



中國農產品交易

CHINA AGRICULTURE PRODUCTS EXCHANGE

*Dedicated to developing Agriculture
Sincere in serving Agriculture*

(Incorporated in Bermuda with limited liability)

Stock Code : 0149



2017
Interim Report

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Corporate Information

Board of Directors

Executive Directors

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

Independent Non-executive Directors

Mr. Ng Yat Cheung, *JP*
Mr. Lau King Lung
Mr. Wong Hin Wing

Audit Committee

Mr. Wong Hin Wing, *Chairman*
Mr. Ng Yat Cheung, *JP*
Mr. Lau King Lung

Remuneration Committee

Mr. Ng Yat Cheung, *JP, Chairman*
Mr. Lau King Lung
Mr. Wong Hin Wing
Mr. Chan Chun Hong, Thomas

Nomination Committee

Mr. Lau King Lung, *Chairman*
Mr. Ng Yat Cheung, *JP*
Mr. Wong Hin Wing
Mr. Chan Chun Hong, Thomas
Mr. Leung Sui Wah, Raymond

Company Secretary

Mr. Cheung Chin Wa, Angus

Principal Bankers

Bank of Communications Co., Ltd.
The Hongkong and Shanghai Banking
Corporation Limited

Legal Advisers

Hong Kong Law: DLA Piper Hong Kong
PRC Law: King & Wood Mallesons

Auditors

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business in Hong Kong

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

Principal Share Registrar and Transfer Agent

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

Branch Share Registrar and Transfer Office in Hong Kong

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

Listing Information

Shares Listing
The Stock Exchange of Hong Kong Limited
Stock Code: 0149

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

Homepage

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

Interim Dividend

The board of directors (the “**Board**” or the “**Director(s)**”) of China Agri-Products Exchange Limited (the “**Company**” together with its subsidiaries, collectively the “**Group**”) does not recommend any payment of interim dividend for the six months ended 30 June 2017 (for the six months ended 30 June 2016: Nil).

Management Discussion and Analysis

Summary of Financial Results

Turnover, gross profit and segment result

For the six months ended 30 June 2017 (the “**Period**”), the Group recorded a turnover of approximately HK\$365 million (for the six months ended 30 June 2016: approximately HK\$440 million), representing a decrease of approximately 17% compared to the corresponding period of last year. The below table summarises the key financial performance of the Group:

HK\$ million and approximate %	For the period ended 30 June 2017			For the period ended 30 June 2016		
	Agricultural Produce Exchange Market Operation	Property Sales	Total	Agricultural Produce Exchange Market Operation	Property Sales	Total
Turnover	156	209	365	165	275	440
Gross Profit	111	66	177	112	91	203
Segment Result	30	61	91	32	76	108
Gross Profit to Turnover	71%	32%	48%	68%	33%	46%
Segment Result to Turnover	19%	29%	25%	19%	28%	25%

Management Discussion and Analysis

The decrease in income was mainly due to a decrease in recognition of sales of properties of the agricultural and by-product exchange markets in Yulin city (“**Yulin Market**”) and Qinzhou city (“**Qinzhou Market**”) in Guangxi Zhuang Autonomous Region (“**Guangxi**”) in the first half of 2017 as compared to the same period of 2016. Due to fluctuation of exchange rate of Renminbi, the turnover of the agricultural and by-product exchange market operations resulted in a slight decrease. The Group recorded a gross profit and a segment result of approximately HK\$177 million and approximately HK\$91 million, respectively (for the six months ended 30 June 2016: approximately HK\$203 million and approximately HK\$108 million, respectively), representing a decrease of approximately 13% and a decrease of approximately 16%, respectively, as compared to the corresponding period of last year mainly due to the abovementioned decrease in property sales recognition.

Other revenue and other net income

The Group recorded other revenue and other net income of approximately HK\$7 million (for the six months ended 30 June 2016: approximately HK\$25 million). The decrease was mainly due to a decrease in government subsidies from Huai’an Hongjin Agricultural and By-Product Exchange Market (“**Huai’an Market**”) and Panjin Hongjin Agricultural and By-Product Exchange Market (“**Panjin Market**”) in the Period as compared to the corresponding period in 2016.

Management Discussion and Analysis

General and administrative expenses, selling expenses and finance costs

The Group recorded general and administrative expenses of approximately HK\$120 million (for the six months ended 30 June 2016: approximately HK\$140 million) mainly due to tight control of operating expenses as well as a slowdown in new project development. Selling expenses were approximately HK\$21 million (for the six months ended 30 June 2016: approximately HK\$21 million) during the Period, the slight decrease in selling expenses of the agricultural produce exchanges in the Period being due to the implementation of cost tightening control measures in marketing and promotion expenses. Finance costs were approximately HK\$137 million (for the six months ended 30 June 2016: approximately HK\$135 million). Such increase was mainly due to obtaining new interest-bearing debts and the issuance of convertible notes in late 2016.

Net gain/(loss) in fair value of investment properties and written down of stock of properties

The net gain in fair value of investment properties was approximately HK\$50 million (for the six months ended 30 June 2016: net loss of approximately HK\$55 million). No stock of property value was written down during the Period (for the six months ended 30 June 2016: approximately HK\$18 million). The above differences as compared to the same period in 2016 were mainly due to maintaining similar price level of fair value of property prices during the Period deriving from the agricultural produce exchange markets in the People's Republic of China (the "PRC").

Change in fair value of derivative financial instruments

During the Period, change in fair value of derivative financial instruments was approximately HK\$39 million (for the six months ended 30 June 2016: Nil) due to the exercise of conversion rights under the convertible notes issued by the Company in October 2016 and the decrease in share price of the Company during the Period.

Management Discussion and Analysis

Loss attributable to owners of the Company

The loss attributable to owners of the Company was approximately HK\$96 million (for the six months ended 30 June 2016: approximately HK\$138 million). The decrease in loss recorded in the Period as compared to the six months ended 30 June 2016 was mainly due to the decrease in the loss in fair value of investment properties and the decrease in administrative expenses as compared to the same period in 2016.

Review of Operations

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

Wuhan Baisazhou Market

Located in the provincial capital of Hubei province, Wuhan Baisazhou 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. Wuhan Baisazhou Market was awarded “Top 50 of agricultural products supply chain contributors” by China Agricultural Wholesale Market Association. This award is a testament to the Group’s effort and expertise in being an outstanding performance agricultural produce exchange market operator in the PRC.

During the Period, the turnover of Wuhan Baisazhou Market decreased at the rate of approximately 10% compared with the corresponding period of last year. Wuhan Baisazhou Market has established its reputation to customers and tenants.

Management Discussion and Analysis

Yulin Market

Yulin Market is one of the largest agricultural produce exchange markets in Guangxi. It has various types of market stalls and multi-storey godown, with a site area of approximately 415,000 square metres and a total gross floor area of approximately 196,000 square metres. The Group has completed the construction of an extension to the phase two development of Yulin Market which became a new growth driver for the Group. In order to achieve the diversification of business portfolio, Yulin Market introduced seafood trading as one of its new product sectors. As an energetic member of the Group, the business operations of Yulin Market's capability in becoming one of the key agricultural produce exchange markets in the Guangxi region is promising. The performance of Yulin Market was satisfactory during the Period, achieving property sales recognition contributed to the Group.

Luoyang Market

The agricultural and by-product exchange market in Luoyang, Henan province ("**Luoyang Market**") is one of the flagship projects of the Group and the first agricultural produce exchange market project in Henan province. The site area of Luoyang Market is approximately 255,000 square metres with a gross floor area of approximately 225,000 square metres. In the first half of 2017, the operating performance and occupancy rate of Luoyang Market had gradually improved. As a result of this improvement, Luoyang Market has brought positive contribution to the Group.

Management Discussion and Analysis

Xuzhou Market

The agricultural and by-product exchange market in Xuzhou, Jiangsu province (“**Xuzhou Market**”) occupies approximately 200,000 square metres and is located in the northern part of Jiangsu province. The market houses various market stalls and godowns. Xuzhou Market is a major marketplace for the supply of fruit and seafood in the city and the northern part of Jiangsu province. The operating performance of Xuzhou Market was steady. Income for the Period was approximately HK\$22 million (for the six months ended 30 June 2016: approximately HK\$25 million), representing a decrease of approximately 12% compared to the corresponding period of last year which was mainly due to the drop in fruit and vegetable prices, in turn, affecting the commission income to Xuzhou Market.

Puyang Market

Puyang Hongjin Agricultural and By-Product Exchange Market (“**Puyang Market**”) is one of the Group’s joint venture projects with the local partner in Henan province. In order to adapt to the local situation, the manpower and operations in Puyang Market are localized. This strategy proved to be successful. During the Period, the operating performance of Puyang Market achieved a satisfactory result with a slight increase in turnover as compared to the same period of last year.

Kaifeng Market

Kaifeng Hongjin Agricultural and By-Product Exchange Market (“**Kaifeng Market**”) had a gross floor construction area of approximately 120,000 square metres. Kaifeng Market was the third point of market operation for facilitating the Group to build an agricultural produce market network in the Henan province. During the Period, Kaifeng Market was still in the business development stage and the Group expects it will take more time to attract customers and buyers.

Management Discussion and Analysis

Qinzhou Market

Qinzhou Market comprised site area of approximately 266,000 square metres and is located in the highway entrance of Qinzhou city in Guangxi where is the key member of Beibu Bay of Guangxi. Qinzhou Market is the second major agricultural exchange market in Guangxi. During the Period, property sales recognition from Qinzhou Market was satisfactory.

Huangshi Market

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

Huai’an Market

Huai’an Market is located in Huai’an city in Jiangsu province. Phase one of the market has commenced its operations and it is expected that the business performance of Huai’an Market will need more time in order to achieve a better result.

Panjin Market

Panjin Market is located in Panjin city of Liaoning province with a construction gross floor area of around 50,000 square metres. This is the first agricultural produce exchange market in Liaoning province and the Group expects that it will take more time to build up the business operations of this market.

Management Discussion and Analysis

Electronic Commerce Development

Starting from 2016, the Group has put resources into electronic commerce development linking online and offline customers in our agricultural exchange markets. Our website and mobile phone applications of trading platform provide one-stop shopping experience to our customers. Due to the tight control of operating expenses of the Group, the management has slowed down the electronic commerce development and strengthened the existing resources of customer base and transactions in electronic commerce business.

Material Transactions

Termination of acquisition of pawn loan business

In December 2016, the Company announced the entering of, inter alia, (i) a conditional sale and purchase agreement with 11 vendors, including amongst them 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 Asset Management Corporation Ltd. (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 in the Company; and (ii) a subscription agreement with 3 subscribers for the subscription of 114,400,626 shares in the Company at the subscription price of HK\$1.35 per share in the Company (the “**Subscription**”).

On 17 May 2017, the Company entered into (i) a termination agreement with the vendors to terminate the sale and purchase agreement; and (ii) a termination agreement with the subscribers to terminate the share subscription agreement, and hence the Acquisition and the Subscription did not proceed. Details of the above were disclosed in the announcements of the Company dated 4 December 2016 and 17 May 2017, respectively.

Management Discussion and Analysis

Extension of payment date on outstanding bonds interest

On 29 May 2017 and 4 July 2017 (i.e. after the Period), the Company entered into the agreements for extension of payment date on outstanding bond interest with a subsidiary of Wai Yuen Tong Medicine Holdings Limited, a subsidiary of Wang On Group Limited and a subsidiary of Easy One Financial Group Limited, respectively, in the aggregate amount of approximately HK\$58 million from 29 May 2017 to 30 November 2017. Details of the above were disclosed in the announcements of the Company dated 29 May 2017 and 26 July 2017, respectively. Please also see the section “Liquidity and Financial Resources” below regarding the Company’s plan to meet the financial obligations under the loans.

Fund Raising Activities

Capital reorganisation, rights issue and issue of convertible notes

On 26 July 2017 (i.e. after the Period), the Company announced, inter alia, a capital reorganisation whereby, among other things, every 5 shares of HK\$0.01 each in the issued share capital of the Company will be consolidated into 1 consolidated share (the “**Capital Reorganisation**”) and a rights issue (the “**Rights Issue**”) of a minimum of 2,322,382,489 rights shares or a maximum of 2,888,682,489 rights shares (depending on whether the conversion rights under the convertible notes issued by the Company in 2016 will be exercised or not before the record date for the Rights Issue) on the basis of 7 rights shares for every 1 consolidated share at the price of HK\$0.45 per rights share (the “**Rights Share(s)**”). The proposed Capital Reorganisation and the Rights Issue are each subject to shareholders’ approval. The Company also entered into the agreements with Kingston Securities Limited and Key High Limited (a wholly-owned subsidiary of Wai Yuen Tong Medicine Holdings Limited), respectively, on 4 July 2017 in relation to the placing and issue of convertible notes in the aggregate principal amount of HK\$400 million at the initial conversion price of HK\$0.58 per convertible share (the “**Convertible**”).

Management Discussion and Analysis

Notes)". The total net proceeds raised from the Rights Issue and the Convertible Notes will be not less than approximately HK\$1,403.8 million and not more than approximately HK\$1,658.7 million depending on the number of Rights Shares to be issued, out of which approximately HK\$877 million was intended to be utilized towards repayment of bonds and loans due to the subsidiaries of Wang On Group Limited, Wai Yuen Tong Medicine Holdings Limited and Easy One Financial Group Limited, approximately HK\$58 million was intended to be utilized towards repayment of the outstanding interests, approximately HK\$441 million to approximately HK\$695 million was intended to be utilized towards repayment of the outstanding bank and other borrowings and the remaining balance of approximately HK\$28 million was intended to be utilized for general working capital. Details of the Capital Reorganisation, the Rights Issue and the issue of Convertible Notes were disclosed in the announcement of the Company dated 26 July 2017.

The Rights Issue is conditional upon, among others, the Listing Committee of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") granting and not having withdrawn or revoked the listing of, and the permission to deal in, the adjusted shares after the Capital Reorganisation and the Rights Shares (in both nil-paid and fully-paid forms) by no later than the first day of their dealings.

As disclosed in the announcement of the Company dated 26 July 2017 (after the Period), the Company received negative feedback from the Listing Division of the Stock Exchange. Based on information provided to it, the Listing Division is concerned with the substantial dilution of non-subscribing minority shareholders' interests. The Company has not yet demonstrated, to the satisfaction of the Listing Division, that the terms of the Rights Issue are fair and reasonable. The Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong (the "**Executive**") is concerned whether the proposed transactions are oppressive to the minority shareholders and contrary to the General Principles of the Hong Kong Code on Takeovers and Mergers.

Management Discussion and Analysis

The Board does not share the same view in respect of the above concerns from the Stock Exchange and the Executive and has taken steps to address the Stock Exchange and the Executive's concerns. Shareholders and potential investors should note that, unless and until the Company addresses the above concerns to the satisfaction of the Stock Exchange, the Stock Exchange will not grant listing approval to deal in the adjusted shares and the Rights Shares and if so the Rights Issue and the issue of Convertible Notes will not proceed and will lapse.

Liquidity and Financial Resources

As at 30 June 2017, the Group had total cash and cash equivalents, including pledged bank deposits, amounting to approximately HK\$168 million (31 December 2016: approximately HK\$330 million) whilst total assets and net assets were approximately HK\$5,840 million (31 December 2016: approximately HK\$5,957 million) and approximately HK\$1,330 million (31 December 2016: approximately HK\$1,159 million), respectively. The Group's gearing ratio as at 30 June 2017 was approximately 2.1 (31 December 2016: approximately 2.3), being a ratio of the total of bank and other borrowings, bonds and promissory notes of approximately HK\$2,902 million (31 December 2016: approximately HK\$2,993 million), net of cash and cash equivalents, including pledged bank deposit, of approximately HK\$168 million (31 December 2016: approximately HK\$330 million) to total shareholders' funds of approximately HK\$1,330 million (31 December 2016: approximately HK\$1,159 million).

After the Period, the Directors reviewed the current cash flow position of the Company and noted that the Group is in need of additional funds from financing activities so as to be able to repay debt when it falls due over the next few months. Given the significant uncertainties as to whether the Rights Issue and the issue of Convertible Notes will proceed, in the absence of alternate financing from other sources, the Company's ability to meet its cash flow needs over the next few months is uncertain.

Management Discussion and Analysis

Capital Commitments, Pledges and Contingent Liabilities

As at 30 June 2017, outstanding capital commitments, contracted but not provided for, amounted to approximately HK\$199 million in relation to the purchase of property, plant and equipment, and construction contracts (31 December 2016: approximately HK\$194 million).

As at 30 June 2017, the Group pledged the land use rights, properties and bank deposits with an aggregate carrying value of approximately HK\$2,374 million (31 December 2016: approximately HK\$2,269 million) to secure certain financial institutions borrowings.

As at 30 June 2017, the Group had significant contingent liabilities in the amount of approximately HK\$16 million in relation to the guarantees provided by a wholly-owned subsidiary of the Company to our customers in favour of a bank for the loans provided by the bank to the customers of our project (31 December 2016: approximately HK\$15 million).

The Group did not have any outstanding foreign exchange contracts, interest or currency swaps or other financial derivatives as at 30 June 2017. The revenue, operating costs and bank deposits of the Group are mainly denominated in Renminbi and Hong Kong dollars. The Group will monitor its foreign exchange exposure and consider alternative risk hedging tools when necessary.

Management Discussion and Analysis

Debt Profiles and Financial Planning

As at 30 June 2017 and 31 December 2016, the interest bearing debt profiles in the consolidated balance sheet of the Group were analysed as follows:

	30 June 2017		31 December 2016	
	Approximate carrying amount HK\$ million	Approximate effective interest rate (per annum)	Approximate carrying amount HK\$ million	Approximate effective interest rate (per annum)
Bonds	1,349	11%	1,336	11%
Convertible Bonds	253	12%	413	12%
Financial Institution Borrowings	718	6%	707	6%
Non-Financial Institution Borrowings	206	11%	161	11%
Promissory Notes	376	5%	376	5%
Total	2,902		2,993	

As at 30 June 2017, the bonds will mature during the period from November 2019 to September 2024; the convertible notes will mature in October 2021; the financial institution borrowings will mature during the period from July 2017 to November 2023; the non-financial institution borrowings will mature during the period from August 2017 to August 2018 and the holders of the promissory notes gave an undertaking not to indorse, assign, transfer or negotiate the promissory notes and enforce payment by presentation of the promissory notes until the final determination of a court action or further court order. Under the said undertaking, the promissory notes will no longer fall due for payment by the Company on 5 December 2012. Details of the undertaking and the court case were disclosed in note 18 to the condensed consolidated financial statements of this interim report.

Note:

Save as the financial institution borrowings were 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.

Management Discussion and Analysis

Treasury Policy

The Group's treasury policy includes diversifying funding sources. Internally generated cash flow, issuance of shares and/or convertible securities and interest-bearing bank/non-financial institution loans are the general source of funds to finance the operation of the Group during the Period. The Group regularly reviews its major funding positions to ensure that it will have adequate financial resources in meeting its financial obligations. In order to meet interest bearing debts and business capital expenditure, the Group is from time to time considering various alternative equity and debt financing including but not limited to new share placing, rights issues of new shares, financial institution borrowings, non-financial institution borrowings, bonds issuance, convertible notes, other debt financial instruments, disposal of investment properties and sales of stock of properties.

Litigation

As disclosed in the announcements of the Company dated 11 January 2011, 22 May 2012, 19 June 2014, 4 July 2014, 13 January 2015, 14 January 2015, 28 May 2015, 8 January 2016, 11 January 2016, 24 May 2016, 31 August 2016, 19 April 2017 and 11 May 2017, civil proceedings (the "**Legal Proceedings**") were initiated in the PRC 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 joining 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 of 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.

Management Discussion and Analysis

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 them 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 High 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 had jointly commenced legal proceedings against MOFCOM alleging that MOFCOM failed to discharge its statutory duties for handling their application submitted in January 2015 for revoking the certificate of approval and letter of approval in relation to the Contended Agreements (the “**Application**”). The cases were accepted by the Beijing Second Intermediate People’s Court (the “**Beijing Court**”) in May 2015. The Company and Baisazhou Agricultural then made an application to join the cases as third parties. The Company received a judgment dated 31 December 2015 on 8 January 2016 (the “**Judgment**”) issued by the Beijing Court, by which the Beijing Court demanded MOFCOM to handle the Application again within 30 days.

Management Discussion and Analysis

In relation to Ms. Wang and Tian Jiu's application for revoking the approval in respect of the Contended Agreements, the Company received a decision (the "**Decision**") on 23 May 2016 issued by MOFCOM dated 19 May 2016 to the effect, amongst other things, that its approval (the "**Approval**") issued in November 2007 in relation to the Contended Agreements shall not be revoked and shall remain to be in force. In making the Decision, MOFCOM considered that the revocation of the Approval as requested by Ms. Wang and Tian Jiu may cause serious damage to the public interest.

Upon the making of the Decision by MOFCOM that the approval shall not be revoked and shall remain 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.

On 18 April 2017, the Company received the judgment of the Beijing Court dated 31 March 2017 (the "**31 March Judgement**") stating that the request made by Ms. Wang and Tian Jiu to revoke the Decision lacked both legal and factual basis and was not supported by the Beijing Court. Accordingly, the Beijing Court dismissed the application of Ms. Wang and Tian Jiu.

On 10 May 2017, the Company received a Notice of Appeal dated 8 May 2017. By the Notice of Appeal, Ms. Wang and Tian Jiu appealed against the 31 March Judgment and requested for an order that (a) the 31 March Judgment be set aside and that (b) MOFCOM to make a decision to revoke the Approval.

Management Discussion and Analysis

As advised by the PRC legal advisers of the Company, (i) the Supreme People's Court only ordered the Contended Agreements void, but it did not make any ruling regarding the acquisition; and (ii) the Beijing Judgment will not directly lead to any immediate change of ownership of Baisazhou Agricultural. The Company continues to be the legal owner of Baisazhou Agricultural until and unless the revocation of: (a) the Approval; and (b) the registration of the transfer of shareholding by the Hubei Province Administration for Industry and Commerce. The Company will take all necessary action in the PRC as advised by its PRC legal advisors in response to the Beijing Judgment.

For other detailed information on litigation cases, please refer to note 18 to the condensed consolidated financial statements of this interim report.

Employees and Remuneration Policies

As at 30 June 2017, the Group had 1,415 employees (31 December 2016: 1,698 employees), approximately 98% and approximately 2% of whom were located in the PRC and Hong Kong, respectively. The Group's remuneration policy is reviewed periodically by the remuneration committee of the Company and the Board's remuneration is determined by reference to market terms, the Company's performance, and individual qualifications and performance. 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.

Management Discussion and Analysis

Future Plans and Prospects

The first half of 2017 is a tough period with the gradual slow growth of the PRC economy and the drop of the price of fruit and vegetables due to the fruitful harvest in agricultural sector in the PRC. This may have impact on the operating income of the Group. As for the property sales of the Group, slow pace economic growth had promoted investors and business operators to take more conservative approach in acquisition of new properties. This will, in turn, affect our business development and financial position.

The agricultural issue is still the theme of the 2017 Number 1 Documents of the PRC Government. The Group will continue to adapt its business model to suit the overall government policy requirements. Coupled with the PRC State Council's issuance of the framework of "Opinion of the Internet Action by the PRC State Council" (the "**Opinion**") in July 2016, the PRC State Council, the Ministry of Commerce, the Ministry of Agriculture and the relevant government departments have issued various action plans to detail electronic commerce in agricultural sector. The Group will continue to put resources in this area with a prudent approach and attempted to bridge up the connection between the virtual internet world and the physical agricultural markets for offline to online business model. For the long term development of electronic commerce business, the management will take a more conservative approach in this resources intensive area.

The Group has endeavored to build up a national network of agricultural produce exchange markets. After the continuous efforts being deployed by the management, the Group has built up a network of the markets. The brand name of "Hongjin" in the agricultural by-products exchange markets is well recognized in this sector. The Group will continue to negotiate, build and expand its network of agricultural produce exchange markets by working on establishing partnerships in the PRC and exploring business opportunities of agricultural produce exchange markets in different provinces in the PRC so as to deliver long-term benefits to the shareholders of the Company.

Management Discussion and Analysis

In view of its loss making position, the Company will continue to endeavour to increase its revenue as well as to reduce its leverage. As the Group is in need of additional funds from financing activities so as to be able to repay debt when it falls due over the next few months, the Company will also continue to explore and pursue all appropriate financing/fund raising activities in the interest of the Company and shareholders as a whole.

Disclosure of Interests

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

As at 30 June 2017, none of the Directors or the chief executive of the Company, nor any of their respective associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “**SFO**”)) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in the section headed “Share Option Scheme”, at no time during the period for the six months ended 30 June 2017 was the Company, nor any of its subsidiaries or associated corporations, a party to any arrangement to enable the Directors and the chief executive of the Company (including their respective spouses or children under the age of 18) to acquire benefits by means of the acquisition of the shares, underlying shares in, or debentures of, the Company or any of its associated corporations.

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

As at 30 June 2017, to the best knowledge of the Directors, the following person (other than the Directors or the chief executive of the Company) had, or were deemed or taken to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in the shares of the Company

Name of shareholder	Capacity	Total number of shares held	Approximate percentage of the Company's total issued share capital <i>(Note a)</i> %
Easy One Financial Group Limited ("Easy One")	Interest of controlled corporation	684,616,677 <i>(Note b)</i>	41.27

Notes:

- (a) The percentage stated represented the percentage of the Company's share capital as stated in the relevant disclosure of interests form.
- (b) 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.

Disclosure of Interests

Save as disclosed above, as at 30 June 2017, there were no other persons (other than the Directors or the chief executive of the Company) who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

Share Option Scheme

On 3 May 2012, the Company 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 (the “**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 (the “**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.

Share Option Scheme

Subject to the approval of the shareholders of the Company at a 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.

Since the adoption of the Scheme and up to 30 June 2017, no share option had been granted. As at the date of this interim report, the total number of Shares available for issue under the Scheme is 116,334,463, representing approximately 7% of the total number of Shares in issue.

Corporate Governance and Other Information

The Company had complied with the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules during the period from 1 January 2017 to 30 June 2017, except the following deviation:

Code provision A.2.1

Mr. Chan Chun Hong, Thomas, the chairman of the Board, also assumed the role of chief executive officer, a deviation from 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 management 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 skills and experience appropriate for the Group’s further development. The Company does not propose to comply with code provision A.2.1 of the CG Code for the time being but will continue to review such deviation to enhance the best interest of the Group as a whole.

Changes in Information of Directors

The changes in the information of Directors since the publication of the 2016 annual report are set out below pursuant to Rule 13.51B(1) of the Listing Rules:

- Mr. Wong Hin Wing became a panel member of Securities and Futures Appeals Tribunal with effect from April 2017. He was re-designated as the managing director of China Silk Road International Capital Limited (formerly known as Legend Capital Partners, Inc.) with effect from April 2017 and appointed as an independent non-executive director of Inner Mongolia Yitai Coal Co., Ltd. (a public company with B shares listed on the Shanghai Stock Exchange and H shares listed on the Stock Exchange) in May 2017. He was appointed as an independent non-executive director of Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. (a public company with A shares listed on the Shanghai Stock Exchange and H shares listed on the Stock Exchange) in June 2017.

Corporate Governance and Other Information

- The basic annual salary payable to each of Mr. Chan Chun Hong, Thomas and Mr. Leung Sui Wah, Raymond have been increased by HK\$21,600 and HK\$161,280, respectively to approximately HK\$1.1 million and approximately HK\$1.7 million with effect from 1 April 2017.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2017.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of all Directors, the Company confirmed that all Directors had complied with the required standards set out in the Model Code throughout the Period.

Audit Committee

The Company has an audit committee (the "**Audit Committee**"), which was established in accordance with the requirements of the Listing Rules, for the purposes of reviewing and providing supervision over the Group's financial reporting processes, internal controls and risk management. The Audit Committee comprises all the independent non-executive Directors, namely Mr. Wong Hin Wing, Mr. Ng Yat Cheung and Mr. Lau King Lung, and is chaired by Mr. Wong Hin Wing, which has reviewed with the management and HLB Hodgson Impey Cheng Limited, the Group's external auditors, the unaudited condensed consolidated interim results for the six months ended 30 June 2017.

Corporate Governance and Other Information

Appreciation

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

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

Hong Kong, 11 August 2017

Independent Review Report



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

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

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

(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 33 to 64, which comprises the condensed consolidated statement of financial position of China Agri-Products Exchange Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) as of 30 June 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Main Board Listing Rules**”) require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Emphasis of Matter

We draw attention to notes 1(b) and 18 to the interim financial information which describe a court judgement, which found that share transfer agreements filed with the Ministry of Commerce (“**MOFCOM**”) of the People’s Republic of China (the “**PRC**”) and the Hubei Administration For Industry and Commerce (“**Hubei AIC**”) in relation to the acquisition of Wuhan Baisazhou Agricultural By-Product Grand Market Company Limited (“**Baisazhou Agricultural**”) were void. 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 18 April 2017, the Company received the judgement of the Beijing Second Intermediate People’s Court (the “**Beijing Court**”) dated 31 March 2017 (the “**31 March Judgement**”). According to the

Independent Review Report

31 March Judgement, the request made by Ms. Wang Xiu Qun (“**Ms. Wang**”) and Wuhan Tian Jiu Industrial and Commercial Development Co., Ltd. (“**Tian Jiu**”) to revoke the MOFCOM’s Decision lacked both legal and factual basis and was not supported by the Beijing Court. Accordingly, the Beijing Court dismissed the application of Ms. Wang and Tian Jiu. On 10 May 2017, the Company received a notice of appeal dated 8 May 2017 (the “**Notice of Appeal**”). By the Notice of Appeal, Ms. Wang and Tian Jiu appealed against the 31 March Judgement and requested for an order that (a) the 31 March Judgement be set aside; and (b) that MOFCOM to make a decision to revoke the approval issued in 2007 in relation in to the contended agreements. The Company will take necessary actions in the PRC as advised by its PRC legal advisor in response to the Notice of Appeal. The Group incurred a net loss of approximately HK\$92,613,000 and the Group’s net current liabilities exceeded its current assets by approximately HK\$535,691,000. Notwithstanding the above, the interim financial information have been prepared on a going concern basis, the validity of which is dependent on the Group’s ability to extend its short-term borrowings upon maturity, obtain long-term financing facilities to re-finance its short-term borrowings, and derive adequate cash flows from operations in order for the Group to meet its financial obligations as they fall due and to finance its future working capital and financial requirements. As stated in note 1(b), these events or conditions, along with other matters as set forth in note 1(b), indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Wong Sze Wai, Basilia

Practising Certificate Number P05806

Hong Kong, 11 August 2017

Interim Results

The Board announces the unaudited condensed consolidated results of the Group for the six months ended 30 June 2017, together with the comparative figures for the corresponding period in 2016. These interim condensed consolidated financial statements were not audited, but have been reviewed by HLB Hodgson Impey Cheng Limited, the Group's external auditors, and the Audit Committee.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017

	Notes	For the six months ended 30 June	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Turnover	3	365,354	439,941
Cost of operation		(188,372)	(236,444)
Gross profit		176,982	203,497
Other revenue and other net income		7,054	25,162
General and administrative expenses		(119,923)	(139,806)
Selling expenses		(20,846)	(20,897)
Profit from operations before fair value change of investment properties and impairment		43,267	67,956
Net gain/(loss) in fair value of investment properties		49,645	(55,176)
Change in fair value of derivative financial instruments		(39,085)	–
Written down of stock of properties		–	(18,383)
Profit/(loss) from operations		53,827	(5,603)
Finance costs	4	(137,144)	(135,112)
Loss before taxation	5	(83,317)	(140,715)
Income tax	6	(9,296)	5,799
Loss for the period		(92,613)	(134,916)

Condensed Consolidated Statement of Profit or
Loss and Other Comprehensive Income

For the six months ended 30 June 2017

	Notes	For the six months ended 30 June	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Other comprehensive income/(loss), net of income tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		87,014	(89,044)
Other comprehensive income/(loss) for the period, net of income tax		87,014	(89,044)
Total comprehensive loss for the period, net of income tax		(5,599)	(223,960)
(Loss)/profit attributable to:			
Owners of the Company		(95,805)	(137,538)
Non-controlling interests		3,192	2,622
		(92,613)	(134,916)
Total comprehensive (loss)/profit attributable to:			
Owners of the Company		(8,256)	(218,971)
Non-controlling interests		2,657	(4,989)
		(5,599)	(223,960)
Loss per share			
– Basic	8	HK\$0.07	HK\$0.13
– Diluted	8	HK\$0.07	HK\$0.13

Condensed Consolidated Statement of Financial Position

As at 30 June 2017

	Notes	As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	9	59,394	60,897
Investment properties	10	4,286,261	4,211,566
Intangible assets	11	15,153	18,183
		4,360,808	4,290,646
Current assets			
Stock of properties		991,994	938,516
Trade and other receivables	12	225,254	266,874
Loan receivables		31,338	30,421
Financial assets at fair value through profit or loss		62,704	100,645
Pledged bank deposit		16,100	–
Cash and cash equivalents		152,291	330,102
		1,479,681	1,666,558
Current liabilities			
Deposits and other payables	13	675,406	699,414
Deposit receipts in advance		479,371	656,336
Bank and other borrowings	14	442,151	276,202
Promissory notes		376,000	376,000
Income tax payable		42,444	42,718
		2,015,372	2,050,670
Net current liabilities		(535,691)	(384,112)
Total assets less current liabilities		3,825,117	3,906,534

Condensed Consolidated Statement of Financial Position

As at 30 June 2017

		As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
	<i>Notes</i>		
Non-current liabilities			
Bonds		1,348,963	1,335,866
Bank and other borrowings	14	481,831	591,701
Convertible bonds		253,461	413,116
Deferred tax liabilities		411,274	406,845
		2,495,529	2,747,528
Net assets			
		1,329,588	1,159,006
Capital and reserves			
Share capital	15	16,588	11,633
Reserves		956,953	793,983
Total equity attributable to owners of the Company			
		973,541	805,616
Non-controlling interests		356,047	353,390
Total equity			
		1,329,588	1,159,006

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	Attributable to owners of the Company										Non-controlling interests	Total equity
	Share capital	Share premium	Capital redemption reserve	Contributed surplus	Shareholders' contribution	Other reserve	Exchange reserve	Convertible bonds reserve	Accumulated losses	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2016 (audited)	4,653	2,794,423	945	2,215,409	664	(15,021)	(48,900)	-	(3,610,975)	1,341,198	436,588	1,777,786
Exchange differences on translating foreign operations	-	-	-	-	-	-	(81,433)	-	-	(81,433)	(7,611)	(89,044)
Other comprehensive loss for the period	-	-	-	-	-	-	(81,433)	-	-	(81,433)	(7,611)	(89,044)
(Loss)/profit for the period	-	-	-	-	-	-	-	-	(137,538)	(137,538)	2,622	(134,916)
Total comprehensive loss for the period	-	-	-	-	-	-	(81,433)	-	(137,538)	(218,971)	(4,989)	(223,960)
Rights issue for the period	6,980	286,183	-	-	-	-	-	-	-	293,163	-	293,163
Transaction cost relating to rights issue	-	(6,966)	-	-	-	-	-	-	-	(6,966)	-	(6,966)
Dividend paid	-	-	-	-	-	-	-	-	-	-	(22,543)	(22,543)
At 30 June 2016 (unaudited)	11,633	3,073,640	945	2,215,409	664	(15,021)	(130,333)	-	(3,748,513)	1,408,424	409,056	1,817,480
At 1 January 2017 (audited)	11,633	3,073,429	945	2,215,409	664	(15,021)	(279,672)	150,201	(4,361,972)	805,616	353,380	1,159,006
Exchange differences on translating foreign operations	-	-	-	-	-	-	87,549	-	-	87,549	(535)	87,014
Other comprehensive (loss)/profit for the period	-	-	-	-	-	-	87,549	-	-	87,549	(535)	87,014
(Loss)/profit for the period	-	-	-	-	-	-	-	-	(95,805)	(95,805)	3,192	(92,613)
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	87,549	-	(95,805)	(8,256)	2,657	(5,599)
Convertible bonds converted for the period	4,955	230,767	-	-	-	-	-	(59,541)	-	176,181	-	176,181
At 30 June 2017 (unaudited)	16,588	3,304,196	945	2,215,409	664	(15,021)	(192,123)	90,660	(4,447,777)	973,541	356,047	1,329,588

Condensed Consolidated Statement of Changes in Equity

Notes:

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

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

- it is, or would after the payment be, unable to pay its liabilities as they become due; or
 - the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.
- (b) The shareholders' contribution represents imputed interest expense on the non-current interest free loan from ultimate holding company in 2005.
- (c) The amount represented the equity component of the convertible bonds issued.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash (used in)/generated from operating activities	(50,295)	4,954
Investing activities		
Payments for purchasing of property, plant and equipment	(3,663)	(12,031)
Payments for purchases of investment properties	(5,393)	(16,571)
Proceeds from disposal of investment properties	-	44,308
Proceeds from disposal of property, plant and equipment	-	820
Bank interest received	2,397	2,929
Net cash (used in)/generated from investing activities	(6,659)	19,455
Financing activities		
Proceeds from new bank borrowings	63,250	5,786
Proceeds from renewal of other borrowings	-	55,000
Repayments of other borrowings	(13,800)	(75,000)
Repayments of bank borrowings	(73,573)	(298,512)
Net proceeds from rights issue	-	286,197
(Increase)/decrease in pledged bank deposit	(16,100)	100,451
Dividend paid	-	(22,543)
Interest paid	(45,001)	(103,494)
Net cash used in financing activities	(85,224)	(52,115)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Net decrease in cash and cash equivalents	(142,178)	(27,706)
Cash and cash equivalents at 1 January	330,102	275,966
Effect of foreign exchange rate changes	(35,633)	13,082
Cash and cash equivalents at 30 June	152,291	261,342

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

1. Basis of Preparation

(a) Statement of compliance

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

The Interim Financial Statements has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

(b) Basis of preparation of Interim Financial Statements

Going concern basis

As disclosed in the Interim Financial Statements, share transfer agreements filed with the Ministry of Commerce (“**MOFCOM**”) of the People’s Republic of China (the “**PRC**”) and the Hubei Administration For Industry and Commerce (“**Hubei AIC**”) in relation to the acquisition of Wuhan Baisazhou Agricultural By-Product Grand Market Company Limited (“**Baisazhou Agricultural**”) were void. On 23 May 2016, the Company received a decision issued by MOFCOM dated 19 May 2016 (the “**MOFCOM’s Decision**”) to the effect, inter alia, that approval issued in November 2007 in relation to the contended agreements shall not be revoked and shall remain to be in force. On 18 April 2017, the Company received the judgement of the Beijing Second Intermediate People’s Court (the “**Beijing Court**”) dated 31 March 2017 (the “**31 March Judgement**”). According to the 31 March Judgement, the request made by Ms. Wang Xiu Qun (“**Ms. Wang**”) and Wuhan Tian Jiu Industrial and Commercial Development Co., Ltd. (“**Tian Jiu**”) to revoke the MOFCOM’s Decision lacked both legal and factual basis and was not supported by the Beijing Court. Accordingly, the Beijing Court dismissed the application of Ms. Wang and Tian Jiu. On 10 May 2017, the Company received a notice of appeal dated 8 May 2017 (the “**Notice of Appeal**”). By the Notice of Appeal, Ms. Wang and Tian Jiu appealed against the 31 March Judgement and requested for an order that (a) the 31 March Judgement be set aside; and (b) that MOFCOM to make a decision to revoked the approval issued in 2007 in relation to the contended agreements. The Company will take necessary actions in the PRC as advised by its PRC legal advisor in response to the Notice of Appeal. Up to the date of this report, the Company is not aware of any administrative reviews being applied for nor any administrative proceedings brought by the plaintiffs in respect of the MOFCOM’s decision.

Notes to the Condensed Consolidated Financial Statements

1. Basis of Preparation *(Continued)*

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

Going concern basis (Continued)

The Group incurred a net loss of approximately HK\$92,613,000 and the Group's net current liabilities exceeded its current assets by approximately HK\$535,691,000. 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.

(1) Alternative sources of external funding

As of 30 June 2017, the total outstanding amount of bank and other borrowings, bonds and convertible bonds of the Group was approximately HK\$2,526,406,000. Among the said sum of approximately HK\$2,526,406,000, a sum of approximately HK\$639,483,000 (which include payment of principal of bank and other borrowings, bonds and convertible bonds and their relevant interest), was due for repayment by 30 June 2018. 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.

As stated in the joint announcement of the Company dated 26 July 2017, the Company proposed to raise gross proceeds of not less than approximately HK\$1,045.1 million and not more than approximately HK\$1,299.9 million, before expenses, by way of the rights issue and approximately HK\$400 million, before expenses, by way of issue of convertible notes with the conversion price of HK\$0.58 per conversion share. Pursuant to the rights issue, the Company shall allot and issue not less than 2,322,382,489 rights shares and not more than 2,888,682,489 rights shares at the subscription price of HK\$0.45 per rights share, on the basis of seven (7) rights shares for every one (1) adjusted share held on the record date.

(2) Attainment of profitable and positive cash flow operations

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

(3) Necessary facilities

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

Notes to the Condensed Consolidated Financial Statements

1. Basis of Preparation *(Continued)*

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

Going concern basis *(Continued)*

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

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

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

On 9 June 2017, the Court ordered that the terms of the Undertakings be varied to allow Ms. Wang and Tian Jiu to make a counterclaim under this action without affecting the other terms of the Undertakings.

The Instruments are recorded at book value at approximately HK\$376,000,000, together with interest payable in the amount of approximately HK\$201,488,000 as at 30 June 2017.

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

In the opinion of the Directors, in light of the various measures/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 Interim Financial Statements on a going concern basis.

Notes to the Condensed Consolidated Financial Statements

1. Basis of Preparation *(Continued)*

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

Going concern basis *(Continued)*

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

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

2. Application of New and Revised HKFRSs

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

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

HKAS 7 (Amendments)

Disclosure Initiative

HKAS 12 (Amendments)

Recognition of Deferred Tax Assets for
Unrealised Losses

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

Notes to the Condensed Consolidated Financial Statements

3. Segment Reporting

The Group has two reportable segments under HKFRS 8, (i) agricultural produce exchange market operation and (ii) property 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

An analysis of the Group's revenues and results by reportable segment for the six months ended 30 June 2017 and 2016:

	Agricultural produce exchange market operation		Property sales		Unallocated		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Turnover								
External sales	156,693	165,198	208,661	274,743	-	-	365,354	439,941
Result								
Segment result	30,398	32,290	60,467	75,617	-	-	90,865	107,907
Other revenue and other net income	5,434	22,494	-	-	1,620	2,668	7,054	25,162
Net gain/(loss) in fair value of investment properties	49,645	(55,176)	-	-	-	-	49,645	(55,176)
Change in fair value of derivative financial instruments	-	-	-	-	(39,085)	-	(39,085)	-
Written down of stock of properties	-	-	-	(18,383)	-	-	-	(18,383)
Unallocated corporate expenses	-	-	-	-	(54,652)	(65,113)	(54,652)	(65,113)
Profit/(loss) from operations							53,827	(5,603)
Finance costs	(23,468)	(25,193)	-	-	(113,676)	(109,919)	(137,144)	(135,112)
Loss before taxation							(83,317)	(140,715)
Income tax							(9,296)	5,799
Loss for the period							(92,613)	(134,916)

Notes to the Condensed Consolidated Financial Statements

3. Segment Reporting (Continued)

Segment assets and liabilities

An analysis of the Group's assets and liabilities by reportable segment as at 30 June 2017 and 31 December 2016:

	Agricultural produce exchange market operation		Property sales		Consolidated	
	2017	2016	2017	2016	2017	2016
	HK\$'000 (Unaudited)	HK\$'000 (Audited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Assets						
Segment assets	4,705,175	4,709,840	991,994	938,516	5,697,169	5,648,356
Unallocated corporate assets					143,320	308,848
Consolidated total assets					5,840,489	5,957,204
Liabilities						
Segment liabilities	1,580,747	1,617,433	401,752	556,937	1,982,499	2,174,370
Unallocated corporate liabilities					2,528,402	2,623,828
Consolidated total liabilities					4,510,901	4,798,198

4. Finance Costs

	For the six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Interest on bank and other borrowings wholly repayable within five years	31,822	40,322
Interest on bank and other borrowings wholly repayable over five years	290	322
Interest on bonds	93,282	83,708
Interest on promissory notes	11,750	11,750
Less: – amounts classified as capitalised into stock of properties	–	(990)
	137,144	135,112

Notes to the Condensed Consolidated Financial Statements

5. Loss Before Taxation

	For the six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss before taxation has been arrived at after charging the following items:		
Depreciation and amortisation	9,857	10,291
Change in fair value of derivative financial instruments	39,085	–
Loss on disposal of property, plant and equipment	124	279

6. Income Tax

	For the six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
– PRC enterprise income tax	5,351	14,600
Deferred tax		
– Origination and reversal of temporary differences	3,945	(20,399)
	9,296	(5,799)

No provision for Hong Kong Profits Tax has been made in the Interim Financial Statements as the Company and its subsidiaries had no assessable profits in both periods. PRC Enterprise Income Tax is computed to the relevant legislation interpretations and practices in respect thereof during the period. PRC Enterprise Income Tax rate is 25% (2016: 25%).

7. Dividends

The Directors do not propose the payment of any interim dividend in respect of the period under review (six months ended 30 June 2016: Nil).

Notes to the Condensed Consolidated Financial Statements

8. Loss Per Share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately HK\$95,805,000 (six months ended 30 June 2016: approximately HK\$137,538,000) and weighted average number of approximately 1,390,479,996 ordinary shares (period from 1 January 2016 to 30 June 2016: approximately 1,074,791,268). The diluted loss per share for the period ended 30 June 2017 was the same as the basis loss per share as the convertible bonds outstanding had an anti-dilutive effect on the basic loss per share.

The diluted loss per share for the period ended 30 June 2016 were the same as the basic loss per share as there were no diluted potential ordinary shares in issue during the six months ended 30 June 2016.

9. Movement in Property, Plant and Equipment

During the period under review, the Group's acquired property, plant and equipment at cost of approximately HK\$3,663,000 (six months ended 30 June 2016: approximately HK\$12,031,000).

10. Investment Properties

During the period under review, the Group's addition of investment properties at cost and exchange realignment of approximately HK\$5,393,000 and approximately HK\$126,190,000 (six months ended 30 June 2016: approximately HK\$16,571,000 and approximately HK\$70,729,000). The Group's investment properties were fair valued by valuers at 30 June 2017.

During the period under review, the Group had no investment properties transferred to stock of properties (six months ended 30 June 2016: Nil).

During the period under review, investment properties with carrying amount of approximately HK\$1,824,077,000 (31 December 2016: approximately HK\$1,900,135,000) were pledged to banks for the Group's borrowings.

The investment properties were classified as Level 3 under the fair value hierarchy (31 December 2016: Level 3).

Notes to the Condensed Consolidated Financial Statements

11. Intangible Assets

	Operating right HK\$'000
Cost	
As at 1 January 2017	43,768
Addition	–
<hr/>	
As at 30 June 2017 (Unaudited)	43,768
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Accumulated amortisation and impairment loss	
As at 1 January 2017	25,585
Amortisation expenses during the period	3,030
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As at 30 June 2017 (Unaudited)	28,615
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Carrying amount	
As at 30 June 2017 (Unaudited)	15,153
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As at 31 December 2016 (Audited)	18,183
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The following useful lives are used in the calculation of amortisation:

Operating right	5 years
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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 3 years and less impairment loss.

Notes to the Condensed Consolidated Financial Statements

12. Trade and Other Receivables

The Group allows an average credit period ranging from 30 days to its trade customers. Included in trade and other receivables are trade receivables of approximately HK\$15,948,000 (31 December 2016: approximately HK\$15,084,000) and their aged analysis at each reporting period is as follow:

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Less than 90 days	9,752	6,252
More than 90 days but less than 180 days	316	5,672
More than 180 days	5,880	3,160
Total trade receivables	15,948	15,084
Deposit for land acquisition	74,061	97,685
Other deposits	3,449	16,694
Prepayments	81,991	91,691
Other receivables	49,805	45,720
	225,254	266,874

13. Deposits and Other Payables

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Accrued charges	40,495	21,914
Construction payables	86,720	95,520
Deposit received	82,265	66,184
Interest payables	232,166	213,634
Other tax payables	48,896	30,139
Other payables	184,864	272,023
	675,406	699,414

Notes to the Condensed Consolidated Financial Statements

14. Bank and Other Borrowings

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Secured bank borrowings	718,173	707,180
Unsecured other borrowings	205,809	160,723
	923,982	867,903
Carrying amount repayable:		
Within one year	442,151	276,202
More than one year, but within two years	231,194	253,282
More than two years, but within five years	233,387	338,419
More than five years	17,250	–
	923,982	867,903
Less: amounts due within one year shown under current liabilities	(442,151)	(276,202)
	481,831	591,701

- (a) Included in the above balances are bank borrowings of variable-rate of approximately HK\$593,323,000 (31 December 2016: approximately HK\$559,247,000) 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 period ranged from approximately 4.9% to 6.7% (31 December 2016: approximately 2.7% to 7.7% per annum) per annum. Interest is repriced every 30 days. Bank borrowings of fixed-rate of approximately HK\$124,850,000 (31 December 2016: approximately HK\$147,933,000) carry interest fixed from approximately 5.0% to 7.7% (31 December 2016: approximately 5.0% to 7.4% per annum) per annum. The other borrowings of approximately HK\$205,809,000 (31 December 2016: approximately HK\$160,723,000) were obtained from five (31 December 2016: four) parties and carry interest fixed from approximately 10% to 12% (31 December 2016: interest fixed from approximately 6% to 12% per annum) per annum.

Notes to the Condensed Consolidated Financial Statements

14. Bank and Other Borrowings (Continued)

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

	As at 30 June 2017 Per annum	As at 31 December 2016 Per annum
Effective interest rate:		
Fixed-rate borrowings	5%-12%	5%-12%
Variable-rate borrowings	4.9%-6.7%	2.7%-7.7%

- (c) The secured bank borrowings are secured by (i) investment properties; (ii) pledged bank deposit; and (iii) stock of properties of the Company with a carrying amount of approximately HK\$2,373,732,000 (31 December 2016: approximately HK\$2,269,014,000).

15. Share Capital

	As at 30 June 2017		As at 31 December 2016	
	Number of shares	Nominal value HK\$'000	Number of shares	Nominal value HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	30,000,000,000	300,000	30,000,000,000	300,000
Ordinary shares, issued and fully paid:				
At 1 January	1,163,344,637	11,633	465,337,855	4,653
Conversion on convertible bonds	495,500,000	4,955	-	-
Issue of share upon rights issue	-	-	698,006,782	6,980
At 30 June 2017 (Unaudited) and 31 December 2016 (Audited)	1,658,844,637	16,588	1,163,344,637	11,633

Notes to the Condensed Consolidated Financial Statements

16. Fair Value Measurement

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

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

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

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

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

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable as at 30 June 2017 and 31 December 2016.

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

Notes to the Condensed Consolidated Financial Statements

16. Fair Value Measurement *(Continued)*

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets				
At 30 June 2017 (Unaudited)				
Financial assets at fair value through profit or loss				
– Equity securities listed in Hong Kong	3,481	–	–	3,481
Derivative financial instruments				
– Redemption option derivative component	–	–	59,223	59,223
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 31 December 2016 (Audited)				
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	–	–	97,192	97,192

17. Commitments

- (a) Capital commitments outstanding at 30 June 2017 not provided for in the Interim Financial Statements were as follows:

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Capital expenditure authorised and contracted for in respect of:		
– capital injection of entity	–	285
– acquisition of investment properties and stock of properties	198,886	193,531

Notes to the Condensed Consolidated Financial Statements

17. Commitments (Continued)

- (b) At 30 June 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Within one year	1,518	2,210
After one year but within five years	2,030	4,552
	3,548	6,762

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

18. Litigation

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

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

- it is alleged that Baisazhou Agricultural forged a share transfer agreement (the "**Contented Agreement**") in relation to the acquisition of Baisazhou Agricultural (the "**Acquisition**") wherein the consideration for the Acquisition was understated and the manner of settlement of the consideration was inaccurately described;
- it is alleged that Baisazhou Agricultural forged the related documentation for filing with the PRC Ministry of Commerce ("**MOFCOM**") and the Hubei Administration For Industry and Commerce (the "**Hubei AIC**"), and that such documentation and the Contented Agreement involved forged signatures; and

Notes to the Condensed Consolidated Financial Statements

18. Litigation (Continued)

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

1. (Continued)

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

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

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

2. On 18 November 2011, the Hubei Court made an interim order that 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 PRC Action No. 1. In the Hubei Court Judgment, the Hubei Court dismissed the claims of Ms. Wang and Tian Jiu, and they were ordered to bear the legal costs of the matter.
4. On 4 July 2014, the Company received the notice of appeal to the Supreme People's Court of the PRC (the “**Supreme People's Court**”) from Ms. Wang and Tian Jiu regarding PRC Action No. 1 (the “**Appeal**”). In the Appeal, Ms. Wang and Tian Jiu sought an order from the Supreme People's Court that the Contended Agreement was void.

Notes to the Condensed Consolidated Financial Statements

18. Litigation (Continued)

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

5. On 13 January 2015, the Company received the judgment dated 31 December 2014 handed down from the Supreme People’s Court in relation to the Appeal (the “**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 (the “**December 2015 Judgment**”). The Company received the December 2015 Judgment on 7 January 2016.
9. The Company has been seeking legal advice as to the possible impacts of the Beijing Judgment on the Group, if any, in view of the development as set out in Paragraph 6 of Section (D) below.

Notes to the Condensed Consolidated Financial Statements

18. Litigation (Continued)

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

10. If event 5(b)(i) and/or 5(b)(ii) outlined above do happen, possible impacts on the Group may include, but are not limited to, the following:
- (a) Baisazhou Agricultural ceasing to be a subsidiary of the Company. For the six months ended 30 June 2017, Baisazhou Agricultural contributed approximately the following to the Group: (i) approximately HK\$69 million (approximately 19% of the Group) in revenue; (ii) approximately HK\$31 million (approximately 33% increase in the loss attributable to owners of the Company of the Group) in profit attributable to owners of the Company; (iii) approximately HK\$1,381 million (approximately 24% of the Group) in assets; (iv) approximately HK\$574 million (approximately 13% of the Group) in liabilities, and (v) approximately HK\$807 million (approximately 61% of the Group) in total equity attributable to owners of the Company;
 - (b) the Company cancelling the provision for payment of the two outstanding instruments purportedly described as promissory notes in the respective sale and purchase agreement between the Company and Ms. Wang and Tian Jiu. As at 30 June 2017, the instruments are recorded at book value of approximately HK\$376 million, together with interest payable in the aggregate amount of approximately HK\$577 million; and
 - (c) the Company may take all necessary actions to seek (i) the return of the remaining balance of approximately HK\$705.9 million, being the consideration paid for the Acquisition, and (ii) the investments made by the Company over the years in Baisazhou Agricultural.

However, at this stage it is premature for the Company to provide any definitive view on the possible overall impact on the Group if events 5(b)(i) and/or 5(b)(ii) above occur.

Notes to the Condensed Consolidated Financial Statements

18. Litigation (Continued)

(B) Writ issued in the 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.
4. On 27 March 2017, the Hubei Court made an order that since the outcome of the legal proceedings against MOFCOM by Ms. Wang and Tian Jiu (see Section (D) below) would affect the trial of these proceedings, these proceedings should be stayed.

(C) 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 June 2017, upon the parties' joint application to the Court, the Court varied the Undertakings to the effect that the Undertakings shall stand save that Ms. Wang and Tian Jiu can make a counterclaim under the present action as per the draft provided by Ms. Wang and Tian Jiu.
4. The trial was fixed to be heard in February 2019 for an estimated length of 20 days. In the meantime, a pre-trial review was fixed to be heard on 30 October 2018.

Notes to the Condensed Consolidated Financial Statements

18. Litigation (Continued)

(D) 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 Agreement (the "**Application**"). The cases have been accepted by the Beijing Second Intermediate People's Court (the "**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.
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 Agreement 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 taken place in the Beijing Court so far.
8. On 18 April 2017, the Company received the judgment of the Beijing Court dated 31 March 2017 (the "**31 March Judgment**") stating that the request made by Ms. Wang and Tian Jiu to revoke the MOFCOM Decision lacked both legal and factual basis and was not supported by the Beijing Court. Accordingly, the Beijing Court dismissed the application of Ms. Wang and Tian Jiu.
9. On 10 May 2017, the Company received a Notice of Appeal dated 8 May 2017. By the Notice of Appeal, Ms. Wang and Tian Jiu appealed against the 31 March Judgment and requested for an order that (a) the 31 March Judgment be set aside and that (b) MOFCOM to make a decision to revoke the approval issued in 2007 in relation to the Contended Agreement.

Notes to the Condensed Consolidated Financial Statements

18. Litigation (Continued)

(E) 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 the 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 Agricultural 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.
10. On 27 March 2017, the Hubei Court made an order that since the outcome of the legal proceedings against MOFCOM by Ms. Wang and Tian Jiu (see Section (D) above) would affect the trial of these proceedings, these proceedings should be stayed.

Notes to the Condensed Consolidated Financial Statements

18. Litigation (Continued)

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

11. On 26 April 2017, Ms. Wang and Tian Jiu applied to the Hubei Court for a freezing order in respect of the Company's 70% interest in Baisazhou Agricultural. The Hubei Court refused the application by Ms. Wang and Tian Jiu on that occasion.
12. On 10 May 2017, Ms. Wang and Tian Jiu applied to the Hubei Court again for a freezing order in respect of the Company's 70% interest in Baisazhou Agricultural. According to the order of the Hubei Court dated 26 May 2017 (the "**26 May Order**"), the Hubei Court granted the freezing order as against the Company's 70% interest in Baisazhou Agricultural.
13. On 26 May 2017, Ms. Wang and Tian Jiu applied to add a counterclaim for return of the Company's 90% interest in Baisazhou Agricultural (70% for Ms. Wang and 20% for Tian Jiu). As at the date hereof, the Hubei Court has not yet accepted the application.
14. On 5 June 2017, the Company applied to the Hubei Court for review of the 26 May Order. According to the order of the Hubei Court dated 12 June 2017, the application by the Company was dismissed.

(F) Writ issued in the 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 ("**Hongshan District People's Court**") 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 for retrial.
5. On 18 November 2016, the Hongshan District People's Court commenced the trial.
6. On 20 May 2017, the Hongshan District People's Court dismissed the claims of Mr. Yeung.
7. On 9 June 2017, Mr. Yeung appealed to the Wuhan Intermediate People's Court.

Notes to the Condensed Consolidated Financial Statements

18. Litigation (Continued)

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

1. On 16 March 2016, upon the application by Qingzhou Hongjin Agricultural and By-Product Exchange Market Company Limited ("**Qinzhou Hongjin**"), Qinzhou Intermediate People's Court (the "**Qinzhou Court**") made an order to freeze the bank account of Guangxi Zhengdi Construction Development Company Limited ("**Guangxi Zhengdi**") for RMB44,900,000 until 15 March 2017. In order to obtain the freezing order, the Company has put up 94.4% of its shares in Baisazhou Agricultural as security for any economic loss suffered by Guangxi Zhengdi in the event that the application for freezing order is found to be wrongful.
2. On 13 April 2016, Qingzhou Hongjin issued a writ against Guangxi Zhengdi for its delay in completing the construction works in an agricultural produce exchange market in Qinzhou. Qingzhou Hongjin 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 Court.

Save as disclosed above, as at 30 June 2017, so far as the Directors were aware, the Group was not engaged in any litigation or claims of material importance, and no litigation or claims of material importance are pending or threatened against the Group.

19. Material Related Party Transactions

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

(a) Transactions with key management personnel

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

	For the six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Short-term employee benefits	5,756	5,605
Post-employment benefits	73	71
	5,829	5,676

(b) Finance cost

During the period ended 30 June 2017, the Group paid interest expenses to a wholly-owned subsidiary of Easy One Financial Group Limited at the amount of approximately HK\$12,943,000 (30 June 2016: approximately HK\$7,475,000).

Notes to the Condensed Consolidated Financial Statements

20. Financial Guarantee

As at 30 June 2017, wholly-owned subsidiaries of the Company provided guarantees of approximately HK\$15,755,000 to our customers in favour of banks for the loans provided by the banks to the customers of our projects (31 December 2016: approximately HK\$14,859,000).

21. Events after the Interim Period

On 26 July 2017, the Company announced, inter alia, a capital reorganisation whereby, among other things, every 5 shares of HK\$0.01 each in the issued share capital of the Company will be consolidated into 1 consolidated share (the “**Capital Reorganisation**”) and a rights issue (the “**Rights Issue**”) of a minimum of 2,322,382,489 rights shares or a maximum of 2,888,682,489 rights shares (depending on whether the conversion rights under the convertible notes issued by the Company in 2016 will be exercised or not before the record date for the Rights Issue) on the basis of 7 rights shares for every 1 consolidated share at the price of HK\$0.45 per rights share (the “**Rights Share(s)**”). The proposed Capital Reorganisation and the Rights Issue are each subject to shareholders’ approval. The Company also entered into agreements with Kingston Securities Limited and Key High Limited (a wholly-owned subsidiary of Wai Yuen Tong Medicine Holdings Limited), respectively, on 4 July 2017 in relation to the placing and issue of convertible notes in the aggregate principal amount of HK\$400 million at the initial conversion price of HK\$0.58 per convertible share (the “**Convertible Notes**”). The total net proceeds raised from the Rights Issue and the Convertible Notes will be not less than approximately HK\$1,403.8 million and not more than approximately HK\$1,658.7 million depending on the number of Rights Shares to be issued, out of which approximately HK\$877 million was intended to be utilized towards repayment of bonds and loans due to the subsidiaries of Wang On Group Limited, Wai Yuen Tong Medicine Holdings Limited and Easy One Financial Group Limited, approximately HK\$58 million was intended to be utilized towards repayment of the outstanding interests, approximately HK\$441 million to approximately HK\$695 million was intended to be utilized towards repayment of the outstanding bank and other borrowings and the remaining balance of approximately HK\$28 million was intended to be utilized for general working capital. Details of the Capital Reorganisation, the Rights Issue and the issue of Convertible Notes were disclosed in the announcement of the Company dated 26 July 2017.

The Rights Issue is conditional upon, among others, the Listing Committee of the Stock Exchange granting and not having withdrawn or revoked the listing of, and the permission to deal in, the adjusted shares after the Capital Reorganisation and the Rights Shares (in both nil-paid and fully-paid forms) by no later than the first day of their dealings.

22. Approval of Interim Financial Statements

The Interim Financial Statements were approved and authorised to issue by the Board on 11 August 2017.