan Chun Hong, Thomas	1/1
Mr. Wong Hin Wing (appointed on 23 December 2016)	N/A

During the year under review, the Remuneration Committee determined the remuneration policy, assessing performance of executive Directors, reviewing existing remuneration packages and structure of executive Directors and senior management of the Company, and the existing remuneration packages of independent non-executive Directors, approved the terms of executive Directors' service contracts and approved the terms of the engagement letter of the independent non-executive Director appointed during the year under review.

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

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

Nomination Committee

The Nomination Committee comprises two executive Directors, namely Mr. Chan Chun Hong, Thomas and Mr. Leung Sui Wah, Raymond and three independent non-executive Directors, namely Mr. Lau King Lung, Mr. Ng Yat Cheung and Mr. Wong Hin Wing. Mr. Lau King Lung acts as the chairman of the Nomination Committee.

According to the terms of reference of the Nomination Committee, board diversity has been considered, when designing the Board's composition, from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, independence and length of service. The Nomination Committee will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board in accordance with the diversity policy adopted by the Board. The terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

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

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

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

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

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

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

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

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

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

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

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

11. where the Board proposes a resolution to elect an individual as an independent non-executive Director at the general meeting, the Nomination Committee should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why they believe he/she should be elected and the reasons why they consider he/she to be independent; and

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

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

Nomination Committee Members	Attendance
Mr. Ng Yat Cheung	1/1
Ms. Lam Ka Jen, Katherine (resigned on 30 September 2016)	N/A
Mr. Lau King Lung	1/1
Mr. Chan Chun Hong, Thomas	1/1
Mr. Leung Sui Wah, Raymond	1/1
Mr. Wong Hin Wing (appointed on 23 December 2016)	N/A

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

After the year under review, the Nomination Committee reviewed and made recommendations to the Board regarding the re-elections of Mr. Wong Hin Wing, Mr. Chan Chun Hong, Thomas and Mr. Yau Yuk Shing in the ensuing annual general meeting of the Company. The nominations were made in accordance with the objective criteria (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service), with due regard for the benefits of diversity, as set out in the diversity policy adopted by the Company. As a good corporate governance practice, Mr. Wong Hin Wing, Mr. Chan Chun Hong, Thomas and Mr. Yau Yuk Shing each had abstained from voting at the Nomination Committee meeting and/or Board meeting on their nominations for election by shareholders. Mr. Wong Hin Wing, Mr. Chan Chun Hong, Thomas and Mr. Yau Yuk Shing do not have any service contracts with any member of the Group that are not determinable by the Group within 1 year without payment of compensation (other than statutory compensation). Their particulars will be set out in the circular to shareholders to be sent together with this annual report and posted on the websites of the Company and the Stock Exchange.

Audit Committee

The Audit Committee comprises all of the independent non-executive Directors, namely Mr. Wong Hin Wing (appointed on 23 December 2016), Mr. Ng Yat Cheung and Mr. Lau King Lung, pursuant to Rule 3.21 of the Listing Rules with specific terms of reference. Mr. Wong Hin Wing acts as the chairman of the Audit Committee.

After the resignation of Ms. Lam Ka Jen, Katherine with effect from 30 September 2016, the Company failed to comply with Rules 3.10(1), 3.10(2), 3.21 and 3.25 of the Listing Rules in that the number and qualification of independent non-executive Directors and the composition of the Board, the Remuneration Committee and the Audit Committee failed to meet the relevant requirements under the Listing Rules. On 23 December 2016, the Company appointed Mr. Wong Hin Wing, who possessed the qualification and expertise as required under the Listing Rules, as an independent non-executive Director and the chairman of the Audit Committee.

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

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

Audit Committee Members	Attendance
Ms. Lam Ka Jen, Katherine (resigned on 30 September 2016)	2/2
Mr. Ng Yat Cheung	2/2
Mr. Lau King Lung	2/2
Mr. Wong Hin Wing (appointed on 23 December 2016)	N/A

During the year under review, the Audit Committee reviewed and discussed with the management and the auditors of the Company the accounting principles and practices adopted by the Company. In addition, the Audit Committee also, among other things, reviewed internal control measures, risk management, adequacy of resources of the Group, the annual results for the year ended 31 December 2015 and the interim results for the six months ended 30 June 2016 with the senior management and/or the auditors of the Company and was satisfied with the effectiveness of the Company's internal audit function.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparation and publication of the timely financial statements and ensure that they are prepared in accordance with the statutory requirements and applicable accounting standards. In preparing the financial statements for the year ended 31 December 2016, the Directors have adopted suitable accounting policies which are pertinent to the Group's operations and relevant to the financial statements and have presented an understandable assessment of the Group's position and prospects.

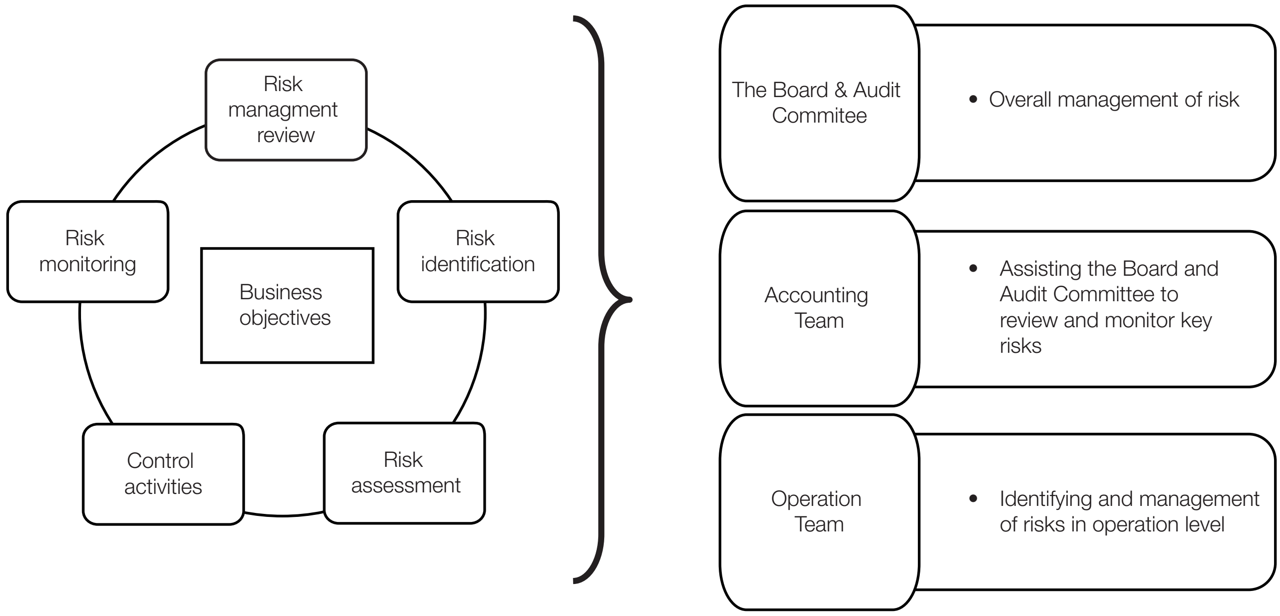
The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, and save as the matters as stated in note 2(b) to the consolidated financial statement and the financial information which indicated that the Group incurred a net loss of approximately HK$778,558,000 and the net current liabilities exceeded its current assets by approximately HK$384,112,000 and the PRC legal proceedings (as detailed in the independent auditors' report), they are not aware of any material uncertainties relating to the events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The Directors continue to explore any opportunities to enhance its financial position and the business development of the Group by way of refinancing, extension of borrowings and/or fund raising and will keep the public informed of the latest development of the said PRC legal proceedings as and when appropriate.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group established and maintained appropriate and effective risk management and internal control systems during the year under review. While the management of the Group is responsible for implementing and maintaining sound risk management and internal control system that safeguard the Group's assets and stakeholders' interest in aspects including operation, financial and compliance. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

Risk management process

The Group has established risk management manual to formulate the risk management process and the management is committed to fostering a risk aware and control conscious environment. The staff in all levels within the Group are also required to take the relevant responsibility on the risk management process. The structure and procedures for the risk management are as follows:



Risk identification:	Both internal and external factors including economic, political, social, technology and environmental factors, laws and regulations, business objectives and stakeholders' expectation would be considered
Risk assessment:	The risk identified would be assessed and rated based on the likelihood and impact to the achievement of the Group's objectives
Control activities:	The internal control procedures have been designed and implemented to mitigate the risks
Risk monitoring:	Risk register has been maintained and updated regularly to monitor risks on an ongoing basis
Risk management review:	The Board and Audit Committee would perform review on any change of significant risks of the Group

Internal audit function

In the financial year of 2016, the Company appointed external advisers to perform the ongoing monitoring of the systems of internal control of the Group and report their findings and recommendations to the Audit Committee and follow up the status of implementation of the recommendations to ensure all significant control activities are properly in place within the Group.

The Group has adopted a risk-based approach in developing the annual internal audit plan to cover business activities with material risks across the Group. The rotation basis would be applied to operations with similar risk associated so as to enhance the efficiency and effectiveness of the internal audit.

All findings and recommendations on internal control deficiencies for the year have been communicated to the management, who are required to establish remedial plans to correct those internal control deficiencies within a reasonable time period. Post-audit review is performed to monitor those agreed recommendations having been implemented as intended and on a timely basis.

Based on the audit and post-audit review, the advisers reported that there was no significant deficiency on the internal control system of the Group for the year had been noted.

Review on risk management and internal control system

The Company has conducted annual review on the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2016 and confirmed that the Group's risk management and internal control system in respect of financial, operational, compliance, risk management and adequacy of resources, are effective and adequate.

AUDITORS' REMUNERATION

During the year under review, the remuneration paid/payable to the Company's external auditors, HLB Hodgson Impey Cheng Limited, in respect of audit services and other services for the year ended 31 December 2016 are set out as follows which has been reviewed and approved by the Audit Committee based on the scopes of their works:

Services rendered	Fees paid/payable HK$'000
Audit services	2,200
Other services (service provided for a fund raising activity of the Company)	200
Total	2,400

WHISTLEBLOWING POLICY

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

COMPANY SECRETARY

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

Mr. Cheung is a fellow member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He holds a Master Degree of Professional Accounting, a Master Degree of Corporate Governance, a Bachelor Degree of Laws and a Bachelor Degree of Arts in Translation. Prior to joining the Group, Mr. Cheung held company secretary or senior company secretarial positions in several Hong Kong listed companies. During the year ended 31 December 2016, Mr. Cheung has complied with Rule 3.29 of the Listing Rules and taken no less than 15 hours of relevant professional training.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

The Group is conscious of its role as an environmentally and socially responsible group of companies. It has made donations for community wellbeing from time to time and has environmental friendly policies in place. We support the communities and encourage our employees to participate in charitable events and environmental protection activities. Details of the environmental and social responsibility of the Group were disclosed in the Environmental, Social and Governance Report of the Company on pages 30 to 39 of this annual report.

SHAREHOLDERS' RIGHTS

Putting Forward Proposals at General Meetings

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

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

Convening of Special General Meeting

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

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

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

ENQUIRIES FROM SHAREHOLDERS

Shareholders may send written enquiries to the Board and/or the secretary of the Company, either by post, by facsimiles or by email, together with his/her contact details, such as postal address, email or fax number, via the following channels:

For corporate affairs:

Address:
Suite 3202, 32/F., Skyline Tower
39 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

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

For shareholding or entitlement affairs:

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

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

CONSTITUTIONAL DOCUMENT

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

CONCLUSION

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

REPORT OF THE DIRECTORS

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

The Directors present their annual report and audited consolidated financial statements of the Company and of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance, including a fair review of the business and a discussion of the principal risks and uncertainties facing by the Group, particulars of important events affecting the Group that have occurred since the end of the financial year under review, an indication of likely future developments in the Group's business and a discussion on the Group's environmental policies and performance and compliance with the relevant laws and regulations, can be found in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" (which form part of this report of the Directors) of this annual report.

Structured Contracts

Pursuant to the Catalogue of Industries for Guiding Foreign Investment (2015 version), value-added telecommunications services are subject to foreign investment restriction in which a foreign investor shall hold no more than 50% equity interest in a value-added telecommunications services provider (excluding e-commerce) in the PRC.

The Internet Content Provider ("**ICP**") services belong to a sub-category of value-added telecommunications services. According to the Administrative Rules for Foreign Investment in Telecommunications Enterprises, foreign investors shall contribute to no more than 50% of the registered capital of a value-added telecommunications services provider (excluding e-commerce) and any such foreign investor shall maintain a good track record and possess relevant operational experience in the value-added telecommunications services industry (the "**Foreign Shareholding Restrictions**").

Shenzhen Gudeng, the then directly wholly-owned PRC subsidiary of Shenzhen Zhibo Tianyu Trading Development Limited ("**Shenzhen Zhibo**"), an indirectly wholly-owned PRC subsidiary of the Company, was incorporated in September 2015 and received the ICP license on 7 September 2016.

On 19 June 2015, the Circular on Removing the Restrictions on Shareholding Ratio Held by Foreign Investors in Online Data Processing and Transaction Processing (Operating E-commerce) Business (the "**E-commerce Circular**") was issued, which allows the foreign ownership in online data processing and transaction processing (operating e-commerce) business up to 100%. However, since the E-commerce Circular does not provide any clear legal definition of "e-commerce", it is unclear as to whether the business to be conducted by Shenzhen Gudeng would fall within the scope of the E-commerce Circular to benefit from the loosened restrictions on the Foreign Shareholding Restrictions.

As such, Shenzhen Zhibo (i) entered into a disposal agreement on 11 July 2016 with Yu Hui Jun (the "**Nominee Shareholder**") and (ii) further entered into the exclusive business cooperation agreement, the exclusive call option agreement, the equity pledge agreement, the power of attorney and the ancillary documents (collectively the "**Structured Contracts**") with the Nominee Shareholder and Shenzhen Gudeng on 9 October 2016 (other than the exclusive business cooperation agreement which was entered into by and between Shenzhen Zhibo and Shenzhen Gudeng only and the power of attorney which was executed by the Nominee Shareholder in favour of Shenzhen Zhibo) such that the Group are entitled to acquire the rights and ability to control the business of Shenzhen Gudeng and to obtain the economic benefit (the "**Contractual Arrangements**").

The Structured Contracts have an initial term of 3 years commencing from the date of the relevant agreements which is renewable by prior written notice of Shenzhen Zhibo. As security for the payment of service fees under the exclusive business cooperation agreement and the performance of the exclusive call option agreement and the power of attorney, the equity pledge agreement executed in favour of Shenzhen Zhibo will only be terminated when all the said obligations of the Nominee Shareholder contemplated under the Contractual Arrangements are fulfilled. Similarly, for protection of the Group, the power of attorney executed in favour of Shenzhen Zhibo will be valid so long as the Contractual Arrangements are in place. The Company will keep exploring various opportunities in building up its ICP services operations for the purposes of being qualified as early as possible, to acquire the entire equity interest of Shenzhen Gudeng if and when the Foreign Shareholding Restrictions are lifted. For details of the Structured Contracts, please refer to the announcements of the Company dated 11 July 2016 and 11 October 2016, respectively.

Save for the exclusive business cooperation agreement which involves the payment of a service fee by Shenzhen Gudeng to Shenzhen Zhibo on a monthly basis, and the nominal consideration paid by Shenzhen Zhibo to the Nominee Shareholder under the exclusive call option agreement, each of the Contractual Arrangements does not involve payment of any consideration.

The Structured Contracts, taken as a whole, permit the results and financial operations of Shenzhen Gudeng to be consolidated in the Company, as if it was the Company's subsidiary resulting in all economic benefits of its business flowing to the Company. Through the appointment by Shenzhen Zhibo of all directors and senior management of Shenzhen Gudeng, the Directors believe that Shenzhen Zhibo is able to effectively supervise, manage and operate the business operations, expansion plans, financial policies and assets of Shenzhen Gudeng, and at the same time, ensure due implementation of the Structured Contracts. According to Hong Kong Financial Reporting Standards, a subsidiary is an entity that is controlled by another entity (known as the parent). An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Although the Company does not directly or indirectly own Shenzhen Gudeng, the Structured Contracts enable the Company to exercise control over and receive economic benefits generated from the business operation of Shenzhen Gudeng and the validity and legality of the Structured Contracts have been confirmed by the Company's PRC legal advisor. The Group derives economic benefits from the ICP services provided by Shenzhen Gudeng. Under such circumstances, the Directors are of the view that it is fair and reasonable for Shenzhen Zhibo to be entitled to all the economic benefits generated from Shenzhen Gudeng. The Structured Contracts also permit Shenzhen Zhibo to exclusively acquire all or part of the equity interest in Shenzhen Gudeng, if and when permitted by PRC laws and regulations. Notwithstanding the Group's lack of equity ownership in Shenzhen Gudeng, the Group is able to control the business and financial position of Shenzhen Gudeng in substance through the Structured Contracts. As a result of the Structured Contracts, Shenzhen Gudeng is accounted for as the Company's subsidiary, and its financial position and operating results are consolidated in the Company's consolidated financial statements.

The revenue, net loss and total asset value subject to the Contractual Arrangements amounted to approximately HK$0.5 million and approximately HK$54.7 million for the year ended 31 December 2016 and approximately HK$30.7 million as of 31 December 2016, respectively.

Manner of settlement of disputes which may arise from the Contractual Arrangements

Pursuant to the Structured Contracts, any dispute arising from the interpretation and performance of the Structured Contracts between the parties thereto should first be resolved through negotiation, failing which any party may submit the said dispute to the South China International Economic and Trade Arbitration Commission (or Shenzhen Court of International Arbitration) with a view to resolving the dispute through arbitration in accordance with the arbitration rules thereof.

Arrangements in the event of death, bankruptcy or divorce of the Nominee Shareholder

The Nominee Shareholder has undertaken in the exclusive call option agreement and the equity pledge agreement that she shall make all appropriate arrangements and execute all necessary documents to ensure that, in the event of death, loss of capacity, bankruptcy, divorce (or other circumstances) of herself, there would be no adverse effect or obstacle in enforcing the exclusive call option agreement and the equity pledge agreement by her successors.

Undertaking to mitigate any potential conflict of interests between Shenzhen Zhibo and the Nominee Shareholder

The Nominee Shareholder may have potential conflicts with Shenzhen Zhibo and the Company. To mitigate any potential conflict of interests, the Nominee Shareholder and Shenzhen Gudeng have undertaken in the exclusive call option agreement that, during the period the exclusive call option agreement remains effective, unless otherwise agreed by Shenzhen Zhibo, the Nominee Shareholder and Shenzhen Gudeng (i) would not participate in any business which may be in competition with the business of Shenzhen Zhibo or its related companies; and (ii) would appoint nominees nominated by Shenzhen Zhibo as Shenzhen Gudeng's director(s) or executive director(s).

Risk Factors

The following are the major risks relating to the Contractual Arrangements: (1) the PRC Government may determine that the documents for the Contractual Arrangements do not comply with applicable regulations; (2) the Contractual Arrangements may not provide control as effective as direct ownership; and (3) the Contractual Arrangements may be subject to scrutiny of the PRC tax authorities and additional tax may be imposed.

Furthermore, the Group conducts its business operation in the PRC through Shenzhen Gudeng by way of Contractual Arrangements, but certain of the terms of the Contractual Arrangements may not be enforceable under the PRC laws. As advised by the Company's PRC legal advisers, the Contractual Arrangements were narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations.

Internal control measures

In order to effectively control and safeguard the assets of Shenzhen Gudeng, the Contractual Arrangements have provided, without having obtained the consent of Shenzhen Zhibo, the Nominee Shareholder and Shenzhen Gudeng (i) shall not sell, transfer, mortgage or dispose of in any manner any material assets, legitimate interest or revenue of Shenzhen Gudeng, or allow any encumbrance thereon of any security interest; and (ii) shall always operate all the Shenzhen Gudeng's business in the ordinary and usual course of business and shall maintain the asset value of Shenzhen Gudeng and refrain from any action/omission that may adversely affect Shenzhen Gudeng's operating status and asset value.

No material change in the Contractual Arrangements

The Board confirmed that there is no material change in the Contractual Arrangements and/or the circumstances under which they were adopted, and its impact on the Group, and the terms of the Contractual Arrangements and the financial assistance are on normal commercial terms.

No unwinding of the Contractual Arrangements

The Board also confirmed that there is no unwinding of the Structured Contracts or failure to unwind when the restrictions that led to the adopted Structured Contracts are removed.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2016 and the state of affairs of the Company and of the Group are set out in the consolidated financial statements on pages 71 to 165.

The Board did not recommend the payment of any final dividend for the year ended 31 December 2016 (2015: Nil). No interim dividend was paid to the shareholders of the Company during the year under review (2015: Nil).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 166.

RESERVES

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

DISTRIBUTABLE RESERVES

At 31 December 2016, in the opinion of the Directors, the Company has no distributable reserves.

PROMISSORY NOTES AND SHARE CAPITAL

Details of the movements in the promissory notes and share capital of the Company are set out in notes 28 and 31, respectively to the consolidated financial statements. Shares were issued during the year for a rights issue. Details about the issues of shares are also set out in note 31 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

INVESTMENT PROPERTIES

The increase in investment properties to approximately HK$4.2 billion as at 31 December 2016 (2015: approximately HK$3.4 billion) was mainly due to the transfer of stock of properties (i.e. the Kaifeng Market, the Panjin Market, the Huai'an Market and the Luoyang Market) to investment properties because those properties' usage have been changed from with view to sale to as properties held to earn rentals and/or for capital appreciation in accordance with the Hong Kong Accounting Standard no. 40. Details of the movements in the investment properties of the Group during the year are set out in note 16 to the consolidated financial statements.

FINANCIAL ASSETS

The increase in the financial assets to approximately HK$100.6 million as at 31 December 2016 (2015: approximately HK$3.7 million) was due to the net effect of the initial recognition of the derivative financial instruments —redemption option derivative component and the change in fair value of derivative financial instruments at the end of the financial year of approximately HK$97 million as a result of the issue of the aggregate HK$500 million convertible notes under the Notes Placing and the EOG Notes Subscription during the year ended 31 December 2016, pursuant to Hong Kong Accounting Standards 32 and 39. Details of the movements in the financial assets of the Group during the year are set out in notes 23 and 29 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2016.

DIRECTORS

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

Executive Directors

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

Independent non-executive Directors

Mr. Ng Yat Cheung
Mr. Lau King Lung
Mr. Wong Hin Wing
(appointed on 23 December 2016)
Ms. Lam Ka Jen, Katherine
(resigned on 30 September 2016)

In accordance with bye-law 99 of the bye-laws of the Company, Mr. Chan Chun Hong, Thomas and Mr. Yau Yuk Shing will retire at the forthcoming annual general meeting by rotation and, being eligible, offer themselves for re-election.

In accordance with bye-law 102(B) of the bye-laws of the Company, Mr. Wong Hin Wing who was appointed as an independent non-executive Director with effect from 23 December 2016 will hold office only until the forthcoming annual general meeting and will then be eligible for re-election.

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

The biographical details of the Directors are set out on pages 26 to 29 of this annual report.

DIRECTORS' SERVICE CONTRACTS

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year under review.

INDEMNITY OF DIRECTORS

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year under review. The Company has also taken out and maintained appropriate insurance coverage in respect of potential legal actions against its Directors and officers.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2016, none of the Directors, 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 maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or pursuant to the Model Code contained in the Listing Rules.

SHARE OPTION SCHEME

On 3 May 2012, the Company terminated the old share option scheme adopted on 4 June 2002 and adopted a new share option scheme (the "**Scheme**") for the primary purpose of providing incentive to selected eligible persons ("**Participants**") to take up options for their contribution to the Group. Under the Scheme, the Board may grant share options to the Participants to subscribe for the shares of the Company ("**Share(s)**") for a consideration of HK$1 for each lot of share options granted. The exercise price is to be determined by the Board and shall not be less than the highest of (i) the official closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a business day; (ii) the average of the official closing price of the Shares as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.

The number of Shares in respect of which options may be granted to any Participants in any 12-month period up to and including the date of grant shall not exceed 1% of the Shares in issue at any point in time, without prior approval from the shareholders of the Company. Options granted to substantial shareholders of the Company or independent non-executive Directors, or any of their respective associates, 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 an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised for a period of more than 10 years from the date of grant.

Subject to the approval of the shareholders of the Company at general meeting, the Board may refresh the limit at any time to 10% of the total number of Shares in issue as at the date of approval by the shareholders of the Company at general meeting. Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares in issue from time to time. Other details of the Scheme are set out in note 33 to the consolidated financial statements.

Since the adoption of the Scheme and up to 31 December 2016, no option had been granted. As at the date of this annual report, the total number of Shares available for issue under the Scheme is 116,334,463 Shares, representing approximately 10% of the existing issued share capital of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Option Scheme" as set out above and in note 33 to the consolidated financial statements, at no time during the year ended 31 December 2016 were rights to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company granted to any Director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES OR UNDERLYING SHARES

As at 31 December 2016, to the best knowledge of the Directors, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that the following shareholders (other than the Directors or the chief executive of the Company) had notified the Company of relevant interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in the Shares

	Capacity (number of Shares)				
Name of shareholders	Beneficial owners	Interest of controlled corporation	Interests of any parties to an agreement under Section 317	Total number of Shares	Approximate percentage of the Company's total issued share capital *(Note a)* %
Easy One Financial Group Limited ("**Easy One**")	–	684,616,677	–	684,616,677 *(Note b)*	58.84
Chu Yuet Wah	–	183,346,176	–	183,346,176 *(Note c)*	15.76
Active Dynamic Limited	–	183,346,176	–	183,346,176 *(Note c)*	15.76
Galaxy Sky Investments Limited	–	183,346,176	–	183,346,176 *(Note c)*	15.76
Kingston Capital Asia Limited	–	183,346,176	–	183,346,176 *(Note c)*	15.76

Name of shareholders	Capacity (number of Shares) Beneficial owners	Interest of controlled corporation	Interests of any parties to an agreement under Section 317	Total number of Shares	Approximate percentage of the Company's total issued share capital *(Note a)* %
Kingston Financial Group Limited	–	183,346,176	–	183,346,176 *(Note c)*	15.76
Kingston Securities Limited	183,346,176	–	–	183,346,176 *(Note c)*	15.76
Cao Mingyong	–	42,900,234	2,380,117,117	2,423,017,351 *(Note d)*	208.28
CITICS Treasury (Shen Zhen) Fund Management Co., Ltd.	–	42,900,234	2,380,117,117	2,423,017,351 *(Note d)*	208.28
Zhuhai Hengqin Zhongzheng Huichun Investment Management Consulting Partnership (Limited Partnership)	–	42,900,234	2,380,117,117	2,423,017,351 *(Note d)*	208.28
Oriental Gold Converge Limited	42,900,234	–	2,380,117,117	2,423,017,351 *(Note d)*	208.28
Chen Jianfeng	–	35,750,196	2,387,267,155	2,423,017,351 *(Note e)*	208.28
Ye Junkuan	–	35,750,196	2,387,267,155	2,423,017,351 *(Note e)*	208.28
Shenzhen Heruikang Investment Development Co., Ltd.	35,750,196	–	2,387,267,155	2,423,017,351 *(Note e)*	208.28
Chen Jinxue	–	107,261,580	2,315,755,771	2,423,017,351 *(Note f)*	208.28
Zhongbei Real Property Development Co., Ltd.	–	107,261,580	2,315,755,771	2,423,017,351 *(Note f)*	208.28
Beijng Jingzhihu Holiday Inn Co., Ltd.	107,261,580	–	2,315,755,771	2,423,017,351 *(Note f)*	208.28
Chen Shu	–	49,318,468	2,373,698,883	2,423,017,351 *(Note g)*	208.28
Zhou Lifang	–	49,318,468	2,373,698,883	2,423,017,351 *(Note g)*	208.28
Wenzhou Xina Culture Communication Partnership (Limited Partnership)	49,318,468	–	2,373,698,883	2,423,017,351 *(Note g)*	208.28

Name of shareholders	Capacity (number of Shares) Beneficial owners	Interest of controlled corporation	Interests of any parties to an agreement under Section 317	Total number of Shares	Approximate percentage of the Company's total issued share capital *(Note a)* %
CITIC Group Corporation	–	1,385,962,013 1,037,055,338 (S) *(Note r)*	–	2,423,017,351 *(Note h)*	208.28
CITIC Asset Management Corporation Ltd.	1,385,962,013	–	1,037,055,338	2,423,017,351 *(Note h)*	208.28
Feng Guo	–	20,549,857	2,402,467,494	2,423,017,351 *(Note i)*	208.28
Li Yonglin	–	20,549,857	2,402,467,494	2,423,017,351 *(Note i)*	208.28
Shenzhen Qianhai Fande Internet Finance Services Co., Ltd.	–	20,549,857	2,402,467,494	2,423,017,351 *(Note i)*	208.28
Gao Bo	–	35,639,023	2,387,378,328	2,423,017,351 *(Note j)*	208.28
Qingdao Yuantai Petrochemical Co., Ltd.	35,639,023	–	2,387,378,328	2,423,017,351 *(Note j)*	208.28
Luan Zhongjie	–	35,639,023	2,387,378,328	2,423,017,351 *(Note k)*	208.28
Shenzhen Zhongjiu Investment Co., Ltd.	–	35,639,023	2,387,378,328	2,423,017,351 *(Note k)*	208.28
Wan Ran	–	205,494,608	2,217,522,743	2,423,017,351 *(Note l)*	208.28
Shenzhen Yongfengsheng Investment Consulting Co., Ltd	–	205,494,608	2,217,522,743	2,423,017,351 *(Note l)*	208.28
Tibet Nyingchi Dingfangyuan Investment Consulting Company Limited	–	205,494,608	2,217,522,743	2,423,017,351 *(Note l)*	208.28
Beijing Wanhao Jiamei Investment Co., Ltd.	205,494,608	–	2,217,522,743	2,423,017,351 *(Note l)*	208.28
Wang Jilong	–	35,750,196	2,387,267,155	2,423,017,351 *(Note m)*	208.28

Name of shareholders	Capacity (number of Shares) Beneficial owners	Interest of controlled corporation	Interests of any parties to an agreement under Section 317	Total number of Shares	Approximate percentage of the Company's total issued share capital *(Note a)* %
Beijing Kaiweiming Investment Consulting Co., Ltd.	35,750,196	–	2,387,267,155	2,423,017,351 *(Note m)*	208.28
Beijing Chunxin Capital Management Co., Ltd.	–	203,439,424	2,219,577,927	2,423,017,351 *(Note n)*	208.28
Shanghai Chenggao Investment Partnership (Limited Partnership)	49,318,468 *(Note n)*	–	2,373,698,883	2,423,017,351	208.28
Beijing Fenxin Investment Management Co., Ltd.	–	154,120,956	2,268,896,395	2,423,017,351 *(Note o)*	208.28
Tibet Dazi Shengying Investment Centre (Limited Partnership)	154,120,956 *(Note o)*	–	2,268,896,395	2,423,017,351	208.28
Jianlong Biotechnology Co., Ltd.	23,759,349 *(Note p)*	–	2,399,258,002	2,423,017,351	208.28
Tibet Junhe Investment Co., Ltd.	–	241,553,380	2,181,463,971	2,423,017,351 *(Note q)*	208.28

Notes:

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

(b) Pursuant to the disclosure of interest form published on the website of the Stock Exchange, Easy One, through Onger Investments Limited and Peony Finance Limited, its indirect wholly-owned subsidiaries, was taken to be interested in 334,616,677 Shares and 350,000,000 Shares respectively.

(c) Pursuant to the disclosure of interest form published on the website of the Stock Exchange, the 183,346,176 Shares were held by Kingston Securities Limited. Each of Chu Yuet Wah, Active Dynamic Limited, Galaxy Sky Investments Limited, Kingston Capital Asia Limited and Kingston Financial Group Limited were deemed to be interested in the 183,346,176 Shares under the SFO.

(d) Pursuant to the disclosure of interest form published on the website of the Stock Exchange, Oriental Gold Converge Limited was 100% controlled by Zhuhai Hengqin Zhongzheng Huichun Investment Management Consulting Partnership (Limited Partnership) which was controlled by Cao Mingyong as to 99% and by CITICS Treasury (Shen Zhen) Fund Management Co., Ltd. as to 1%. Tibet Junhe Investment Co., Ltd., CITIC Asset Management Corporation Ltd., Beijng Jingzhihu Holiday Inn Co., Ltd., Beijng Wanhao Jiamei Investment Co., Ltd., Jianlong Biotechnology Co., Ltd., Shanghai Chenggao Investment Partnership (Limited Partnership), Shenzhen Heruikang Investment Development Co., Ltd., Shenzhen Zhongjiu Investment Co., Ltd., Tibet Dazi Shengying Investment Centre (Limited Partnership), Wenzhou Xina Culture Communication Partnership (Limited Partnership), Beijing Kaiweiming Investment Consulting Co., Ltd, Qingdao Yuantai Petrochemical Co., Ltd. and Shenzhen Qianhai Fande Internet Finance Services Co., Ltd. are parties to an agreement under Section 317.

(e) Pursuant to the disclosure of interest form published on the website of the Stock Exchange, Shenzhen Heruikang Investment Development Co., Ltd. was controlled by Ye Junkuan as to 50% and Chen Jianfeng as to 50%. Tibet Junhe Investment Co., Ltd., CITIC Asset Management Corporation Ltd., Beijng Jingzhihu Holiday Inn Co., Ltd., Beijng Wanhao Jiamei Investment Co., Ltd., Jianlong Biotechnology Co., Ltd., Qingdao Yuantai Petrochemical Co., Ltd., Shanghai Chenggao Investment Partnership (Limited Partnership), Shenzhen Zhongjiu Investment Co., Ltd., Tibet Dazi Shengying Investment Centre (Limited Partnership), Wenzhou Xina Culture Communication Partnership (Limited Partnership), Beijing Kaiweiming Investment Consulting Co., Ltd., Oriental Gold Converge Limited and Shenzhen Qianhai Fande Internet Finance Services Co., Ltd., are parties to an agreement under Section 317.

(f) Pursuant to the disclosure of interest form published on the website of the Stock Exchange, Beijng Jingzhihu Holiday Inn Co., Ltd. was controlled by Zhongbei Real Property Development Co., Ltd. as to 83.33% which was 100% controlled by Chen Jinxue. Tibet Junhe Investment Co., Ltd., Wenzhou Xina Culture Communication Partnership (Limited Partnership), Beijing Kaiweiming Investment Consulting Co., Ltd., CITIC Asset Management Corporation Ltd., Jianlong Biotechnology Co., Ltd, Qingdao Yuantai Petrochemical Co., Ltd., Shanghai Chenggao Investment Partnership (Limited Partnership), Shenzhen Qianhai Fande Internet Finance Services Co., Ltd., Shenzhen Zhongjiu Investment Co., Ltd., Tibet Dazi Shengying Investment Centre (Limited Partnership), Beijng Wanhao Jiamei Investment Co., Ltd., Oriental Gold Converge Limited and Shenzhen Heruikang Investment Development Co., Ltd. are parties to an agreement under Section 317.

(g) Pursuant to the disclosure of interest form published on the website of the Stock Exchange, Wenzhou Xina Culture Communication Partnership (Limited Partnership) was controlled by Chen Shu as to 99% and by Zhou Lifang as to 1%. Tibet Junhe Investment Co., Ltd., CITIC Asset Management Corporation Ltd., Beijng Jingzhihu Holiday Inn Co., Ltd., Beijng Wanhao Jiamei Investment Co., Ltd., Jianlong Biotechnology Co., Ltd, Qingdao Yuantai Petrochemical Co., Ltd., Shanghai Chenggao Investment Partnership (Limited Partnership), Shenzhen Qianhai Fande Internet Finance Services Co., Ltd., Shenzhen Zhongjiu Investment Co., Ltd., Tibet Dazi Shengying Investment Centre (Limited Partnership), Beijing Kaiweiming Investment Consulting Co., Ltd., Oriental Gold Converge Limited and Shenzhen Heruikang Investment Development Co., Ltd. are parties to an agreement under Section 317.

(h) Pursuant to the disclosure of interest form published on the website of the Stock Exchange, CITIC Asset Management Corporation Ltd. was 100% controlled by CITIC Group Corporation. Tibet Junhe Investment Co., Ltd., Wenzhou Xina Culture Communication Partnership (Limited Partnership), Beijng Jingzhihu Holiday Inn Co., Ltd., Beijng Wanhao Jiamei Investment Co., Ltd., Jianlong Biotechnology Co., Ltd, Qingdao Yuantai Petrochemical Co., Ltd., Shanghai Chenggao Investment Partnership (Limited Partnership), Shenzhen Qianhai Fande Internet Finance Services Co., Ltd., Shenzhen Zhongjiu Investment Co., Ltd., Tibet Dazi Shengying Investment Centre (Limited Partnership), Beijing Kaiweiming Investment Consulting Co., Ltd., Oriental Gold Converge Limited and Shenzhen Heruikang Investment Development Co., Ltd. are parties to an agreement under Section 317.

(i) Pursuant to the disclosure of interest form published on the website of the Stock Exchange, Shenzhen Qianhai Fande Internet Finance Services Co., Ltd. was controlled by Feng Guo as to 40% and was controlled by Li Yonglin as to 60%. Tibet Junhe Investment Co., Ltd., CITIC Asset Management Corporation Ltd., Beijng Jingzhihu Holiday Inn Co., Ltd., Beijng Wanhao Jiamei Investment Co., Ltd., Jianlong Biotechnology Co., Ltd, Qingdao Yuantai Petrochemical Co., Ltd., Shanghai Chenggao Investment Partnership (Limited Partnership), Shenzhen Zhongjiu Investment Co., Ltd., Tibet Dazi Shengying Investment Centre (Limited Partnership), Wenzhou Xina Culture Communication Partnership (Limited Partnership), Beijing Kaiweiming Investment Consulting Co., Ltd., Oriental Gold Converge Limited and Shenzhen Heruikang Investment Development Co., Ltd. are parties to an agreement under Section 317.

(j) Pursuant to the disclosure of interest form sent to the Company from Qingdao Yuantai Petrochemical Co., Ltd. dated 21 November 2016, Beijng Wanhao Jiamei Investment Co., Ltd., Jianlong Biotechnology Co., Ltd, Shanghai Chenggao Investment Partnership (Limited Partnership), Shenzhen Heruikang Investment Development Co., Ltd., Shenzhen Zhongjiu Investment Co., Ltd., Tibet Dazi Shengying Investment Centre (Limited Partnership), Wenzhou Xina Culture Communication Partnership (Limited Partnership), Beijing Kaiweiming Investment Consulting Co., Ltd., Oriental Gold Converge Limited and Shenzhen Qianhai Fande Internet Finance Services Co., Ltd. are parties to an agreement under Section 317. Pursuant to the disclosure of interest form filed by Gao Bo published on the website of the Stock Exchange, Qingdao Yuantai Petrochemical Co., Ltd. was 100% controlled by Gao Bo and Tibet Junhe Investment Co., Ltd., CITIC Asset Management Corporation Ltd., Beijng Jingzhihu Holiday Inn Co., Ltd., Beijng Wanhao Jiamei Investment Co., Ltd., Jianlong Biotechnology Co., Ltd, Shanghai Chenggao Investment Partnership (Limited Partnership), Shenzhen Heruikang Investment Development Co., Ltd., Shenzhen Zhongjiu Investment Co., Ltd., Tibet Dazi Shengying Investment Centre (Limited Partnership), Wenzhou Xina Culture Communication Partnership (Limited Partnership), Beijing Kaiweiming Investment Consulting Co., Ltd., Oriental Gold Converge Limited and Shenzhen Qianhai Fande Internet Finance Services Co., Ltd. are parties to an agreement under Section 317.

(k) Pursuant to the disclosure of interest form filed by Luan Zhongjie published on the website of the Stock Exchange, Shenzhen Zhongjiu Investment Co., Ltd. was controlled by Luan Zhongjie as to 80%. Pursuant to the disclosure of interest form filed by Shenzhen Zhongjiu Investment Co., Ltd. published on the website of the Stock Exchange, Tibet Junhe Investment Co., Ltd., CITIC Asset Management Corporation Ltd., Beijng Jingzhihu Holiday Inn Co., Ltd., Beijng Wanhao Jiamei Investment Co., Ltd., Jianlong Biotechnology Co., Ltd, Qingdao Yuantai Petrochemical Co., Ltd., Shanghai Chenggao Investment Partnership (Limited Partnership), Shenzhen Qianhai Fande Internet Finance Services Co., Ltd., Tibet Dazi Shengying Investment Centre (Limited Partnership), Wenzhou Xina Culture Communication Partnership (Limited Partnership), Beijing Kaiweiming Investment Consulting Co., Ltd., Oriental Gold Converge Limited and Shenzhen Heruikang Investment Development Co., Ltd. are parties to an agreement under Section 317.

(l) Pursuant to the disclosure of interest form published on the website of the Stock Exchange, Beijng Wanhao Jiamei Investment Co., Ltd., was controlled by (i) Tibet Nyingchi Dingfangyuan Investment Consulting Company Limited as to 50% which was controlled by Shenzhen Yongfengsheng Investment Consulting Co., Ltd. as to 99%, and (ii) Wan Ran as to 50%. Tibet Junhe Investment Co., Ltd., Wenzhou Xina Culture Communication Partnership (Limited Partnership), Beijng Jingzhihu Holiday Inn Co., Ltd., CITIC Asset Management Corporation Ltd., Jianlong Biotechnology Co., Ltd, Qingdao Yuantai Petrochemical Co., Ltd., Shanghai Chenggao Investment Partnership (Limited Partnership), Shenzhen Qianhai Fande Internet Finance Services Co., Ltd., Shenzhen Zhongjiu Investment Co., Ltd., Tibet Dazi Shengying Investment Centre (Limited Partnership), Beijing Kaiweiming Investment Consulting Co., Ltd., Oriental Gold Converge Limited and Shenzhen Heruikang Investment Development Co., Ltd. are parties to an agreement under Section 317.

(m) Pursuant to the disclosure of interest form published on the website of the Stock Exchange, Beijing Kaiweiming Investment Consulting Co., Ltd. was controlled by Wang Jilong as to 95% and Tibet Junhe Investment Co., Ltd., Wenzhou Xina Culture Communication Partnership (Limited Partnership), Beijng Jingzhihu Holiday Inn Co., Ltd., CITIC Asset Management Corporation Ltd., Jianlong Biotechnology Co., Ltd, Qingdao Yuantai Petrochemical Co., Ltd., Shanghai Chenggao Investment Partnership (Limited Partnership), Shenzhen Qianhai Fande Internet Finance Services Co., Ltd., Shenzhen Zhongjiu Investment Co., Ltd., Tibet Dazi Shengying Investment Centre (Limited Partnership), Beijng Wanhao Jiamei Investment Co., Ltd., Oriental Gold Converge Limited and Shenzhen Heruikang Investment Development Co., Ltd. are parties to an agreement under Section 317.

(n) Pursuant to the disclosure of interest form published on the website of the Stock Exchange, Shanghai Chenggao Investment Partnership (Limited Partnership) was controlled by Beijing Chunxin Capital Management Co., Ltd. as to 83.33% and Tibet Junhe Investment Co., Ltd., CITIC Asset Management Corporation Ltd., Beijng Jingzhihu Holiday Inn Co., Ltd., Beijng Wanhao Jiamei Investment Co., Ltd., Jianlong Biotechnology Co., Ltd, Qingdao Yuantai Petrochemical Co., Ltd., Shenzhen Heruikang Investment Development Co., Ltd., Shenzhen Zhongjiu Investment Co., Ltd., Tibet Dazi Shengying Investment Centre (Limited Partnership), Wenzhou Xina Culture Communication Partnership (Limited Partnership), Beijing Kaiweiming Investment Consulting Co., Ltd., Oriental Gold Converge Limited and Shenzhen Qianhai Fande Internet Finance Services Co., Ltd. are parties to an agreement under Section 317.

(o) Pursuant to the disclosure of interest form published on the website of the Stock Exchange, Tibet Dazi Shengying Investment Centre (Limited Partnership) was controlled by Beijing Chunxin Fenjin Investment Management Centre (Limited Partnership) as to 99.01% which was controlled by Beijing Chunxin Capital Management Co., Ltd. as to 10%. Tibet Junhe Investment Co., Ltd., CITIC Asset Management Corporation Ltd., Beijng Jingzhihu Holiday Inn Co., Ltd., Beijng Wanhao Jiamei Investment Co., Ltd., Jianlong Biotechnology Co., Ltd, Qingdao Yuantai Petrochemical Co., Ltd., Shanghai Chenggao Investment Partnership (Limited Partnership), Shenzhen Qianhai Fande Internet Finance Services Co., Ltd., Shenzhen Zhongjiu Investment Co., Ltd., Wenzhou Xina Culture Communication Partnership (Limited Partnership), Beijing Kaiweiming Investment Consulting Co., Ltd., Oriental Gold Converge Limited and Shenzhen Heruikang Investment Development Co., Ltd. are parties to an agreement under Section 317.

(p) Pursuant to the disclosure of interest form published on the website of the Stock Exchange, Tibet Junhe Investment Co., Ltd., CITIC Asset Management Corporation Ltd., Beijng Jingzhihu Holiday Inn Co., Ltd., Beijng Wanhao Jiamei Investment Co., Ltd., Shenzhen Qianhai Fande Internet Finance Services Co., Ltd., Qingdao Yuantai Petrochemical Co., Ltd., Shanghai Chenggao Investment Partnership (Limited Partnership), Shenzhen Zhongjiu Investment Co., Ltd., Tibet Dazi Shengying Investment Centre (Limited Partnership), Wenzhou Xina Culture Communication Partnership (Limited Partnership), Beijing Kaiweiming Investment Consulting Co., Ltd., Oriental Gold Converge Limited and Shenzhen Heruikang Investment Development Co., Ltd. are parties to an agreement under Section 317.

(q) Pursuant to the disclosure of interest form published on the website of the Stock Exchange, CITIC Asset Management Corporation Ltd., Wenzhou Xina Culture Communication Partnership (Limited Partnership), Beijng Jingzhihu Holiday Inn Co., Ltd., Beijng Wanhao Jiamei Investment Co., Ltd., Jianlong Biotechnology Co., Ltd, Qingdao Yuantai Petrochemical Co., Ltd., Shanghai Chenggao Investment Partnership (Limited Partnership), Shenzhen Qianhai Fande Internet Finance Services Co., Ltd., Shenzhen Zhongjiu Investment Co., Ltd., Tibet Dazi Shengying Investment Centre (Limited Partnership), Beijing Kaiweiming Investment Consulting Co., Ltd., Oriental Gold Converge Limited and Shenzhen Heruikang Investment Development Co., Ltd. are parties to an agreement under Section 317.

(r) The letter "S" denotes short position in the Shares.

Save as disclosed above, as at 31 December 2016, there was 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 which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries or fellow subsidiaries was a party and in which a Director or any entity connected with him/her had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CORPORATE GOVERNANCE

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 40 to 50 of this annual report.

CONNECTED TRANSACTIONS

1. Issue of 5-year Convertible Notes

On 23 August 2016, the Company entered into (i) a notes placing agreement with Kingston Securities Limited as a placing agent ("**KSL**", together with its associates, holding approximately 15.76% of the then total issued share capital of the Company and thus KSL is a connected person of the Company as defined in the Listing Rules); (ii) an engagement letter with KSL's associate, Kingston Corporate Finance Limited, as a financial adviser of the Company; and (iii) a note subscription agreement with Peony Finance Limited ("**Peony Finance**", an associate of a substantial shareholder of the Company, and thus Peony Finance is a connected person of the Company as defined in the Listing Rules), for, inter alia, issuing, placing and subscription of the 5-year convertible notes at the interest rate of 7.5% per annum in the aggregate principal amount of HK$140 million, at the conversion price of HK$0.40 per conversion share. Both the placing commission of HK$9,000,000 paid to KSL under the notes placing agreement and the documentation fees of HK$152,000 paid to KSL's associate under the engagement letter of financial adviser constituted connected transactions of the Company. Since all of the applicable percentage ratios in relation to transactions under the notes placing agreement (in aggregation with other commission and documentation fees paid to KSL and its associates in a similar transaction during the period of 12 months prior to the date of the notes placing agreement) are less than 5% and the notes placing is conducted on normal commercial terms or better to the Company, the notes placing is subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The issue of convertible note of HK$140,000,000 to Peony Finance constituted a connected transaction of the Company and was subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules, which was approved by the independent shareholders of the Company at the special general meeting of the Company held on 4 October 2016. Details of the connected transactions were disclosed in the announcement of the Company dated 23 August 2016 and the circular of the Company dated 15 September 2016.

2. Acquisition of Pawn Loan Business

On 16 November 2016, the Company entered into a sale and purchase agreement with CITIC Asset Management Corporation Ltd., holding controlling interest of the pawn loan business, as a vendor (a connected person of the Company as defined in the Listing Rules by being a controlling shareholder upon completion of the acquisition and thus a controller of the Company) and 10 other vendors (together the "**Vendors**"), pursuant to which the Company has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the right and power to control over and the right to enjoy the economic benefits in the pawn loan business through a contractual arrangement for an aggregate consideration of HK$3,116,632,579. The acquisition constituted, inter alia, a connected transaction of the Company and was subject to reporting, announcement and independent shareholders' approval requirements under the Listing Rules. Details of the connected transaction were disclosed in the announcement of the Company dated 4 December 2016.

CONTINUING CONNECTED TRANSACTIONS

Contractual Arrangements

Shenzhen Zhibo (i) entered into a disposal agreement on 11 July 2016 with the Nominee Shareholder and (ii) further entered into the Structured Contracts with the Nominee Shareholder and Shenzhen Gudeng on 9 October 2016 (other than the exclusive business cooperation agreement which was entered into by and between Shenzhen Zhibo and Shenzhen Gudeng only and the power of attorney which was executed by the Nominee Shareholder in favour of Shenzhen Zhibo) such that the Group are entitled to acquire the rights and ability to control the business of Shenzhen Gudeng and to obtain its economic benefit. Please refer to the section headed "Principal Activities and Business Review – Structured Contracts" above for further details of the Structured Contracts.

Upon signing of the Structured Contracts, Shenzhen Gudeng was treated as a wholly-owned subsidiary of Shenzhen Zhibo and the accounts of which are consolidated with those of the Company. Notwithstanding that Shenzhen Gudeng will be treated as the Company's wholly-owned subsidiary, it is, at the same time, treated as the Company's connected person as it is wholly owned by the Nominee Shareholder, a director of certain wholly-owned subsidiaries of the Company, for the purposes of Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Structured Contracts therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The Stock Exchange has granted a wavier from strict compliance with Rule 14A.53 of the Listing Rules to set a cap in respect of the Contractual Arrangements and the financial assistance (provided that Shenzhen Gudeng remains to be regarded as a subsidiary of the Company).

The amount of financial assistance (including: capital injections) made by the Group by way to Shenzhen Gudeng was approximately RMB19.5 million during the period from 11 July 2016 to 31 December 2016.

The independent non-executive Directors have confirmed to the Board that they have reviewed the continuing connected transactions and are of the view that:

(a) those transactions were conducted in the ordinary and usual course of business of the Group;

(b) those transactions were entered into on normal commercial terms, or if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, then in relation to the Group, those transactions were on terms no less favorable than the terms available to or from (as the case may be) independent third parties; and

(c) those transactions were conducted in accordance with the relevant agreement governing them on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company were engaged to report on the Company's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by Hong Kong Institute of Certified Public Accountants. The auditors have issued their unqualified letter containing their conclusions in respect of the above-mentioned continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules, indicating that:

(a) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board;

(b) for transactions involving the provision of goods or services by the Group nothing has come to their attention that causes them to believe that the transactions were not in all material respects, in accordance with the pricing policies of the Group; and

(c) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

Since the Stock Exchange has granted a waiver from strict compliance with Rule 14A.53, the review of annual cap requirement is not applicable in these transactions. Certain related party transactions as disclosed in note 37 to the consolidated financial statements prepared under Hong Kong Financial Reporting Standards also constituted connected transactions or continuing connected transactions under the Listing Rules required to be disclosed in accordance with Chapter 14A of the Listing Rule. The Company has complied with the applicable requirements of Chapter 14A of the Listing Rules in respect of the above non-exempted connected transactions or continuing connected transactions.

AUDIT COMMITTEE

The Company has an Audit Committee, which was established in accordance with the requirements of the Listing Rules, for the purposes of, inter alia, reviewing and providing supervision over the Group's financial reporting processes and internal controls. The Audit Committee comprises all of the independent non-executive Directors, namely Mr. Wong Hin Wing, Mr. Ng Yat Cheung and Mr. Lau King Lung, and is chaired by Mr. Wong Hin Wing. The Audit Committee has reviewed with the management and the Company's auditors the consolidated financial statements for the year ended 31 December 2016.

EMOLUMENT POLICY

The emolument policies of the employees of the Group and the Directors are reviewed by the Remuneration Committee on the basis of their merit, qualifications and competence. The Company has adopted the Scheme as an incentive to the Directors and eligible participants. Details of the Scheme are set out in the section headed "Share Option Scheme" of this annual report and note 33 to the consolidated financial statements.

The Group pays retirement contributions in accordance with the statutory requirements for our PRC staff and operates a Mandatory Provident Fund scheme for our Hong Kong staff. Particulars of these retirement schemes are set out in note 11 to the consolidated financial statements

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2016, the percentages of sales and purchases attributable to the Group's five largest customers and five largest suppliers, respectively, were less than 30%.

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

DONATIONS

During the year, the Group made charitable donations of approximately HK$21,000 (2015: approximately HK$100,000).

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float of not less than 25% of the total issued share capital of the Company as required under the Listing Rules throughout the year ended 31 December 2016 and up to the date of this annual report.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period of the Group are set out in note 39 to the consolidated financial statements.

AUDITORS

The financial statements for the year ended 31 December 2016 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting. A resolution for their re-appointment as auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

In the last three years preceding 31 December 2016, there has been no change in auditors of the Company.

On behalf of the Board

Chan Chun Hong, Thomas
Chairman and Chief Executive Officer

21 February 2017

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

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

OPINION

We have audited the consolidated financial statements of China Agri-Products Exchange Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 71 to 165, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to notes 2(b) and 36 in the consolidated financial statements, which describe the uncertainty related to a court judgment, which found that share transfer agreements filed with the Ministry of Commerce ("**MOFCOM**") of the People's Republic of China (the "**PRC**") and the 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 approval issued in November 2007 in relation to the contended agreements shall not be revoked and shall remain to be in force. On 3 August 2016, Ms. Wang Xiu Qun and Wuhan Tian Jiu Industrial and Commercial Development Co., Ltd. requested the Beijing Second Intermediate People's Court to revoke the MOFCOM's Decision and to order MOFCOM to make a decision to revoke the approval. As of the date of this report, the case is taking place in Beijing Second Intermediate People's Court. The Company will take all necessary actions in the PRC as advised by its PRC legal advisor in response to the possible court judgement. The Group incurred a net loss of approximately HK$778,558,000 during the year ended 31 December 2016 and, as of that date, the Group's net current liabilities exceeded its current assets by approximately HK$384,112,000. Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the Group's ability to extend its short-term borrowings upon maturity, obtain long-term financing facilities to re-finance its short-term borrowings, and derive adequate cash flows from operations in order for the Group to meet its financial obligations as they fall due and to finance its future working capital and financial requirements. These conditions, along with other matters as set forth in note 2(b), indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the "Material Uncertainty Related to Going Concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matters	How our audit addressed the key audit matter
Valuation of investment properties	
Refer to note 16 to the consolidated financial statements	
Management has estimated the fair value of the Group's investment properties to be approximately HK$4,211,566,000 as at 31 December 2016, with net loss in fair value for the year ended 31 December 2016 recorded in the consolidated statement of profit or loss and other comprehensive income of approximately HK$594,258,000. Independent external valuations were obtained in order to support management's estimates. The valuations are dependent on certain key assumptions that require significant management judgement, including market selling price, market rental and plot ratio of land use right.	Our procedures in relation to management's valuation of investment properties included: • Evaluation of the independent valuer's competence, capabilities and objectivity; • Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the property industry and using our valuation experts; and • Checking, on a sample basis, the accuracy and relevance of the input data used. We found the key assumptions were supported by the available evidence.
Carrying value of stock of properties	
Refer to note 20 to the consolidated financial statements	
The carrying values of stock of properties was approximately HK$938,516,000 as at 31 December 2016, with write-down of approximately HK$16,786,000 for the year ended 31 December 2016 recorded in the consolidated statement of profit or loss and other comprehensive income. The management estimated the net realisable values of the stock of properties by reference to sale proceeds received after the end of the reporting period less selling expenses, which involve management estimation.	Our procedures in relation to management's determination of the carrying value of stock of properties included: • Assessing the appropriateness of the methodologies used by management for the assessments of the net realisable value of stock of properties; and • Comparing the management's estimates of selling prices for similar properties to market data. We found the carrying values of the stock of properties were supported by the available evidence.

Key audit matters	How our audit addressed the key audit matter
Revenue from properties sale	
Refer to note 5 to the consolidated financial statements	
The Group recognised revenue from property sales of approximately HK$278,146,000 for the year ended 31 December 2016. Revenue from properties sale is recognised on the execution of binding sale agreement or when the relevant occupation permit or certificate of compliance is issued by the respective building authority, whichever is later and may require management judgement.	We selected samples of property sales transactions. Our procedures in relation to these transactions included: • Obtaining evidence regarding the recognition of properties sale (including, where relevant, occupation permits or certificates of compliance); • Reading the binding sale agreements to identify contractual arrangements; • Reconciliation of the monetary amounts to binding sale agreements; and • Agreeing the deposits and final payments to the bank statements. We found the amount and timing of the revenue recorded were supported by the available evidence.
Valuation of redemption option of convertible bonds	
Refer to note 23 to the consolidated financial statements	
Management has estimated the fair value of the Group's redemption option of convertible bonds of approximately HK$97,192,000 as at 31 December 2016, with fair value loss for the year ended 31 December 2016 recorded in the consolidated statement of profit or loss and other comprehensive income of approximately HK$2,116,000. Independent external valuations were obtained in order to support management's estimates. The valuations are dependent on certain key assumptions that require significant management judgement, including risk-free rates and dilution effect.	Our procedures in relation to management's valuation of redemption option of convertible bonds included: • Evaluation of the independent valuer's competence, capabilities and objectivity; • Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the convertible bonds and using our valuation experts; and • Checking, on a sample basis, the accuracy and relevance of the input data used. We found the key assumptions were supported by the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon ("**Other Information**").

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditors' report is Wong Sze Wai, Basilia.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Wong Sze Wai, Basilia
Practising Certificate Number: P05806

Hong Kong, 21 February 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Turnover	5	603,132	365,192
Cost of operation		(293,917)	(127,473)
Gross profit		309,215	237,719
Other revenue and other net income	6	64,815	22,330
General and administrative expenses		(287,884)	(326,428)
Selling expenses		(49,563)	(55,095)
Profit/(loss) from operations before fair value changes and impairment		36,583	(121,474)
Net loss in fair value of investment properties		(594,258)	(33,223)
Impairment loss on intangible assets		—	(10,769)
Impairment on goodwill		(6,444)	—
Change in fair value of derivative financial instruments		(2,116)	—
Written down on stock of properties		(16,786)	(60,140)
Loss from operations		(583,021)	(225,606)
Finance costs	7(a)	(269,421)	(267,952)
Loss before taxation	7	(852,442)	(493,558)
Income tax	8	73,884	(382)
Loss for the year		(778,558)	(493,940)
Other comprehensive loss, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(254,255)	(205,337)
Other comprehensive loss for the year, net of income tax		(254,255)	(205,337)
Total comprehensive loss for the year, net of income tax		(1,032,813)	(699,277)
Loss attributable to:			
Owners of the Company		(740,997)	(489,117)
Non-controlling interests		(37,561)	(4,823)
		(778,558)	(493,940)
Total comprehensive loss attributable to:			
Owners of the Company		(971,769)	(676,051)
Non-controlling interests		(61,044)	(23,226)
		(1,032,813)	(699,277)
Loss per share			
— Basic	13(a)	HK$(0.67)	HK$(1.65)
— Diluted	13(b)	HK$(0.67)	HK$(1.65)

The notes on pages 77 to 165 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment	15	60,897	66,960
Investment properties	16	4,211,566	3,398,040
Intangible assets	17	18,183	24,244
Goodwill	18	—	6,444
		4,290,646	3,495,688
Current assets			
Stock of properties	20	938,516	2,831,975
Trade and other receivables	21	266,874	280,838
Loan receivables	22	30,421	7,140
Financial assets at fair value through profit or loss	23	100,645	3,662
Pledged bank deposits	24	—	147,974
Cash and cash equivalents	24	330,102	275,966
		1,666,558	3,547,555
Current liabilities			
Deposits and other payables	25	699,414	838,568
Deposit receipts in advance		656,336	629,880
Bank and other borrowings	26	276,202	569,196
Bonds	27	—	197,074
Promissory notes	28	376,000	376,000
Income tax payable	30(a)	42,718	41,506
		2,050,670	2,652,224
Net current (liabilities)/assets		(384,112)	895,331
Total assets less current liabilities		3,906,534	4,391,019

As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current liabilities			
Bonds	27	1,335,866	1,350,474
Bank and other borrowings	26	591,701	768,806
Convertible bonds	29	413,116	—
Deferred tax liabilities	30(b)	406,845	493,953
		2,747,528	2,613,233
Net assets		1,159,006	1,777,786
Capital and reserves			
Share capital	31(a)	11,633	4,653
Reserves	31(b)	793,983	1,336,545
Total equity attributable to owners of the Company		805,616	1,341,198
Non-controlling interests		353,390	436,588
Total equity		1,159,006	1,777,786

Approved and authorised for issue by the board of directors on 21 February 2017.

Chan Chun Hong, Thomas
Director

Leung Sui Wah, Raymond
Director

The notes on pages 77 to 165 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to Owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Shareholders' contribution HK$'000	Other reserve HK$'000	Exchange reserve HK$'000	Convertible bonds reserve HK$'000 (note)	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2015	17,242	2,221,576	945	2,215,409	664	(15,021)	138,034	–	(3,155,558)	1,423,291	452,967	1,876,258
Exchange differences on translation into presentation currency	–	–	–	–	–	–	(186,934)	–	–	(186,934)	(18,403)	(205,337)
Other comprehensive loss for the year	–	–	–	–	–	–	(186,934)	–	–	(186,934)	(18,403)	(205,337)
Loss for the year	–	–	–	–	–	–	–	–	(489,117)	(489,117)	(4,823)	(493,940)
Total comprehensive loss for the year	–	–	–	–	–	–	(186,934)	–	(489,117)	(676,051)	(23,226)	(699,277)
Capital reduction	(33,700)	–	–	–	–	–	–	–	33,700	–	–	–
Placing of shares	3,870	90,945	–	–	–	–	–	–	–	94,815	–	94,815
Transaction cost relating to placing of shares	–	(2,558)	–	–	–	–	–	–	–	(2,558)	–	(2,558)
Rights issue	17,241	500,009	–	–	–	–	–	–	–	517,250	–	517,250
Transaction cost relating to rights issue	–	(15,549)	–	–	–	–	–	–	–	(15,549)	–	(15,549)
Capital injected by non-controlling interests	–	–	–	–	–	–	–	–	–	–	6,847	6,847
At 31 December 2015	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
At 1 January 2016	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 translation into presentation currency	–	–	–	–	–	–	(230,772)	–	–	(230,772)	(23,483)	(254,255)
Other comprehensive loss for the year	–	–	–	–	–	–	(230,772)	–	–	(230,772)	(23,483)	(254,255)
Profit for the year	–	–	–	–	–	–	–	–	(740,997)	(740,997)	(37,561)	(778,558)
Total comprehensive loss for the year	–	–	–	–	–	–	(230,772)	–	(740,997)	(971,769)	(61,044)	(1,032,813)
Equity component of convertible bonds	–	–	–	–	–	–	–	179,882	–	179,882	–	179,882
Deferred tax arising on issue of convertible bonds	–	–	–	–	–	–	–	(29,681)	–	(29,681)	–	(29,681)
Rights issue	6,980	286,183	–	–	–	–	–	–	–	293,163	–	293,163
Transaction cost relating to rights issue	–	(7,177)	–	–	–	–	–	–	–	(7,177)	–	(7,177)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(22,154)	(22,154)
At 31 December 2016	11,633	3,073,429	945	2,215,409	664	(15,021)	(279,672)	150,201	(4,351,972)	805,616	353,390	1,159,006

Note: The amount represented the equity component of the convertible bonds issued during the year ended 31 December 2016.

The notes on pages 77 to 165 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Operating activities			
Loss for the year		(778,558)	(493,940)
Adjustments for:			
Income tax expense recognised in consolidated statement of profit or loss and other comprehensive income		(73,884)	382
Depreciation and amortisation	7(c)	21,814	20,912
Unrealised loss on financial assets at fair value through profit or loss	7(c)	209	1,130
Charge in fair value of derivative financial instruments	7(c)	2,116	—
Impairment loss on goodwill	18	6,444	—
Impairment loss on intangible assets	17	—	10,769
Net loss in fair value on investment properties	16	594,258	33,223
Written down on stock of properties		16,786	60,140
Finance costs	7(a)	269,421	267,952
Bank and interest income	6	(5,200)	(8,338)
Loss on disposal of property, plant and equipment	7(c)	3,278	1,163
Operating profit/(loss) before changes in working capital		56,684	(106,607)
Decrease/(increase) in trade and other receivables		13,708	(48,868)
(Increase)/decrease in loan receivables		(23,281)	20,033
Decrease/(increase) of stock of properties		81,962	(306,747)
Increase in deposit receipts in advance		24,916	184,465
Decrease in deposits and other payables		(161,596)	(116,434)
Cash used in operations		(7,607)	(374,158)
Tax paid			
PRC enterprise income tax paid		(13,256)	(7,290)
Net cash used in operating activities		(20,863)	(381,448)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Investing activities			
Payments for purchases of property, plant and equipment	15	**(17,236)**	(18,138)
Acquisition of an intangible asset	17	**—**	(43,768)
Proceeds from/(payments) for investment properties, net		**11,838**	(30,740)
Interest received		**5,456**	8,117
Net cash generated from/(used in) investing activities		**58**	(84,529)
Financing activities			
Proceeds from new bank borrowings		**103,876**	292,546
Proceeds from new other borrowings		**170,989**	268,879
Net proceeds from issue of bonds		**—**	17,195
Net proceeds from issue of convertible bonds		**491,163**	—
Repayments of bank borrowings		**(504,700)**	(289,244)
Repayment of other borrowings		**(175,000)**	(55,000)
Repayment of bonds redemption settlement		**(238,655)**	—
Net proceeds from placing of shares		**—**	92,257
Capital injection by non-controlling interests		**—**	6,847
Net proceeds from rights issue		**285,986**	501,701
Dividend paid to non-controlling interests		**(22,154)**	—
Decrease/(increase) in pledged bank deposit		**138,357**	(55,531)
Interest paid		**(217,481)**	(258,923)
Net cash generated from financing activities		**32,381**	520,727
Net increase in cash and cash equivalents		**11,576**	54,750
Cash and cash equivalents at 1 January	24	**275,966**	200,387
Effect of foreign exchange rate changes		**42,560**	20,829
Cash and cash equivalents at 31 December	24	**330,102**	275,966

The notes on pages 77 to 165 form part of these consolidated financial statements.

1. GENERAL

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

The Group is principally engaged in the management and sales of properties in agricultural produce exchange markets in the People's Republic of China ("**PRC**"). The consolidated financial statements are presented in Hong Kong dollars ("**HK$**") which is also the functional currency of the Company. All values are rounded to the nearest thousand ("**HK$'000**") except otherwise indicated.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Companies Ordinance of Hong Kong.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

(b) Basis of preparation of financial statements

(i) Going concern basis

The Supreme People's Court of the PRC ordered that, inter alia, the share transfer agreements filed with the Ministry of Commerce ("**MOFCOM**") of the PRC and the 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. As advised by the PRC legal advisor of the Company, the judgment will not lead to immediate change of the ownership of Baisazhou Agricultural and the Company continues to be the legal owner of Baisazhou Agricultural until and unless the revocation of the approval from the MOFCOM and the registration of the transfer of shareholding by the Hubei AIC. On 23 May 2016, the Company received a decision issued by MOFCOM dated 19 May 2016 to the effect, inter alia, that the approval issued in November 2007 in relation to the contended agreements shall not be revoked and shall remain to be in force. On 3 August 2016, Ms. Wang Xiu Qun and Wuhan Tian Jiu Industrial and Commercial Development Co., Ltd. requested the Beijing Second Intermediate People's Court to revoke the MOFCOM's Decision and to order MOFCOM to make a decision to revoke the approval. As of the date of this report, the case is taking place in the Beijing Second Intermediate People's Court. The Company will take all necessary actions in the PRC as advised by its PRC legal advisor in response to the possible court judgment. For details, please refer to note 36 to the consolidated financial statements.

The Group incurred a net loss of approximately HK$778,558,000 during the year ended 31 December 2016 and, as of that date, the Group's net current liabilities exceeded its current assets by approximately HK$384,112,000. In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group. The Directors adopted the going concern basis for the preparation of the consolidated financial statements and implemented the following measures in order to improve the working capital and liquidity and cash flow position of the Group.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(i) Going concern basis *(Continued)*

(1) Alternative sources of external funding

On 16 November 2016, the Company entered into a subscription agreement with independent third parties, whereby the subscribers have conditionally agreed to subscribe for (on a several but not joint basis) and the Company has conditionally agreed to allot and issue, an aggregate of 114,400,626 new shares (with an aggregate nominal value of HK$1,144,006.26) at the subscription price of HK$1.35 per subscription share.

As of 31 December 2016, the total outstanding amount of bank and other borrowings, bonds and convertible bonds of the Group was approximately HK$2,616,855,000. For details, please refer to notes 26, 27 and 29 to the consolidated financial statements. Among the said sum of approximately HK$2,616,855,000, a sum of approximately HK$489,971,000 (which include payment of principal of bank and other borrowing, bonds and convertible bonds and their relevant interest), was due for repayment by 31 December 2017. The Group is in the process of negotiating with some of these lenders for potential renewal or extension of those outstanding amounts. As to the others, where appropriate, the Group will also take steps to negotiate with them for potential renewal or extension.

(2) Attainment of profitable and positive cash flow operations

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

(3) Necessary facilities

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

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

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

On 5 October 2012, the Company obtained a court order from the Court to the effect that undertakings (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, and interest payable at approximately HK$189,738,000 included under other payables as at 31 December 2016.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(i) Going concern basis (Continued)

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

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

(ii) Basis of measurement

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(iii) Functional and presentation currency

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

(iv) Use of estimates and judgements

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Basis of consolidation

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

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

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

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

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

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

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

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

Allocation of total comprehensive income to non-controlling interests

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Basis of consolidation *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries

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

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

(i) Business combinations

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Basis of consolidation *(Continued)*

(i) Business combinations (Continued)

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Basis of consolidation *(Continued)*

(i) Business combinations (Continued)

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

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

(ii) Goodwill

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

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

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

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

(d) Investment property

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Investment property *(Continued)*

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

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

The Group transfers properties from the stock of properties to investment properties when there is a change in use to hold the property to earn rentals or/and for capital appreciation rather than for sale in the ordinary course of business, which evidence by the commencement of an operating lease to another party. For a transfer from the stock of properties to investment properties, any difference between the fair value of the property at the date of the change in use and its previous carrying amount recognised in profit or loss.

(e) Property, plant and equipment

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

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

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

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

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

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

— Furniture, equipment and motor vehicles 5 – 10 years

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

(f) Leasing

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

(i) The Group as lessor

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

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

(ii) The Group as leasee

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Impairment of assets

(i) Impairment of receivables

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

— significant financial difficulty of the debtor;

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Impairment of assets *(Continued)*

(ii) Impairment of other assets

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

— property, plant and equipment;

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

— goodwill.

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

— Calculation of recoverable amount

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

— Recognition of impairment losses

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

— Reversals of impairment losses

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Impairment of assets *(Continued)*

(iii) Interim financial reporting and impairment

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

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

(h) Stock of properties

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

(i) Trade and other receivables

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

(j) Financial instruments

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

(i) Financial assets

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

(ii) Financial liabilities and equities

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

Financial liabilities

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

(ii) Financial liabilities and equities *(Continued)*

Effective interest method

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

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

Financial guarantee contracts

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

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

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

(iii) Derecognition

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

(iv) Derivative financial instruments

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

Embedded derivatives

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

(k) Interest-bearing borrowings

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

(l) Deposits and other payables

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

(m) Cash and cash equivalents

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

(n) Employee benefits

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

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

(ii) Share-based payments

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Employee benefits *(Continued)*

(ii) Share-based payments (Continued)

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

(iii) Termination benefits

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

(o) Income tax

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Income tax *(Continued)*

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

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

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

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

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

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

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

  — the same taxable entity; or

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Provisions and contingent liabilities

(i) Contingent liabilities acquired in business combinations

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

(ii) Other provisions and contingent liabilities

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

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

(q) Revenue recognition

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

(i) Rental income from operating leases

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

(ii) Revenue from properties sale

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

(iii) Revenue from property ancillary services

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

(iv) Commission income from agricultural exchange market

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Revenue recognition *(Continued)*

(v) Financial service income

Revenue from provision of financial services is recognised when the services are provided and the transactions can be measured reliably, and it is probable that the economic benefits associated with the transaction will flow to the Group.

(vi) Interest income

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

(vii) Government subsidies

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

(viii) Dividend income

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

(r) Translation of foreign currencies

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Borrowing costs

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

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

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

(t) Related parties

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

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

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

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

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

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member.
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers also related to the Group.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Related parties *(Continued)*

(3) (Continued)

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

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

(viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close family members of an individual are those family members who may be expected to influence, or be influence by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of the person or that person's spouse or domestic partner.

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

(u) Segment reporting

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Government grants

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

(w) Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Intangible assets *(Continued)*

Impairment of tangible and intangible assets other than goodwill *(Continued)*

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(x) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and

- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

(y) Convertible bonds

Convertible bonds that can be converted into equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the convertible bonds reserve until either the bond is converted or redeemed.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Convertible bonds *(Continued)*

If the convertible bond is converted, the convertible bonds reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the convertible bond is redeemed, the convertible bonds reserve is released directly to retained profits.

When the convertible bond is extinguished before maturity through an early redemption or repurchase where the original conversion privileges are unchanged, the consideration paid and any transaction costs for the redemption or repurchase are allocated to the liability component and equity component using the same allocation basis as when the convertible bond was originally issued. Once the allocation of consideration and transaction costs is made, any resulting gain or loss relating to the liability component is recognised in profit or loss and the amount of consideration relating to equity component is recognized in equity.

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

In the current year, the Group has applied, for the first time, the following new standard, amendments and interpretations ("**new HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which are effective for the Group's financial year beginning 1 January 2016. A summary of the new HKFRSs are set out as below:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012–2014 Cycle
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendments)	Accounting for Acquisition of Interests in Joint Operation
HKFRS 14	Regulatory Deferral Accounts
HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

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

HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions[2]
HKFRS 4 (Amendments)	Insurance Contracts[2]
HKFRS 9	Financial Instruments[2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
HKAS 7 (Amendments)	Disclosure Initiative[1]
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses[1]

1 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
4 Effective for annual periods beginning on or after a date to be determined.

HKFRS 9 FINANCIAL INSTRUMENTS

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a fair value through other comprehensive income measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 that are relevant to the Group are described as follows:

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

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

HKFRS 9 FINANCIAL INSTRUMENTS *(Continued)*

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

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of HKFRS 9 in the future may impact the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

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

HKFRS 15 Revenue From Contracts with Customers

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

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

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

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

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

The Group is in the process of assessing the potential impact of the other new and revised HKFRSs upon initial application but is not yet in a position to state whether the other new and revised HKFRSs, will have a significant impact on the Group's financial performance and position.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Key sources of estimation uncertainty

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

(i) Impairment of property, plant and equipment

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

(ii) Valuation of investment properties

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

The methodology and assumptions adopted in the property valuations are mentioned in note 16(a).

(iii) Net realisable value of stock of properties

Valuation of stock of properties are stated at the lower of cost and net realisable value at the end of the reporting period. Net realisable value is determined on the basis of the estimated selling price less the estimated costs necessary to make the sale. The directors estimate the net realisable value for stock of properties based primarily on the latest invoice prices and current market conditions. In addition, the directors perform an inventory review on a product by product basis at the end of each reporting period and assess the need for write down of stock of properties.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

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

(iv) Impairment for goodwill

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

(v) Impairment for trade and other receivables

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

(vi) Impairment of intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss is recognised immediately in profit or loss.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

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

(vii) Income tax and deferred taxation

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

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

(viii) Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The valuation committee works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 16, 29 and 34 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

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

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

4. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

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

Going Concern

As disclosed in note 2(b)(i), the directors have prepared the consolidated financial statement on a going concern basis as per following reasons:

(i) According to the court order announced by the Supreme Court of the PRC, the share transfer agreements filed with MOFCOM of the PRC and Hubei AIC in relation to the acquisition of Baisazhou Agricultural were void. On 23 May 2016, the Company received a decision issued by MOFCOM dated 19 May 2016 (the "**MOFCOM decision**") to the effect, inter alia, that approval issued in November 2007 in relation to the contended agreements shall not be revoked and shall remain to be in force. On 3 August 2016. Ms. Wang Xiu Qun and Wuhan Tian Jiu Industrial and Commercial Development Co. Ltd requested the Beijing Second Intermediate People's Court to revoke the MOFCOM's Decision and to order MOFCOM to make a decision to revoke the approval. As of the date of this report, the case is taking place in Beijing Second Intermediate People's Court.

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

This conclusion is arrived at with reference to the cash flow forecast projection prepared by the management and on the assumption that the facilities that will be available to the Group upon successful negotiation with its banks. If there are revocation of the approval from MOFCOM and the revocation of registration of the transfer of shareholding by Hubei AIC or any significant deviations from the assumptions adopted by management in preparing the cash flow forecast of the Group and discontinuation of banking facilities would affect the conclusion that the Group is able to continue as a going concern.

Revenue

As disclosed in note 2(q), the Group recognises revenue from properties sales upon the execution of binding sale agreement or when the relevant premit or certification of compliance is issued by the respective building authory, whichever is later.

5. TURNOVER

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

	2016 HK$'000	2015 HK$'000
Property rental income	182,150	182,346
Revenue from property ancillary services	66,734	65,340
Commission income from agricultural produce exchange market	75,649	97,357
Revenue from property sales	278,146	20,149
Financial service income	453	—
	603,132	365,192

6. OTHER REVENUE AND OTHER NET INCOME

	2016 HK$'000	2015 HK$'000
Other revenue		
Bank and other interest income	5,200	8,338
PRC government subsidies (note 6(a))	51,922	8,811
Others	7,693	5,181
	64,815	22,330

(a) PRC government subsidies

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

7. LOSS BEFORE TAXATION

Loss before taxation is arrived after charging:

(a) Finance costs

	2016 HK$'000	2015 HK$'000
Interest on bank and other borrowings wholly repayable within five years	72,292	89,899
Interest on bank and other borrowings wholly repayable over five years	—	2,356
Interest on promissory notes	23,500	23,500
Interest on convertible bonds	10,125	—
Interest on bonds	164,477	165,899
Less: —Amounts classified as capitalised into stock of properties	(973)	(13,702)
	269,421	267,952

The weight average capitalisation rate on borrowing is 7.4% per annum (2015: 7.0%).

(b) Staff costs (including directors' emoluments)

	2016 HK$'000	2015 HK$'000
Contributions to defined contribution retirement plans	1,315	876
Salaries, wages and other benefits	138,129	132,038
	139,444	132,914

7. LOSS BEFORE TAXATION *(Continued)*

(c) Other items

	2016 HK$'000	2015 HK$'000
Depreciation and amortisation	**21,814**	20,912
Loss on disposal on property, plant and equipment	**3,278**	1,163
Auditors' remuneration		
— audit services	**2,200**	2,200
— other services	**200**	410
Operating lease charges: minimum lease payments		
— property rental	**2,694**	3,498
Charge in fair value of derivative financial instruments	**2,116**	–
Unrealised loss on financial assets at fair value through profit or loss	**209**	1,130
Total unrealised loss on financial assets through profit or loss	**2,325**	1,130
Cost of stock of properties	**185,262**	13,682

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

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

	2016 HK$'000	2015 HK$'000
Current tax		
— PRC enterprise income tax	**14,526**	7,387
Deferred tax		
Origination and reversal of temporary difference (Note 30(b))	**(88,410)**	(7,005)
	(73,884)	382

No provision for Hong Kong Profits Tax has been made as the Group had no estimated assessable profits arising in Hong Kong for the years ended 31 December 2016 and 2015. PRC Enterprise Income Tax is computed according to the relevant legislation interpretations and practices in respect thereof during the year. PRC Enterprise Income Tax rate is 25% (2015: 25%).

8. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

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

	2016 HK$'000	 %	2015 HK$'000	 %
Loss before taxation	(852,442)		(493,558)	
Notional tax on loss before taxation calculation at the rates applicable to losses in the jurisdictions concerned	(213,111)	(25.0)	(123,390)	(25.0)
Effect of different tax rates in other tax jurisdiction	24,566	2.9	25,898	5.3
Tax effect of non-deductible expenses and temporary difference	86,980	10.2	103,730	21.0
Tax effect of non-taxable income	(839)	—	(8)	—
Tax effect on tax losses utilised	(10,929)	(1.3)	(14,177)	(2.9)
Tax loss not recognised	39,449	4.6	8,329	1.7
Income tax expense for the year	(73,884)	(8.6)	382	0.1

9. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383 of the Hong Kong and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) during the reporting period are as follows:

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contributions HK$'000	Total 2016 HK$'000
Executive directors:				
Chan Chun Hong, Thomas (Chairman and Chief Executive Officer)	1,072	299	18	1,389
Leung Sui Wah, Raymond	1,511	228	18	1,757
Yau Yuk Shing	1,089	91	52	1,232
Independent non-executive directors:				
Ng Yat Cheung	140	—	—	140
Lau King Lung	140	—	—	140
Lam Ka Jen, Katherine (note 9(a))	110	—	—	110
Wong Hin Wing (note 9(b))	3	—	—	3
	4,065	618	88	4,771

9. DIRECTORS' EMOLUMENTS *(Continued)*

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contributions HK$'000	Total 2015 HK$'000
Executive directors:				
Chan Chun Hong, Thomas				
(Chairman and Chief Executive Officer)	1,050	86	18	1,154
Leung Sui Wah, Raymond	1,479	420	18	1,917
Yau Yuk Shing	1,084	606	47	1,737
Independent non-executive directors:				
Ng Yat Cheung	140	—	—	140
Lau King Lung	140	—	—	140
Lam Ka Jen, Katherine (note 9(a))	140	—	—	140
	4,033	1,112	83	5,228

During the years ended 31 December 2016 and 2015, no emoluments were paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. No directors of the Company waived or agreed to waive any emoluments during the year.

Notes:

(a) Director was resigned as an independent non-executive director on 30 September 2016.

(b) Director was appointed as an independent non-executive director on 23 December 2016.

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

(a) Of the five individuals with the highest emoluments, two (2015: one) is director whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the remaining three (2015: four) individuals are as follows:

	2016 HK$'000	2015 HK$'000
Salaries and other benefits	8,498	7,925
Retirement schemes contributions	81	50
	8,579	7,975

The emoluments of three (2015: four) individuals with the highest emoluments are within the following bands:

	2016 Number of individuals	2015 Number of individuals
Nil to HK$1,000,000	—	—
HK$1,000,001 to HK$1,500,000	—	—
HK$1,500,001 to HK$2,000,000	2	2
HK$2,000,001 to HK$2,500,000	1	2
	3	4

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

	2016 Number of individuals	2015 Number of individuals
Nil to HK$1,000,000	—	3
HK$1,000,001 to HK$1,500,000	5	5
HK$1,500,001 to HK$2,000,000	2	1
HK$2,000,001 to HK$2,500,000	1	1
	8	10

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS *(Continued)*

During the years ended 31 December 2016 and 2015, no emoluments were paid by the Group to any of the highest paid individual and senior management as an inducement to join or upon joining the Group or as compensation for loss of office.

11. EMPLOYEE RETIREMENTS BENEFITS

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

The Group also operates a Mandatory Provident Fund Scheme (the "**MPF Scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

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

12. DIVIDEND

The directors do not recommend the payment of any dividend in respect of the years ended 31 December 2016 and 2015 respectively.

13. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately HK$740,997,000 (2015: loss attributable to owners of the Company of approximately HK$489,117,000) and the weighted average number of 1,111,852,333 ordinary shares (2015: 296,714,710 ordinary shares) in issue during the year. The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted with the effect of rights issue completed during the year.

(b) Diluted earnings per share

Diluted loss per share for the year ended 31 December 2016 was the same as basic loss per share as the convertible bonds outstanding had an anti-dilutive effect on the basic loss per share.

Diluted loss per share for the year ended 31 December 2015 was the same as basic loss per shares as that was no diluted event during the year.

14. SEGMENT REPORTING

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

Segment revenue and results

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

	Agricultural produce exchange market operation		Property sales		Unallocated		Consolidated	
	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000
Turnover								
External sales	324,986	345,043	278,146	20,149	–	–	603,132	365,192
Results								
Segment result	57,887	21,209	76,974	2,635	–	–	134,861	23,844
Other revenue and other net income	59,878	19,436	–	–	4,937	2,894	64,815	22,330
Net loss in fair value of investment properties	(594,258)	(33,223)	–	–	–	–	(594,258)	(33,223)
Change in fair value of derivative financial instruments	–	–	–	–	(2,116)	–	(2,116)	–
Impairment loss on intangible assets	–	(10,769)	–	–	–	–	–	(10,769)
Impairment loss on goodwill	(6,444)	–	–	–	–	–	(6,444)	–
Written down of stock of properties	–	–	(16,786)	(60,140)	–	–	(16,786)	(60,140)
Unallocated corporate expenses							(163,093)	(167,648)
Loss from operations							(583,021)	(225,606)
Finance costs	(45,061)	(60,408)	–	–	(224,360)	(207,544)	(269,421)	(267,952)
Loss before taxation							(852,442)	(493,558)
Income tax							73,884	(382)
Loss for the year							(778,558)	(493,940)

14. SEGMENT REPORTING *(Continued)*

Segment revenue and results *(Continued)*

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

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year (2015: Nil).

Segment assets and liabilities

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

	Agricultural produce exchange market operation		Property sales		Consolidated	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Assets						
Segment assets	**4,709,840**	4,084,627	**938,516**	2,831,974	**5,648,356**	6,916,601
Unallocated corporate assets					**308,848**	126,642
Consolidated total assets					**5,957,204**	7,043,243
Liabilities						
Segment liabilities	**1,617,433**	2,195,944	**556,937**	493,789	**2,174,370**	2,689,733
Unallocated corporate liabilities					**2,623,828**	2,575,724
Consolidated total liabilities					**4,798,198**	5,265,457

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

— all assets are allocated to reportable segments other than corporate assets. Goodwill and intangible assets are allocated to agriculture produce exchange market operation.

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

14. SEGMENT REPORTING *(Continued)*

Other segment information

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

	Agricultural produce exchange market operation		Property sales		Unallocated		Consolidated	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Capital expenditure — others (Note (i))	**47,229**	87,302	**—**	—	**2,273**	5,344	**49,502**	92,646
Net loss in fair value of investment properties	**(594,258)**	(33,223)	**—**	—	**—**	—	**(594,258)**	(33,223)
Impairment loss on intangible assets	**—**	(10,769)	**—**	—	**—**	—	**—**	(10,769)
Impairment loss on goodwill	**(6,444)**	—	**—**	—	**—**	—	**(6,444)**	—
Change in fair value of derivative financial instruments	**—**	—	**—**	—	**(2,116)**	—	**(2,116)**	—
Written down on stock of properties	**—**	—	**(16,786)**	(60,140)	**—**	—	**(16,786)**	(60,140)
Change in fair value of derivative financial instruments	**(2,116)**	—	**—**	—	**—**	—	**—**	—
Unrealised loss on financial assets at fair value through profit or loss	**—**	—	**—**	—	**(209)**	(1,130)	**(209)**	(1,130)
Depreciation and amortisation	**19,899**	18,620	**—**	—	**1,915**	2,292	**21,814**	20,912

Note:

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

Information about major customers

For the year ended 2016 and 2015, no other single customers contributed 10% or more to the Group's revenue.

Geographical information

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

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Furniture, equipment and motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000
Cost:				
1 January 2015	12,440	82,896	5,636	100,972
Exchange adjustments	(437)	(4,104)	(258)	(4,799)
Additions	3,823	14,189	126	18,138
Transfer to investment properties	(7,890)	—	—	(7,890)
Written off upon disposals	—	(2,370)	(19)	(2,389)
At 31 December 2015 and 1 January 2016	**7,936**	**90,611**	**5,485**	**104,032**
Exchange adjustments	**(516)**	**(6,219)**	**(358)**	**(7,093)**
Additions	**—**	**17,075**	**161**	**17,236**
Written off upon disposals	**—**	**(8,896)**	**(132)**	**(9,028)**
At 31 December 2016	**7,420**	**92,571**	**5,156**	**105,147**
Accumulated depreciation:				
At 1 January 2015	941	24,637	2,848	28,426
Exchange adjustments	(30)	(1,407)	(160)	(1,597)
Charge for the year	288	10,846	1,023	12,157
Transfer to investment properties	(688)	—	—	(688)
Written off upon disposal	—	(1,219)	(7)	(1,226)
At 31 December 2015 and 1 January 2016	**511**	**32,857**	**3,704**	**37,072**
Exchange adjustments	**(46)**	**(2,517)**	**(262)**	**(2,825)**
Charge for the year	**301**	**14,817**	**635**	**15,753**
Written off upon disposals	**—**	**(5,618)**	**(132)**	**(5,750)**
At 31 December 2016	**766**	**39,539**	**3,945**	**44,250**
Carrying amount:				
At 31 December 2016	**6,654**	**53,032**	**1,211**	**60,897**
At 31 December 2015	7,425	57,754	1,781	66,960

16. INVESTMENT PROPERTIES

	2016 HK$'000	2015 HK$'000
Completed investment properties	4,211,566	3,398,040
	4,211,566	3,398,040

	2016 HK$'000	2015 HK$'000
At 1 January	3,398,040	3,554,194
Additions	32,266	30,740
Disposal	(44,104)	—
Transfer from stock of properties	1,686,179	—
Transfer from property, plant and equipment	—	7,202
Fair value loss recognised in profit or loss	(594,258)	(33,223)
Exchange adjustments	(266,557)	(160,873)
At 31 December	4,211,566	3,398,040

(a) Valuation of investment properties

The investment properties amounted of approximately HK$4,211,566,000 of the Group were stated at fair value as at 31 December 2016. The fair value were arrived at based on the valuations carried out by an independent firm of qualified professional valuers, RHL Appraisal Limited, ("**RHL**"), who have among their staff members of the Hong Kong Institute of Surveyors with recent experience in the location and category of the properties being valued. The valuations conform to the Valuation Standards 2012 Edition published by the Hong Kong Institute of Surveyors.

RHL have valued the properties on the basis of capitalization of the net income derived from properties rental. In the course of their valuation, RHL have also made reference to the comparable market transactions as available. Discussions of valuation processes and results are held between the Group and valuers at least once every six months, in line with the Group's interim and annual reporting dates. As at 31 December 2016 and 2015, the fair values of the properties have been determined by RHL. At each financial year end, the Group (i) verifies all major inputs to the independent valuation report; (ii) assess property valuations movements when compared to the prior year valuation input; and (iii) holds discussions with the independent valuer.

Direct comparison method is adopted based on the principle of substitution, where comparison is made based on prices realized on actual sales and/or asking prices of comparable properties. Comparable properties of similar size, scale, nature, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market value and capital values.

16. INVESTMENT PROPERTIES *(Continued)*

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

The valuation assumptions, unless otherwise stated, RHL assumed that:

a) all necessary statutory approvals for the Properties or the subject building of which the Property forms part of their use have been obtained;

b) no deleterious or hazardous materials or techniques have been used in the construction of the Properties;

c) the Properties are not subject to any unusual or especially onerous restrictions, encumbrances or outgoings and that good title can be shown; and

d) the Properties are connected to main services and sewers which are available on normal terms.

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

The valuation of investment properties is determined by various major inputs:

The major key inputs applied in valuing the investment properties were market unit rental per each square meter per month (the "**s.q.m per month**"). The average unit market rental were RMB27 (2015: RMB38).

The term yield and reversionary yield were one of the key inputs used in valuing the investment properties. The ranges of term yield was from 7.0% to 8.0% (2015: 7.5% to 8.0%) while the ranges of reversionary yield were from 8.0% to 9.0% (2015: 8.0% to 9.0%). A slight decrease in the term yield and rental in stand used would result in a significant increase in fair value measurement of the investment properties and vice versa.

Another unobservable input was plot ratio of the land use right. The ranges of plot ratio of investment properties were from 0.55 to 2.5 (2015: 0.55 to 2.5). An increase in plot ratio would result in increase in the fair value of investment properties.

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

	2016 HK$'000	2015 HK$'000
In the PRC — medium-term leases	4,211,566	3,398,040

(c) Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2016 and 2015 are as follows:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Fair value as at 2016 HK$'000
Investment property unit located in PRC	—	—	4,211,566	4,211,566

16. INVESTMENT PROPERTIES *(Continued)*

(c) *(Continued)*

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Fair value as at 2015 HK$'000
Investment property unit located in PRC	—	—	3,398,040	3,398,040

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

(d) Investment properties leased out under operating leases

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

The Group leases out its investment properties which is agricultural exchange markets to various tenants. The leases typically run for an initial period of 1 year to 5 years, at the end of which period all terms are renegotiated. None of the leases includes contingent rentals. The rental income from investment properties less direct outgoings of approximately HK$14,585,000 (2015: approximately HK$4,853,000) amounted to approximately HK$167,565,000 (2015: approximately HK$177,493,000).

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

	2016 HK$'000	2015 HK$'000
Within 1 year	**196,034**	148,335
After 1 year but within 5 years	**101,240**	132,486
Over 5 years	**8,658**	31,624
	305,932	312,445

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

(e) Pledge of investment properties

As at 31 December 2016, the land use rights in respect of investment properties with a total carrying amount of approximately HK$1,900,135,000 (2015: approximately HK$1,628,928,000) were pledged to banks for the Group's bank borrowings, details of which are set out in note 26.

At 31 December 2016, the Group had been applying for the relevant certificates in respect of the buildings erected on the land included under investment properties owned by the Group.

16. INVESTMENT PROPERTIES *(Continued)*

(f) Transferal from the stock of properties to investment properties

During the year ended 31 December 2016, the Group transferred its stock of properties amounted to approximately HK$1,686,179,000 (2015: Nil) to investment properties.

17. INTANGIBLE ASSETS

	Operating right HK$'000
Cost	
As at 1 January 2014, 31 December 2014 and 1 January 2015	—
Addition	43,768
As at 31 December 2015, 1 January 2016 and 31 December 2016	43,768
Accumulated amortisation and impairment loss	
As at 1 January 2014, 31 December 2014 and 1 January 2015	—
Amortisation expenses during the year	8,755
Impairment recognised in profit or loss	10,769
As at 31 December 2015 and 1 January 2016	19,524
Amortisation expenses during the year	6,061
As at 31 December 2016	25,585
Carrying amount	
As at 31 December 2016	18,183
As at 31 December 2015	24,244

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

Operating right	5 years

The license entitles a subsidiary of the Company to operate an agricultural products exchange market in the PRC for 5 years from the date of acquisition. The net carrying amount will therefore be amortised over the remaining useful lives of 4 years and less impairment loss.

18. GOODWILL

	2016 HK$'000	2015 HK$'000
Cost:		
At 1 January and 31 December	**25,017**	25,017
Accumulated impairment losses:		
At 1 January	**18,573**	18,573
Impairment loss during the year	**6,444**	—
At 31 December	**25,017**	18,573
Carrying amount:		
At 31 December	**—**	6,444

Note:

At the end of the reporting period, the Group assessed the recoverable amount of goodwill, and had appointed an independent firm of qualified professional valuers, who have staff members with appropriate experience and qualifications. The assessment conform to the International Valuation Standards 2013 published by the International Valuation Standard Council.

Peak Vision observe and refer to HKAS36, where estimating the value in use of an asset involves:

(i) Estimating the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal; and

(ii) Applying the appropriate discount rate to those future cash flows.

Accordingly, the estimation of value in use conforms with the income approach to valuation under the International Valuation Standards Framework, which focuses on the economic benefits generated by the income producing capability of a business. The underlying theory of this approach is that the value of a business can be measured by the present worth of the economic benefits to be received over the life of the business.

Based on the aforesaid valuation principle, the income approach estimates the future economic benefits and discounts these benefits to its present value using a discount rate appropriate for the risks associated with realising those benefits.

The Group determined that impairment loss of approximately HK$6,444,000 has been provided for goodwill associated with certain of the Group's property rental activities of agricultural produce exchange market operation for the year ended 31 December 2016 (2015: Nil). The recoverable amount of the property rental activities was assessed by reference to the relevant cash-generating unit's value in use. A discount factor of 12% (2015: 12%) per annum and growth rate of 3% (2015: 3%) were applied in the value in use model.

Particulars of impairment testing on goodwill are disclosed below.

18. GOODWILL *(Continued)*

Impairment testing on goodwill

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

— Agricultural produce exchange market operation

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

	2016 HK$'000	2015 HK$'000
Agricultural produce exchange market operation	–	6,444

During the year ended 31 December 2015, a new agricultural market was built near the Xuzhou market by our competitor. The new market provided the similar agricultural products trading area and services to our existing tenant. In affected by the competition of the new market, the turnover declined by 19% in the year 2016. Given unexpected performance by Xuzhou market, the Group carried out a review of the recoverable amount of the goodwill of the agricultural produce exchange market operation. Based on the business valuation report issued by independent professional valuer of Xuzhou market, the value-in-use of Xuzhou market at 31 December 2016 was lower than the carrying amount and accordingly an impairment loss of goodwill of approximately HK$6,444,000 recognised in the profit and loss current year.

General valuation assumptions

- The Xuzhou market is able to be leased as an agricultural market as per its existing use;
- The title to the Xuzhou market is good and marketable;
- For the cash generating units to continue as a going concern, 徐州源洋商貿發展有限公司 will successfully carry out all necessary activities for the development of its business;
- The availability of finance will not be a constraint on the forecast growth of the cash generating units in accordance with the business plans;
- Market trends and conditions where 徐州源洋商貿發展有限公司 operates will not deviate significantly from the economic forecasts in general;
- The unaudited financial statements of the cash generating units as supplied to Peak Vision have been prepared in a manner which truly and accurately reflect the financial position of the cash generating units as at the respective balance sheet dates;

18. GOODWILL *(Continued)*

General valuation assumptions *(Continued)*

- There will be no material changes in the business strategy of the cash generating units and its operating structure;

- Interest rates and exchange rates in the localities for the operation of the cash generating units will not differ materially from those presently prevailing;

- All relevant approvals, business certificates, licenses or other legislative or administrative authority from any local, provincial or national government, or private entity or organization required to operate in the localities where the cash generating units operates or intends to operate will be officially obtained and renewable upon expiry unless otherwise stated; and

- There will be no major changes in the political, legal, economic or financial conditions and taxation laws in the localities in which 徐州源洋商貿發展有限公司 operates or intends to operate, which would adversely affect the revenues and profits attributable to the cash generating units.

Property rental

The recoverable amount of this cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the Directors covering a five-year period, and a discount rate of approximately 12% (2015: approximately 12%) per annum. Cash flows covering that five years period have been extrapolated using a steady 3% (2015: 3%) growth rate. This growth rate does not exceed the long term average growth rate for the market.

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

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

19. PRINCIPAL SUBSIDIARIES

(a) General information of subsidiaries

Name of Company	Place of incorporation/ registration and operation	Particulars of issued and fully paid ordinary share capital/ registered capital	Proportion of ownership interest and voting power held			Principal activities
			Group's effective interest	Held by the Company	Held by subsidiaries	
Novel Talent Limited	British Virgin Islands/ Hong Kong	US$1	100%	100%	–	Investment holding
徐州源洋商貿發展有限公司 (note 19(a)(i))	The PRC	RMB61,220,000	51%	–	51%	Agricultural produce exchange market operation
武漢白沙洲農副產品大市場有限公司 (note 19(a)(i))	The PRC	RMB88,500,000	100%	94.4%	5.6%	Agricultural produce exchange market operation
玉林宏進農副產品批發市場有限公司 (note 19(a)(i))	The PRC	RMB76,230,000	65%	–	65%	Agricultural produce exchange market operation and property sales
玉林宏進物流發展有限公司 (note 19(a)(ii))	The PRC	RMB80,000,000	100%	–	100%	Agricultural produce exchange market operation
欽洲宏進農副產品批發市場有限公司 (note 19(a)(ii))	The PRC	RMB150,000,000	100%	–	100%	Agricultural produce exchange market operation and property sales
開封宏進農副產品批發市場有限公司 (note 19(a)(ii))	The PRC	USD23,230,000	100%	–	100%	Agricultural produce exchange market operation and property sales
洛陽宏進農副產品批發市場有限公司 (note 19(a)(ii))	The PRC	HKD180,000,000	100%	–	100%	Agricultural produce exchange market operation and property sales

19. PRINCIPAL SUBSIDIARIES *(Continued)*

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

Name of Company	Place of incorporation/ registration and operation	Particulars of issued and fully paid ordinary share capital/ registered capital	Proportion of ownership interest and voting power held: Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities
洛陽利寶置業有限公司 (note 19(a)(iii))	The PRC	RMB10,000,000	100%	–	100%	Agricultural produce exchange market operation and property sales
濮陽宏進農副產品批發市場有限公司 (note 19(a)(i))	The PRC	RMB2,000,000	75%	–	75%	Agricultural produce exchange market operation and property sales
盤錦宏進農副產品批發市場有限公司 (note 19(a)(ii))	The PRC	USD10,000,000	100%	–	100%	Agricultural produce exchange market operation and property sales
淮安宏進農副產品物流有限公司 (note 19(a)(ii))	The PRC	USD29,300,970	100%	–	100%	Agricultural produce exchange market operation and property sales
黃石宏進農副產品批發市場有限公司 (note 19(a)(i))	The PRC	RMB2,000,000	80%	–	80%	Agricultural produce exchange market operation
淮安市宏進清江農副產品批發市場有限公司 (note 19(a)(iii))	The PRC	RMB12,680,000	58.58%	–	58.58%	Agricultural produce exchange market operation
玉林宏欣商貿有限公司 (note 19(a)(ii))	The PRC	RMB33,000,000	100%	–	100%	Agricultural produce exchange market operation
深圳谷登科技有限公司 (note 19(a)(iii))	The PRC	RMB7,500,000	100%	–	100%	Financial service operation

19. PRINCIPAL SUBSIDIARIES *(Continued)*

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

Notes:

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

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

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

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

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

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

Name of Company	Place of incorporation/ registration and operation	Proportion of ownership interests and voting rights held by non-controlling interests	Profits allocated to non-controlling interests		Accumulated non-controlling interests	
			2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000
徐州源洋商貿發展有限公司	The PRC	49%	(33,096)	7,192	150,547	217,500
玉林宏進農副產品批發市場有限公司	The PRC	35%	(2,587)	(435)	175,503	190,131

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

19. PRINCIPAL SUBSIDIARIES *(Continued)*

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

(i) 徐州源洋商貿發展有限公司

	2016 HK$'000	2015 HK$'000
Current assets	66,727	106,202
Non-current assets	424,213	555,186
Current liabilities	75,373	76,797
Non-current liabilities	108,304	140,689
Equity attributable to owners of the Company	156,716	226,402
Non-controlling interests	150,547	217,500

	2016 HK$'000	2015 HK$'000
Turnover	47,571	58,882
Other gain	24,051	2,180
Net loss in fair value of investment properties	(97,075)	(2,146)
Expenses	(42,090)	(44,238)
(Loss)/profit for the year	(67,543)	14,678
(Loss)/profit attributable to owners of the Company	(34,447)	7,486
(Loss)/profit attributable to non-controlling interests	(33,096)	7,192
(Loss)/profit for the year	(67,543)	14,678
Total comprehensive loss attributable to owners of the Company	(46,630)	(2,122)
Total comprehensive loss attributable to non-controlling interests	(44,799)	(2,039)
Total comprehensive loss for the year	(91,429)	(4,161)
Dividend paid to non-controlling interest	22,154	—
Net cash outflow from operating activities	(33,463)	(25,665)
Net cash outflow from investing activities	(1,718)	(230)
Net cash inflow from financing activities	6,817	49,276
Net cash (outflow)/inflow	(28,364)	23,381

19. PRINCIPAL SUBSIDIARIES *(Continued)*

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

(ii) 玉林宏進農副產品批發市場有限公司

	2016 HK$'000	2015 HK$'000
Current assets	77,549	79,286
Non-current assets	582,695	688,815
Current liabilities	78,123	119,711
Non-current liabilities	85,124	109,599
Equity attributable to owners of the Company	321,494	348,660
Non-controlling interests	175,503	190,131

	2016 HK$'000	2015 HK$'000
Turnover	107,828	30,560
Other gain	923	852
Expenses	(116,142)	(32,655)
Loss for the year	(7,391)	(1,243)
Loss attributable to owners of the Company	(4,804)	(808)
Loss attributable to the non-controlling interests	(2,587)	(435)
Loss for the year	(7,391)	(1,243)
Total comprehensive loss attributable to owners of the Company	(27,166)	(17,883)
Total comprehensive loss attributable to non-controlling interests	(14,628)	(9,630)
Total comprehensive income for the year	(41,794)	(27,513)
Net cash (outflow)/inflow from operating activities	(7,107)	41,995
Net cash outflow from investing activities	(25,999)	(17,002)
Net cash outflow from financing activities	(1,551)	(3,080)
Net cash (outflow)/inflow	(34,657)	21,913

Significant restrictions

Cash and short-term deposits of RMB held in the PRC are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the PRC, other than through normal dividends.

20. STOCK OF PROPERTIES

	2016 HK$'000	2015 HK$'000
Completed properties	428,742	641,876
Properties under development	526,560	2,250,239
	955,302	2,892,115
Less: written down of stock of properties	(16,786)	(60,140)
	938,516	2,831,975

During the year, there was a significant decrease in the net realisable value of stock in Panjin market due to the stagnant property market environment in the PRC in 2016 and 2015. As a result, a write-down of HK$16,786,000 (2015: HK$60,140,000) has been recognised and included in profit or loss in the current year.

As at 31 December 2016, the stock of properties of approximately HK$368,879,000 (2015: HK$1,228,124,000) were pledged to bank for the Group's bank borrowings, details of which are set out in note 26.

21. TRADE AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Trade debtors, net	15,084	5,974
Deposit for land acquisition	97,685	99,984
Other deposits	16,694	13,740
Prepayments	91,691	72,536
Amount due from non-controlling interest	—	4,169
Other receivables	45,720	84,435
Trade and other receivables, net	266,874	280,838

21. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Ageing analysis

Included in trade and other receivables are trade debtors with the following ageing analysis presented based on the payment terms on the tenancy agreement as of the end of reporting period:

	2016 HK$'000	2015 HK$'000
Less than 90 days	**6,252**	3,311
More than 90 days but less than 180 days	**5,672**	1,155
More than 180 days	**3,160**	1,508
	15,084	5,974

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

(b) Ageing of past due but not impaired

	2016 HK$'000	2015 HK$'000
Less than 90 days past due	**5,672**	1,155
More than 90 days past due	**3,160**	1,508
	8,832	2,663

Receivables that were past due but not impaired relate to a number of independent customers/tenants that have a good track record with the Group. Based on past experience, management believes that the impairment allowance assessment is appropriate in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

22. LOAN RECEIVABLES

	2016 HK$'000	2015 HK$'000
Current portion	**30,421**	7,140

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

The effective interest rates on the Group's loan receivables are 7.5% (2015: 5.6%).

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 HK$'000	2015 HK$'000
Listed investments:		
— Equity securities listed in Hong Kong	**3,453**	3,662
Derivative financial instruments:		
— Redemption option of convertible bonds (note 29)	**97,192**	—
Fair value	**100,645**	3,662

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

24. CASH AND CASH EQUIVALENTS

	2016 HK$'000	2015 HK$'000
Cash at banks and in hand (note 24(a))	**330,102**	275,966
Pledged bank deposit (note 24(b))	**—**	147,974

24. CASH AND CASH EQUIVALENTS *(Continued)*

Notes:

(a) Cash at bank and in hand comprise cash held by the Group and bank balances that bear interest at prevailing market rates ranging from approximately 0.001% to 3.05% (2015: approximately 0.001% to 3.2%) per annum and have original maturity of three months or less.

Included in cash at banks and in hand as at 31 December 2016 is an amount denominated in Renminbi ("**RMB**") of RMB222,305,000 (equivalent to approximately HK$248,170,000) (2015: approximately RMB223,247,000 (equivalent to approximately HK$266,549,000)). Renminbi is not freely convertible into other currencies.

Included in cash at bank and in hand as at 31 December 2016, an amount of approximately HK$25,559,000 (2015: Nil) (equivalent to approximately RMB22,895,000 (2015: Nil)) is the restricted cash held at banks as receipt on behalf of tenant in agricultural market.

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

25. DEPOSIT AND OTHER PAYABLES

	2016 HK$'000	2015 HK$'000
Accrued charges	21,914	44,042
Construction payables	95,520	175,702
Deposit received	66,184	85,444
Interest payable	213,634	194,018
Other tax payables	30,139	36,840
Other payables	272,023	302,522
	699,414	838,568

26. BANK AND OTHER BORROWINGS

	2016 HK$'000	2015 HK$'000
Secured bank borrowings (note 26(c))	707,180	1,069,123
Unsecured other borrowings (note 26(d))	160,723	268,879
	867,903	1,338,002

26. BANK AND OTHER BORROWINGS *(Continued)*

	2016 HK$'000	2015 HK$'000
Carrying amount repayable:		
Within one year	276,202	569,196
More than one year, but within two years	253,282	213,416
More than two years, but within five years	338,419	525,869
More than five years	—	29,521
	867,903	1,338,002
Less: amounts due within one year shown under current liabilities	(276,202)	(569,196)
	591,701	768,806

Note:

(a) Included in the above balances are bank borrowings of variable-rate of approximately HK$559,247,000 (2015: approximately HK$1,069,123,000) which carry interest adjustable for changes of borrowing rate offered by The People's Bank of China. The average rate charged by the banks during the year ranged from approximately 2.7% to 7.7% (2015: approximately 2.7% to 7.8% per annum) per annum. Interest is repriced every 30 days. Bank borrowings of fixed-rate of approximately HK$147,933,000 carry interest fixed from approximately 5.0% to 7.4% per annum. The other borrowings of approximately HK$160,723,000 (2015: approximately HK$268,879,000) were obtained from four (2015: four) parties and carry interest fixed from approximately 6% to 12% (2015: interest fixed from approximately 10% to 12% per annum) per annum.

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

	2016 HK$'000	2015 HK$'000
Effective interest rate:		
Fixed-rate borrowings	5% to 12%	10% to 12%
Variable-rate borrowings	2.7% to 7.7%	2.7% to 7.8%

(c) The secured bank borrowings are secured by the land use rights included in investment properties, pledged bank deposit and stock of properties with a carrying amount of approximately HK$2,269,014,000 (2015: approximately HK$3,005,026,000) as set out in notes 16, 20 and 24.

(d) During the year ended 31 December 2016, the Company has settled unsecured other borrowings of HK$100,000,000 to Peony Finance Limited, a wholly-owned subsidiary of Easy One Financial Group Limited, a shareholder of the Company with significant influence. The Company has borrowed unsecured borrowing of HK$70,000,000 from Double Leads Investments Limited, a wholly-owned subsidiary of Wang On Group Limited.

27. BONDS

	Non-listed bond maturity in 2016 ("Bonds 2016") HK$'000 (Note 1)	Non-listed bond maturity in 2019 ("Bonds 2019") HK$'000 (Note 1)	Non-listed bond maturity in 2020 ("Bonds 2020") HK$'000 (Note 2)	Listed bond maturity in 2024 ("Listed bonds 2024") HK$'000 (Note 3)	Total HK$'000
At 1 January 2015	193,650	1,160,767	—	148,700	1,503,117
Issue of bonds,					
net of transaction cost	—	—	17,195	—	17,195
Interest charge	20,080	126,240	1,579	18,000	165,889
Less: Interest paid/payable	(16,656)	(118,011)	—	(3,996)	(138,663)
As at 31 December 2015	197,074	1,168,996	18,774	162,704	1,547,548
At 1 January 2016	**197,074**	**1,168,996**	**18,774**	**162,704**	**1,547,548**
Interest charge	**16,475**	**126,170**	**2,059**	**19,773**	**164,477**
Less: Interest paid/payable	**(14,172)**	**(119,464)**	**—**	**(4,003)**	**(137,639)**
Less: Redemption settlement	**(199,377)**	**(39,143)**	**—**	**—**	**(238,520)**
As at 31 December 2016	**—**	**1,136,559**	**20,833**	**178,474**	**1,335,866**
Current portion					
2016	—	—	—	—	—
2015	197,074	—	—	—	197,074
Non-current portion					
2016	—	1,136,559	20,833	178,474	1,335,866
2015	—	1,168,996	18,774	162,704	1,350,474

Notes:

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

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

   On 19 October 2016 and 24 October 2016, the Company has redeemed the Bonds 2016 and Bonds 2019 in the aggregate principal amount of HK$200,000,000 and HK$40,000,000 respectively.

   The fair value of the Bonds 2019 of approximately HK$1,205,539,000 as at 31 December 2016. The Bonds 2019 were classified as level 2 of fair value hierarchy.

   The effectively interest of Bonds 2019 was 10.5% per annum.

27. BONDS *(Continued)*

Notes: *(Continued)*

2. On 19 November 2014, the Company entered into a placing agreement with a placing agent for the issuance of the bonds in the aggregate principal amount of HK$26,000,000.

   The Company has issued the Bonds 2020 in the aggregate principal amount of HK$26,000,000 on 5 January 2015, 13 February 2015, 30 March 2015 and 17 April 2015 to the subscribers with the interest rate of 3.00% payable annually on or before 18 February 2015 and 7.30% payable annually after 18 February 2015. The Bonds 2020 will be matured and redeemed by the Company on 18 February 2020.

   The fair value of the Bonds 2020 of approximately HK$20,655,000 as at 31 December 2016. The Bonds 2020 were classified as level 2 of fair value hierarchy.

   The effectively interest of Bonds 2020 was 10.4% per annum.

3. On 19 May 2014, the Company established a HK$1,000,000,000 medium term note program. The bonds issued under the program are listed on the Stock Exchange of Hong Kong Limited by way of debt issue to professional investors only. The Company further announced that interest on the notes will be payable annually in arrears at the interest rate of 1% per annum.

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

   The information of Listed bonds 2024 are presented as follows:

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

   The fair value of the Bonds 2024 of approximately HK$199,300,000 as at 31 December 2016. The Bonds 2024 were classified as level 2 of fair value hierarchy.

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

28. PROMISSORY NOTES

The Group

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

The movement of the carrying amount of the Promissory Notes during the year ended 31 December 2016 and 2015 is set out below:

	2016 HK$'000	2015 HK$'000
At 1 January and 31 December	376,000	376,000

The effective interest rate of the Promissory Notes before matured and matured were 12.23% and 5.00% per annum respectively.

During the year ended 31 December 2016, the Group was pursuing a litigation regarding the Promissory Notes. For details, please refer to note 36.

29. CONVERTIBLE BONDS

On 19 October 2016, the Company issued 7.5% denominated convertible bonds with the aggregate principal amount of HK$500,000,000 ("**Convertible Bonds**"). Each bond entitles the holder to convert into the Company's ordinary share at a conversion price of HK$ 0.40 and maturity on 19 October 2021.

The Company issued the Convertible Bonds for the principal amount of HK$500,000,000 to raise additional funds for the general working capital and repayment of indebtedness of the Company.

The Convertible Bonds may be converted into shares of the Company at any time on or after issue date up to the close of business on the maturity date.

Unless previously redeemed, converted, purchased and cancelled, the Company will redeem each Convertible Bonds at its principal amount with accrued and unpaid interest thereon on the maturity date.

The Company shall, at any time before the maturity date, have the option to redeem the Convertible Bonds in whole or in part by giving not less than seven clear business days' prior notice. The amount payable for any redemption shall be the relevant amount of the principal amount of the Convertible Bonds so redeemed.

29. CONVERTIBLE BONDS *(Continued)*

The Convertible Bonds bear interest from and including the issue date at 7.5% per annum in arrears every six calendar months after the date of issuance of the Convertible Bonds. The interest payable amount is calculated by 7.5% to outstanding principal amount of such Bonds.

The Convertible Bonds contain three components: redemption option derivative, liability and equity elements. The redemption option derivative is measured at fair value with changes in fair value recognised in profit or loss. The equity element is presented in equity heading "convertible bonds equity reserve". The effective interest rate of the liability component on initial recognition is 12.31% per annum. The valuation of Convertible Bonds was performed by an independent qualified professional valuer of the Company.

As at 31 December 2016, the Convertible Bonds with the principal amount of HK$500,000,000 were outstanding and the maximum number of share to be converted is 1,250,000,000 shares.

There was no movement in the number of these convertible bonds during the year.

The fair value of the Convertible Bonds of approximately HK$422,536,000 as at 31 December 2016. The Convertible Bonds were classified as level 3 of fair value hierarchy.

The Convertible Bonds information are presented as follows:

	Convertible Bonds HK$'000
Principal amounts:	
—as at 31 December 2016	500,000
Interest:	in HK$ settlement 7.5% p.a. payable per six calendar months after the date of issuance
Issue date:	19 October 2016
Maturity date:	19 October 2021
Conversion price per share:	HK$0.40
Risk free rate:	0.64%
Discount rate:	12.39%

29. CONVERTIBLE BONDS *(Continued)*

Details of Convertible Bonds on initial recognition or modification to be approximately as follows:

	Convertible Bonds HK$'000
Liability component	416,734
Equity component	182,574
Redemption option derivative component	(99,308)
Nominal value of Convertible Bonds issued on 19 October 2016	500,000

The movements of the liability component and redemption option derivative of the Convertible Bonds during the year are set out below:

Liability component	
Convertible Bonds issued on 19 October 2016	416,734
Less: Direct cost	(6,145)
	410,589
Imputed interest charge	10,125
Less: Interest payable	(7,598)
As at 31 December 2016	**413,116**
Equity component	
Convertible Bonds issued on 19 October 2016	182,574
Less: Direct cost	(2,692)
	179,882
Less: Deferred tax arising on issue on Convertible Bonds	(29,681)
As at 31 December 2016	**150,201**
Redemption option derivative component	
Convertible Bonds issued on 19 October 2016	(99,308)
Change in fair value	2,116
As at 31 December 2016	**(97,192)**

30. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

(b) **Deferred taxation recognised:**

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year ended 31 December 2016 are as follows:

	Fair value adjustments of investment properties and stock of properties	Convertible Bonds	Total
	HK$'000	HK$'000	HK$'000
Deferred tax arising from:			
At 1 January 2015	524,459	—	524,459
Exchange adjustments	(23,501)	—	(23,501)
Credited to profit or loss	(7,005)	—	(7,005)
At 31 December 2015 and 1 January 2016	493,953	—	493,953
Exchange adjustments	(28,379)	—	(28,379)
Issuance of Convertible Bonds	—	29,681	29,681
Credited to profit or loss	(87,571)	(839)	(88,410)
At 31 December 2016	378,003	28,842	406,845

	2016	2015
	HK$'000	HK$'000
Net deferred tax liabilities recognised in the consolidated statement of financial position	406,845	493,953

(c) **Deferred taxation not recognised**

At the end of the reporting period, the Group has obtained the tax assessment regarding to the accumulated tax losses. In accordance with the tax assessment, tax losses of approximately HK$239,489,000 for year ended 31 December 2016 (2015: approximately HK$202,106,000) can be brought forward to offset the future taxable profits. No deferred tax asset has been recognised due to the unpredictability of the future profit stream. The Group had no other significant deferred tax assets/liabilities not recognised as at the end of the reporting period.

31. CAPITAL AND RESERVES

(a) Authorised and issued share capital

	Notes	2016 Number of shares	2016 Nominal value HK$'000	2015 Number of shares	2015 Nominal value HK$'000
Authorised:					
Ordinary shares of HK$0.01 (2015: 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	(i)	–	–	(1,508,647,220)	(15,086)
Rights issue	(i), (iv)	698,006,782	6,980	1,724,168,248	17,241
Issue of shares upon placing	(ii)	–	–	387,000,000	3,870
Capital reduction	(iii)	–	–	(1,861,351,424)	(18,614)
At 31 December		1,163,344,637	11,633	465,337,855	4,653

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally in regard to the Company's residual assets.

Notes:

(i) On 23 December 2014, the Company entered into the underwriting agreement which raised gross proceeds of approximately HK$517.3 million, before expenses, by way of the rights issue. The Company had allotted and issue 1,724,168,248 rights shares at the subscription price of HK$0.30 per rights share. The net proceeds raised from the rights issue was approximately HK$501.7 million, which is intended to be used for development of existing and future agricultural exchange projects, repayment of indebtedness and general working capital of the Group. Details of the capital reorganisation and the rights issue were disclosed in the announcements of the Company dated 8 January 2015, 29 January 2015, 8 April 2015, 13 May 2015, 26 May 2015 and 16 June 2015, the circular of the Company dated 13 March 2015 and the prospectus of the Company dated 21 April 2015.

31. CAPITAL AND RESERVES *(Continued)*

(a) Authorised and issued share capital *(Continued)*

Notes: *(Continued)*

(ii) On 27 July 2015, the Company announced that all conditions of the general mandate placing have been fulfilled and the completion of the general mandate placing took place on 27 July 2015. 387,000,000 general mandate placing shares have been successfully placed by the placing agent to not less than six share placees at the placing share price of HK$0.245 per placing share pursuant to the terms and conditions of the share placing agreement (as varied by the supplemental share placing agreement). The net price per placing share (after deducting for expenses) is approximately HK$0.217.

(iii) The Company announced that all the conditions of the capital reorganisation had been fulfilled and become effective on 22 December 2015.

After the proposed share consolidation becoming effective, every five (5) shares of nominal value of HK$0.01 each in the issued share capital of the Company had been consolidated into one (1) consolidated share of nominal value of HK$0.05; the issued share capital of the Company had been consolidated into 465,337,855 consolidated shares of nominal value of HK$0.05 each.

After the proposed capital reduction becoming effective, the nominal value of all the issued consolidated shares had been be reduced from HK$0.05 each to HK$0.01 each and the issued share capital of the Company had been accordingly be reduced to the extent of HK$0.04 per consolidated share in issue. After completion of the share consolidation and the capital reduction, the issued share capital of the Company had been reduced to approximately HK$4,653,378 divided into 465,337,855 adjusted shares of nominal value of HK$0.01 each.

Any fractional consolidated shares to which an individual shareholder was entitled to would not be issued by the Company to such Shareholders, but had been aggregated, sold and retained for the benefit of the Company. Any fractional consolidated share in the issued share capital of the Company arising from the share consolidation had been cancelled. The resulting adjusted shares of nominal value of HK$0.01 each was rank pari passu in all respects with each other in accordance with the Bye-Laws.

Assuming no further share had been issued or repurchased between the latest practicable date and the date on which the capital reorganisation became effective, a credit of approximately HK$18,613,514 arose as a result of the capital reduction and had been applied to set-off the accumulated loss of the Company.

(iv) The Company proposes to raise gross proceeds of approximately HK$293 million, before expenses, by way of the rights issue.

Pursuant to the rights issue, the Company shall allot and issue 698,006,782 rights shares at the subscription price of HK$0.42 per rights share, on the basis of three (3) rights shares for every two (2) adjusted shares held on the record date.

On 27 January 2016, the Board announced that, on 19 January 2016, being the latest time for acceptance of, and payment for, the rights shares and the application and payment for excess rights shares: (i) 8 valid acceptances in respect of a total of 164,570,187 rights shares provisionally allotted under the rights issue have been received, representing approximately 23.58% of the total number of the rights shares available under the rights issue; and (ii) 3 valid applications in respect of a total of 70,090,428 excess rights shares have been received, representing approximately 10.04% of the total number of the rights shares available under the rights issue. In aggregate, 11 valid acceptances and applications in respect of a total of 234,660,615 rights shares, representing approximately 33.62% of the total number of the rights shares available under the rights issue, have been received. Accordingly, the rights issue was under-subscribed by 463,346,167 rights shares, representing approximately 66.38% of the total number of the rights shares available under the rights issue. The rights issues had been completed on 28 January 2016. For details, please refer to the Company’s announcement dated 27 January 2016.

31. CAPITAL AND RESERVES *(Continued)*

(b) Nature and purpose of reserves

(i) Share premium

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

(ii) Capital redemption reserve

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

(iii) Contributed surplus

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

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

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

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

(iv) Shareholders' contribution

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

(v) Exchange reserve

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

(vi) Other reserve

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

(vii) Convertible bonds reserve

The convertible bonds reserve represents the conversion option of convertible bonds recognised in the equity until either the bonds are converted or redeemed.

(c) Distributability of reserves

At 31 December 2016, the aggregate amount of reserves available for distribution to equity shareholders of the Company was nil (2015: Nil).

31. CAPITAL AND RESERVES *(Continued)*

(d) Capital management

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

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

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

The gearing ratio as at 31 December 2016 and 2015 was as follows:

	Notes	2016 HK$'000	2015 HK$'000
Current liabilities			
— Bank and other borrowings	26	276,202	569,196
— Bonds	27	—	197,074
— Promissory notes	28	376,000	376,000
Total current debts		652,202	1,142,270
Non-current liabilities			
— Bank and other borrowings	26	591,701	768,806
— Convertible bonds	29	413,116	—
— Bonds	27	1,335,866	1,350,474
Total non-current debts		2,340,683	2,119,280
Total debt		2,992,885	3,261,550
Less: Pledged bank deposits	24	—	(147,974)
Cash and cash equivalents	24	(330,102)	(275,966)
Net debt		2,662,783	2,837,610
Total equity		1,159,006	1,777,786
Net debt-to-capital ratio		229.7%	159.6%

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

32. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

(a) Financial position of the Company

	2016 HK$'000	2015 HK$'000
Non-current assets		
Investments in subsidiaries	319,580	319,580
Current assets		
Other receivables	2,848,771	3,234,252
Financial assets at fair value through profit or loss	97,192	—
Cash and cash equivalents	75,891	4,080
	3,021,854	3,238,332
Current liabilities		
Other payables	314,559	276,795
Bank and other borrowings	—	108,846
Bonds	—	197,074
Promissory notes	376,000	376,000
	690,559	958,715
Net current assets	2,331,295	2,279,617
Total assets less current liabilities	2,650,875	2,599,197
Non-current liabilities		
Bonds	1,335,866	1,350,474
Bank and other borrowings	70,000	170,000
Convertible bonds	413,116	—
Deferred tax liabilities	28,842	—
	1,847,824	1,520,474
Net assets	803,051	1,078,723

32. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

(Continued)

(a) Financial position of the Company *(Continued)*

	2016 HK$'000	2015 HK$'000
Capital and reserves		
Share capital	11,633	4,653
Reserves	791,868	1,074,070
Total equity	803,501	1,078,723

Approved and authorised for issue by the board of directors on 21 February 2017.

Chan Chun Hong, Thomas
Director

Leung Sui Wah, Raymond
Director

32. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

(Continued)

(b) A summary to the Company's reserves is as follows:

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Convertible bonds reserves HK$'000	Shareholders contribution HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2015	17,242	2,221,576	945	588,812	–	664	(2,141,100)	688,139
Capital reduction for the year	(33,700)	–	–	–	–	–	33,700	–
Placing of shares	3,870	90,945	–	–	–	–	–	94,815
Transaction costs relating to placing of shares	–	(2,558)	–	–	–	–	–	(2,558)
Rights issue	17,241	500,009	–	–	–	–	–	517,250
Transaction costs relating to rights issue	–	(15,549)	–	–	–	–	–	(15,549)
Loss for the year	–	–	–	–	–	–	(203,374)	(203,374)
At 31 December 2015 and 1 January 2016	4,653	2,794,423	945	588,812	–	664	(2,310,774)	1,078,723
Rights issue	6,980	286,183	–	–	–	–	–	293,163
Transaction costs relating to right issue	–	(7,177)	–	–	–	–	–	(7,177)
Equity component of convertible bonds	–	–	–	–	179,882	–	–	179,882
Deferred tax arising on issue of convertible bonds	–	–	–	–	(29,681)	–	–	(29,681)
Loss for the year	–	–	–	–	–	–	(547,760)	(547,760)
31 December 2016	11,633	3,073,429	945	588,812	150,201	664	(2,858,534)	967,150

33. EQUITY SETTLED SHARE-BASED TRANSACTIONS

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

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

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

(c) the nominal value of a share.

Pursuant to the Scheme, the maximum number of shares in the Company in respect of which options may be granted when aggregated with any other share option scheme of the Company is not permitted to exceed 116,334,463 shares, representing approximately 10% of the issued share capital of the Company as at the date of this report. Subject to the issue of a circular and the approval of the shareholders of the Company in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may refresh the limit at any time to 10% of the total number of shares in issue as at the date of approval by the shareholders of the Company in general meeting. Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares in issue from time to time.

The number of shares in respect of which options may be granted to the Participants in any 12-month period up to and including the date of grant shall not exceed 1% of the total number of shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the approval of the shareholders in general meeting. The participant and his associates (as defined in the Listing Rules) are abstained from voting and/or other requirements prescribed under the Listing Rules from time to time. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

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

No options have been granted, exercised, cancelled or lapsed during the year ended 31 December 2016 and 2015.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

(a) Credit risk

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

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

The Group has a concentration of credit risk in certain individual customers. At the end of each reporting period, the five largest receivable balances accounted for approximately 33% (2015: approximately 36%) of the trade receivables and the largest trade receivable was approximately 20% (2015: approximately 29%) of the Group's total trade receivables. The Group seeks to minimise its risk by dealing with counterparties which have good credit history. Majority of the trade receivables that are neither past due nor impaired have no default payment history.

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

In relation to the Group's deposits with bank, the Group limits its exposure to credit risk by placing deposits with financial institutions with high credit rating and no recent history of default. The Directors consider that the Group's credit risk on the bank deposits is low. Management continues to monitor the position and will take appropriate action if their ratings should change. As at 31 December 2016 and 2015, the Group has no significant concentration of credit risk in relation to deposits with bank.

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

The amount of financial guarantees provided by the Group is disclosed in note 38.

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

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. As at 31 December 2016 and 2015, there were no unutilised banking facilities.

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

At 31 December 2016

	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
Deposit and other payables	677,500	677,500	677,500	–	–	–
Bank and other borrowings	867,903	1,006,029	330,573	285,561	389,895	–
Bonds	1,335,866	1,960,157	121,898	121,898	1,305,347	411,014
Promissory notes	376,000	376,000	376,000	–	–	–
Convertible bonds	413,116	687,500	37,500	37,500	612,500	–
	3,670,385	4,707,186	1,543,471	444,959	2,307,742	411,014

At 31 December 2015

	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
Deposit and other payables	794,526	794,526	794,526	–	–	–
Bank and other borrowings	1,338,002	1,476,190	597,500	225,027	623,038	30,625
Bonds	1,547,548	2,346,489	341,285	123,934	1,477,870	403,400
Promissory notes	376,000	376,000	376,000	–	–	–
	4,056,076	4,993,205	2,109,311	348,961	2,100,908	434,025

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

(c) Interest rate risk

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

Cash and cash equivalents comprise mainly cash at banks and in hand, with the annual interest rates ranging from approximately 0.001% to 3.05% as at 31 December 2016 (2015: approximately 0.001% to 3.2%).

The interest rates of the Group's bank and other borrowings, bonds, promissory notes and convertible bonds are disclosed in notes 26, 27, 28 and 29, respectively.

The Group is exposed to fair value interest rate risk in relation to fixed-rate other borrowings, bonds, promissory notes and convertible bonds (see notes 26, 27, 28 and 29 for details).

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

Sensitivity analysis

At 31 December 2016, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax and increase/decrease accumulated losses by approximately HK$5,592,000 (2015: approximately HK$9,141,000). Other components of equity would not be affected (2015: Nil) in response to the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in the respective interest rates over the period until the next annual reporting period. The analysis is performed on the same basis for 2015.

(d) Currency risk

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

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

(e) Equity price risk

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

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risk at the reporting date. If equity price had been 5% higher/lower, the Group's net profit for the year would increase/decrease by approximately HK$173,000 (2015: approximately HK$183,000). This is mainly due to the changes in financial assets at fair value through profit or loss.

(f) Fair value of financial instrument

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

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

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

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

Fair value measurements recognised in the consolidated statement of financial position

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

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

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

***Fair value measurements recognised in the consolidated statement of financial position** (Continued)*

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets				
At 31 December 2016				
Financial assets at fair value through profit or loss				
—Equity securities listed in Hong Kong	3,453	—	—	3,453
Derivative financial instruments				
—Redemption option derivative component (note a)	—	—	97,192	97,192

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 December 2015				
Financial assets at fair value through profit or loss				
—Equity securities listed in Hong Kong	3,662	—	—	3,662

There were no transfer between Level 1 and 2 in both years. When a determination is made to classify an asset or liability within Level 3, the determination is based upon the significance of the unobservable inputs to the overall fair value measurement.

Notes:

(a) As at 31 December 2016, the fair value of convertible bonds and redemption option derivate component of approximately HK$422,536,000 and HK$97,192,000, respectively. The fair value of liabilities component and redemption option derivate component of convertible bonds were valued by an independent valuer. The convertible bonds and redemption option derivate component were calculated by discounted cash flow model and binomial model respectively, and including some unobservable inputs. See notes 23 and 29 for the details information of redemption option derivate component and convertible bonds.

35. COMMITMENTS

(a) Capital commitments outstanding at 31 December 2016 not provided for in the financial statements were as follows:

	2016 HK$'000	2015 HK$'000
Capital expenditure authorised and contracted for in respect of:		
— capital injection of entity	285	—
— acquisition of investment properties	193,531	304,649

(b) At 31 December 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2016 HK$'000	2015 HK$'000
Within one year	2,210	4,531
After one year but within five years	4,552	4,712
	6,762	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 extension options. None of the leases includes contingent rentals.

36. LITIGATION

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

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

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

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

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

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

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

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

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

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.

36. 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)*

4. On 4 July 2014, the Company received the notice of appeal to the Supreme People's Court of the PRC (the "**Supreme People's Court**") from Ms. Wang and Tian Jiu regarding the PRC Action No. 1 (the "**Appeal**"). In the Appeal, Ms. Wang and Tian Jiu sought an order from the Supreme People's Court that the Contended Agreement was void.

5. On 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 5 of Part (F) below.

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:

36. 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. *(Continued)*

(a) Baisazhou Agricultural ceasing to be a subsidiary of the Company. For the financial year ended 31 December 2016, Baisazhou Agricultural contributed approximately the following to the Group: (i) approximately HK$148 million (approximately 24% of the Group) in revenue; (ii) approximately HK$163 million (approximately 21% increase in the profit attributable to owners of the Company of the Group) in profit attributable to owner of the Company; (iii) approximately HK$1,343 million (approximately 23% of the Group) in assets; (iv) approximately HK$593 million (approximately 12% of the Group) in liabilities, and (v) approximately HK$750 million (approximately 65% 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 31 December 2016, the Instruments are recorded at book value of approximately HK$376 million, together with interest payable in the aggregate amount of approximately HK$566 million; and

(c) the Company may take all necessary actions to seek (i) the return of the remaining balance of approximately HK$706 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.

(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.

36. LITIGATION *(Continued)*

(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.

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.

36. LITIGATION *(Continued)*

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

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.

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 HK$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.

36. LITIGATION *(Continued)*

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

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

2. On 5 October 2012, the Company obtained a court order from the Court to the effect that undertakings (the "**Undertakings**") were given by Ms. Wang and Tian Jiu not to: (i) indorse, assign, transfer or negotiate the two instruments (purportedly described as promissory notes in the SPA) (the "**Instruments**"); and (ii) enforce payment by presentation of the Instruments until the final determination of the court action or further court order. Pursuant to the Undertakings, the Instruments will no longer fall due for payment by the Company on 5 December 2012.

3. On 9 November 2016 at the Case Management Conference, Mr. Registrar K.W. Lung made an order, inter alia, that the matter be adjourned to a date to be fixed for the 2nd Case Management Conference.

(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 remitted the case back to the Hongshan District People's Court of Wuhan City for retrial.

5. On 18 November 2016, the Hongshan District People's Court commenced 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.

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.

36. LITIGATION *(Continued)*

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

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 ("**the MOFCOM 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.

7. According to a writ dated 3 August 2016, Ms. Wang and Tian Jiu requested the Beijing Court to revoke the MOFCOM Decision and to order MOFCOM to make a decision to revoke the approval. According to a notice issued by the Beijing Court together with the writ which was served on the Company, each of the Company and Baisazhou Agricultural has been added as third party by the Beijing Court to the Proceedings. Three hearings have been taken place in the Beijing Court so far.

(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 for a declaration from the Hubei Court that the SPA no longer have any force.

9. On 11 August 2016, the Company submitted an application to modify its claims. The modified claims include: (1) to confirm that the SPA has been legally made; (2) to seek an order from the Hubei Court that Ms. Wang and Tian Jiu shall assist the Company and Baisazhou Agricultural to discharge its contractual duties under the SPA to make the necessary filing with MOFCOM; (3) to seek an order from the Hubei Court that if Ms. Wang and Tian Jiu fail to assist as abovementioned then the Company and Baisazhou shall have the right to make the necessary filing with MOFCOM on their own; and (4) to seek an order from the Hubei Court that Ms. Wang and Tian Jiu shall bear the costs of the proceedings.

36. LITIGATION *(Continued)*

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

1. 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**").

2. 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 31 December 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.

37. MATERIAL RELATED PARTY TRANSACTIONS

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

(a) Transactions with key management personnel

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

	2016 HK$'000	2015 HK$'000
Short-term employee benefits	11,354	16,029
Post-employment benefits	133	182
	11,487	16,211

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

(b) Balances with related parties

Details of the balances with related parties as at 31 December 2016 and 2015 are set out in note 21, 26 and 27.

37. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) Material related party transaction

	2016 HK$'000	2015 HK$'000
Peony Finance Limited		
— Unsecured other borrowing interest	9,600	2,435
— Interest on Convertible Bonds (note (i))	2,835	—
— Interest on bonds	14,810	15,780
	27,245	18,215

Note:

(i) On 23 August 2016, the Company and Peony Finance Limited entered into agreement, pursuant to which, the Company has conditionally agreed to issue, and Peony Finance Limited has conditionally agreed to subscribe principal amount of HK$140 million convertible bonds.

For the transactions constitute non-exempted connected transactions under the Listing Rules, please refer to the sections "Connected Transaction" under the "Report of the Directors".

38. FINANCE GUARANTEE

As at 31 December 2016, wholly-owned subsidiaries of the Company provided guarantees of approximately HK$14,859,000 to our customers in favor of banks for the loans provided by the banks to the customers of our projects (2015: approximately HK$100,000).

39. EVENT AFTER THE REPORTING PERIOD

(a) On 16 November 2016, the Company entered into the sale and purchase agreement with the vendors. The Company conditionally agreed to acquire the right and power to control over and the right to enjoy the economic benefits in the pawn loan business operated by CITIC XinBang Asset Management Corporation Ltd through the structured contracts. The aggregate consideration for this acquisition is HK$3,116,632,579, which will be satisfied by the allotment and issue of 2,308,616,725 consideration share at the issue price of HK$1.35 per share. For the detail information, please refer to the Group's announcement date on 4 December 2016.

(b) On 16 November 2016, the Group entered into a subscription agreement with the subscribers. The Company conditionally agreed to allot and issue, an aggregate of 114,400,626 new shares with the principal of HK$1,144,006 at the subscription of HK$1.35 per subscription share. For the detail information, please refer to the Group's announcement date on 4 December 2016.

40. COMPARATIVE FINANCIAL INFORMATION

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

41. AUTHORISATION FOR ISSUE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 21 February 2017.

FIVE-YEAR FINANCIAL SUMMARY

	Year ended 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Turnover	**603,132**	365,192	298,043	408,544	287,482
(Loss)/profit before taxation	**(852,442)**	(493,558)	(292,068)	419,176	351,972
Income tax	**73,884**	(382)	(44,001)	(198,457)	(135,488)
(Loss)/profit for the year	**(778,558)**	(493,940)	(336,069)	220,179	216,484
Attributable to:					
Owners of the Company	**(740,997)**	(489,117)	(340,420)	154,980	145,678
Non-controlling interests	**(37,561)**	(4,823)	4,351	65,739	70,806
	(778,558)	(493,940)	(336,069)	220,719	216,484

	As at 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**5,957,204**	7,043,243	6,906,025	5,698,794	4,331,898
Total liabilities	**(4,798,198)**	(5,265,457)	(5,029,767)	(4,077,946)	(3,064,392)
	1,159,006	1,777,786	1,876,258	1,620,848	1,267,506
Attributable to:					
Owners of the Company	**805,616**	1,341,198	1,423,291	1,199,589	917,680
Non-controlling interests	**353,390**	436,588	452,967	421,259	349,826
	1,159,006	1,777,786	1,876,258	1,620,848	1,267,506