中國農產品交易

CHINA AGRI-PRODUCTS EXCHANGE

Dedicated to developing Agriculture

Sincere in serving Agriculture

(Incorporated in Bermuda with limited liability)

Stock Code : 0149

2017 Annual Report

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

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.
  Hong Kong Branch
The Hongkong and Shanghai Banking
  Corporation Limited

LEGAL ADVISERS

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

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

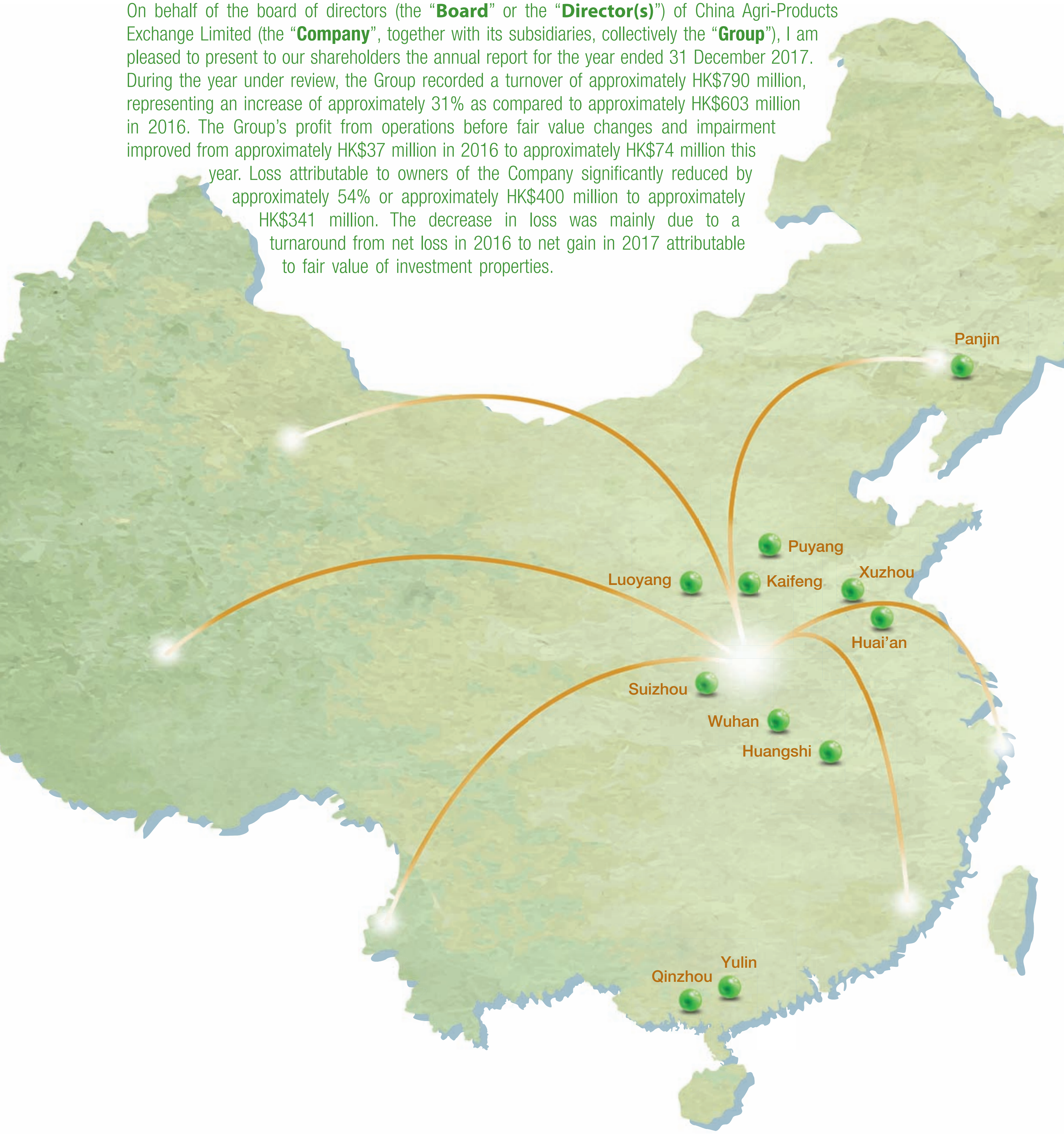
The Stock Exchange of Hong Kong Limited
The Company's 1% notes due 2024
Stock Code: 5755

HOMEPAGE

http://www.cnagri-products.com

CHAIRMAN'S STATEMENT

On behalf of 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**"), I am pleased to present to our shareholders the annual report for the year ended 31 December 2017. During the year under review, the Group recorded a turnover of approximately HK$790 million, representing an increase of approximately 31% as compared to approximately HK$603 million in 2016. The Group's profit from operations before fair value changes and impairment improved from approximately HK$37 million in 2016 to approximately HK$74 million this year. Loss attributable to owners of the Company significantly reduced by approximately 54% or approximately HK$400 million to approximately HK$341 million. The decrease in loss was mainly due to a turnaround from net loss in 2016 to net gain in 2017 attributable to fair value of investment properties.



BUSINESS ENVIRONMENT

2017 marked a crucial year for the implementation of the "13th Five-Year Plan" and the structural adjustment and economic reform under the new normal. The Chinese government focused on advancing the upgrade and transformation of agricultural markets throughout the country, strengthening the development of infrastructure and ancillary services, and improving the trading system, so as to further optimize the product and industry structure. Industry players were also encouraged to implement "Internet Plus" strategy to step up the infrastructure of the agri-products exchange platform, which fosters tighter connection between the production and consumption ends of agricultural products, so as to stimulate their domestic and overseas sales to further strengthen the branding, positioning and speciality of Chinese agricultural products in the international market. Meanwhile, the advantages and functions of the agricultural product exchange markets grew alongside with China's "Belt and Road Initiative" to line up wholesale markets or buyers within the ASEAN region, realising multilateral trading of their advantageous agricultural products.

In addition, the No.1 Central Document denotes the importance of strengthening new industries, revamping businesses and expanding the value chain of the agricultural industry, including the capability enhancement of sustainable agricultural development, with the introduction of a series of policies and arrangements on land usage, financing and talent development to encourage industry innovation, which brings significant opportunities for the development of agriculture-related economies. In order to grasp the huge opportunities that may arise from these policies, the Group strived to expand its business network of agricultural produce exchange markets, deepened the application of e-commerce, and made strategic arrangement for big data technology utilisation.

BUSINESS REVIEW

The Group adopted the asset-light operation strategy and integrated external and internal resources to further strengthen the Group's overall competitive advantage through enhancement of corporate image and brand value and improvement of supplier management, customer relations and quality control. In 2018, the Group managed 11 agricultural produce exchange markets, including the newly opened one in Suizhou city of Hubei Province, the People's Republic of China (the "**PRC**"), all of which are strategically located in favourable locations of the PRC (i.e. Wuhan city, Yulin city, Luoyang city, Xuzhou city, Puyang city, Kaifeng city, Qinzhou city, Huangshi city, Huai'an city, Panjin city and Suizhou city), generating stable income to the Group. Meanwhile, the Group continued to analyse its operations and trading data collected through its O2O agricultural produces e-commerce platform "gdeng.cn (谷登農批網)" and two smartphone applications namely "NSY (農商友)" and "NST (農速通)", for better understanding of the trading patterns and sources tracking of agricultural products with a view to planning our marketing strategy, improving food safety and reducing operating cost.

BUSINESS DEVELOPMENT

Operation and Sales of Properties in Agricultural Produce Exchange Markets in the PRC

Apart from establishing an agri-cultural exchange market through land auction, the Group took up the management rights of Suizhou market in Hubei Province, the PRC, in collaboration with the property owner as local partner. Suizhou market is expected to mature under the Group's strategy and contribute revenue to the Group in 2018. The Group will continue to optimize its business development in response to the government policies. Based on the Group's successful track record and market potential, the management believes that the operating agricultural produce exchange markets will bring stable growth in return to the Group in the coming year, and will continue to promote the Group's overall branding within Greater China.

Asset Light Operation Model

Currently, shortage of agricultural land supply in China has led to surge of both the price of agricultural lands and the production cost of agricultural products. The Group has diversified from land acquisition to land lease operational arrangements while introducing strategic joint venture partnership in an attempt to reducing the capital pressure during business expansion and strengthening the Group's cash flow.

Big Data Analysis

During the year under review, in response to the call for the implementation of the "Internet Plus" strategy, the Group continued to optimize the functions of O2O agricultural produce e-commerce platform "gdeng.cn(谷登農批網)" and two smartphone applications namely "NSY(農商友)" and "NST(農速通)", and made plans to invest in big data analysis to utilize sophisticated data analytics processing technology to identify trading trends and optimize the portfolio of agricultural product tenants, so as to increase transactions volume. Meanwhile, the Group accelerated the development of quality control and safety traceability system of agricultural products to improve quality, safety and standardization of agricultural products. Big data analysis is the key direction for future development of the agricultural product industry. The accumulation and processing of big data will be conducive to enhancement of the Group's core competitiveness and resilience.

FUND RAISING ACTIVITIES

In order to meet the financing need of the Group, the Company completed a rights issue on 19 December 2017 and raised net proceeds of approximately HK$697 million for repayment of debts and its general working capital purposes.

CORPORATE STRATEGY

Looking ahead, as a leading agricultural products logistics and warehouse operator in China, the Group will continue to expand its agricultural produce exchange market business and optimize the Group's assets and resources distribution, enhancing the Group's flexibility in operation and future expansion plan with its asset-light operation strategy. As mentioned in the article "Preview of Central Rural Work Conference: Rural Revitalization Strategy" issued by the Chinese government last year, the "Three Rural Issues" is on the top of the agenda to advance rural revitalization strategy and speed up the alignment in various aspects between small scale farmers and modern agriculture. Responding to the rural strategy of the Chinese government and to ride on the development trends, the Group will incorporate agricultural e-commerce into the agricultural wholesale markets, to proceed with big data analysis by collecting, processing and analysing large amount of data from agricultural produce exchange markets for realization of effective data utilization. With the new project which came into operation in 2018, the Group at present managed a total of 11 agricultural wholesale markets situated in major cities across the PRC, and successfully builds a nationwide chain of wholesale markets and a network of modern agriculture produce logistics centre network, linking the southern and northern regions of China and across the eastern and south-western parts of China. The Group will actively explore development opportunities and new businesses with growth potential, and strive to create the greatest long-term value for our shareholders.

In 2018, the Group will continue to maintain a balance between its expansion and financial sustainability with a prudent pace of development. As always, we will adopt a cautious operation model and seek opportunities for business development and steadily forge a sustainable business environment to maximise the benefits to our shareholders and the agricultural industry.

SOCIAL RESPONSIBILITY

As a socially responsible corporation, the Group is committed to promoting sustainable business development. In 2017, the Group participated in the World No Tobacco Day 2017 – "Smoke-free Support Station" organized by the Hong Kong Council on Smoking and Health to promote a healthy living culture. In addition, the Group also participated in the Hong Kong and Kowloon Walks for Millions and Dress Casual Day organized by the Community Chest of Hong Kong to support family and child welfare services funded by the Community Chest, in hope to contribute our parts for a better community. For projects in China, the Group has adopted a proactive environmental protection strategy to ensure that our construction work and business operations comply with the environmental protection laws and regulations in the PRC. Please refer to the environmental, social and governance report in this annual report for details of the Group's environmental protection, social and governance related work in 2017.

APPRECIATION

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

Chan Chun Hong, Thomas
Chairman and Chief Executive Officer

Hong Kong, 6 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

The increase in income was mainly due to the increase in properties sales of recognition of the agricultural and by-product exchange markets in Yulin city and Kaifeng city in the PRC. The Group recorded a gross profit and a segment result of approximately HK$341 million and approximately HK$179 million, respectively (2016: approximately HK$309 million and approximately HK$135 million, respectively), representing an increase of approximately 10% and approximately 33%, respectively, as compared to last year mainly due to the abovementioned increase in property sales recognition.

SUMMARY OF FINANCIAL RESULTS

Turnover, gross profit and segment result

For the year ended 31 December 2017, the Group recorded a turnover of approximately HK$790 million, an increase of approximately HK$187 million or approximately 31% increase from approximately HK$603 million for the last financial year. The below table summarises the key financial performance of the Group:

HK$ million and approximate %	**For the year ended 31 December 2017**			For the year ended 31 December 2016		
	Agricultural Produce Exchange Market Operation	**Property Sales**	**Total**	Agricultural Produce Exchange Market Operation	Property Sales	Total
Turnover	**341**	**449**	**790**	325	278	603
Gross Profit	**238**	**103**	**341**	216	93	309
Segment Result	**102**	**77**	**179**	58	77	135
Gross Profit to Turnover	**70%**	**23%**	**43%**	66%	33%	51%
Segment Result to Turnover	**30%**	**17%**	**23%**	18%	28%	22%

The increase in income was mainly due to the increase in properties sales of recognition of the agricultural and by-product exchange markets in Yulin city and Kaifeng city in the PRC. The Group recorded a gross profit and a segment result of approximately HK$341 million and approximately HK$179 million, respectively (2016: approximately HK$309 million and approximately HK$135 million, respectively), representing an increase of approximately 10% and approximately 33%, respectively, as compared to last year mainly due to the abovementioned increase in property sales recognition.

Other revenue and other net income

The Group recorded other revenue and other net income of approximately HK$15 million (2016: approximately HK$65 million). The decrease was mainly due to the decrease in government subsidies from Huai'an Hongjin Agricultural and By-Product Exchange Market ("**Huai'an Market**") and Kaifeng Hongjin Agricultural and By-Product Exchange Market ("**Kaifeng Market**") in 2017 as compared to the prior year.

General and administrative expenses, selling expenses and finance costs

General and administrative expenses were approximately HK$239 million (2016: approximately HK$288 million). The decrease was mainly due to tight control of operating expenses in various projects. Selling expenses were approximately HK$44 million (2016: approximately HK$50 million). The decrease in selling expenses was mainly due to the implementation of cost saving policies in the Group's marketing and promotion events in 2017. Finance costs were approximately HK$272 million (2016: approximately HK$269 million) and such increase was mainly due to the slight increase in effective interest rate of interest-bearing debts.

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$52 million (2016: net loss of approximately HK$594 million) mainly due to the improvement of agri-products exchange markets income in the PRC. Stock of properties value was written down for approximately HK$83 million (2016: approximately HK$17 million) mainly due to the decrease in property value in Panjin Hongjin Agricultural and By-Product Exchange Market ("**Panjin Market**").

Change in fair value of derivative financial instruments

During the year, net loss in fair value of derivative financial instruments was approximately HK$77 million (2016: approximately HK$2 million) due to the exercise of conversion rights under the convertible notes issued by the Company in October 2016 and the drop of share prices of the Company during the year.

Share of profit on joint venture

In September 2017, Huai'an Market established a joint venture company with the independent third parties for the operations of agricultural produce market in vegetables and fruits transaction. During the period, the Group recorded profit in sharing of joint venture of approximately HK$5 million.

Loss attributable to owners of the Company

The loss attributable to owners of the Company for the year was approximately HK$341 million as compared to last year's loss of approximately HK$741 million. The Group recorded profit from operations before fair value changes and impairment of approximately HK$74 million and loss from operations of approximately HK$30 million (2016: profit of approximately HK$37 million and loss of approximately HK$583 million, respectively) for the year under review. The decrease in loss attributable to owners of the Company was mainly due to a turnaround from net loss in 2016 to net gain in 2017 attributable to fair value of investment properties.

DIVIDENDS

The Directors do not recommend any payment of final dividend for the year ended 31 December 2017 (2016: Nil). No interim dividend for 2017 was paid to the shareholders of the Company during the year under review (2016: Nil).

REVIEW OF OPERATIONS

During the year under review, the Group was principally engaged in management and sales of properties in agricultural produce exchange markets in the PRC. Both the operating performance and market ranking of our markets remarked steady progress in 2017.

WUHAN BAISAZHOU
Market

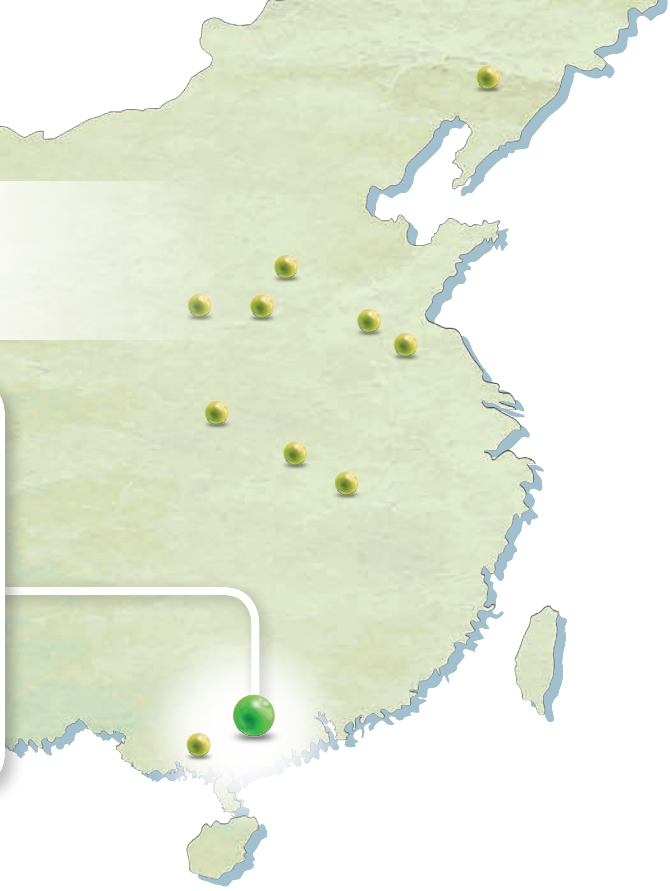
Agricultural Produce Markets

1. Wuhan Baisazhou Market

Located in the provincial capital of Hubei Province, the PRC, Wuhan Baisazhou Agricultural and By-Product Exchange Market ("**Wuhan Baisazhou Market**") is one of the largest agricultural produce exchange operators in the PRC. Wuhan Baisazhou Market is situated in the Hongshan District of Wuhan City, the PRC with a site area of approximately 310,000 square metres and a total gross floor area of approximately 190,000 square metres. In 2017, Wuhan Baisazhou Market was awarded top 50 of agricultural products supply chain contributors by China Agricultural Wholesale Market Association. This award was a sign to the market contribution being made by the Group's effort and expertise as an agricultural produce exchange market operator in the PRC.

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

YULIN
Market



2. *Yulin Market*

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

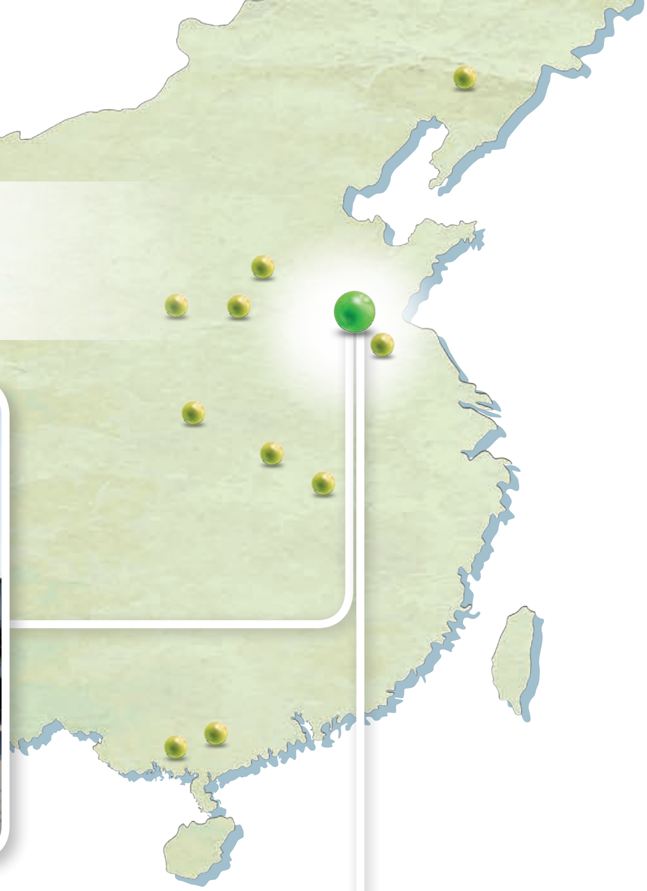
Yulin Market's operation performance was encouraging, achieving a revenue growth of approximately 184% as compared to the last financial year. One of the main reasons for the revenue growth of the year was property sales during the year in the amount of approximately HK$298 million (2016: approximately HK$78 million).

LUOYANG
Market

3. Luoyang Market

Luoyang Hongjin Agricultural and By-Product Exchange Market ("**Luoyang Market**") was the flagship project of the Group in Henan Province, the PRC. Both occupancy rate and vehicles traffic were satisfactory. The site area and gross floor area of Luoyang Market were approximately 255,000 square metres and approximately 223,000 square metres, respectively. After several years of operations, the business performance of Luoyang Market has gradually improved. In 2017, revenue of Luoyang Market increased by approximately 3% as compared to the last financial year.

XUZHOU
Market

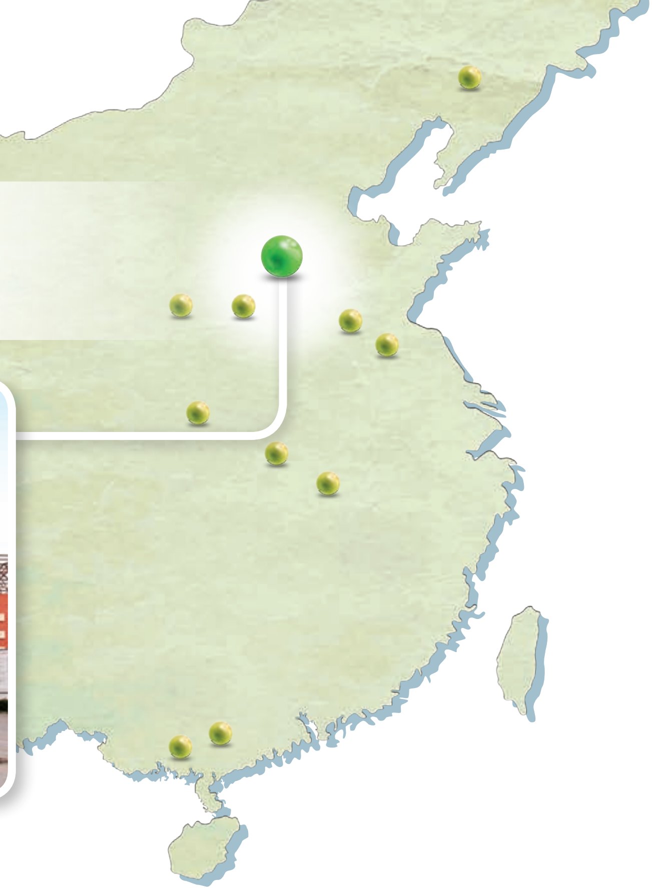


4. Xuzhou Market

Xuzhou Agricultural and By-Product Exchange Market ("**Xuzhou Market**") occupies approximately 200,000 square metres and is located in the northern part of Jiangsu Province, the PRC. The market houses various market stalls, godowns and cold storage. Xuzhou Market is a major marketplace for the supply of fruit and seafood in the city and the northern part of Jiangsu Province, the PRC.

The operating performance of Xuzhou Market was steady. Being a mature market of the Group, Xuzhou Market's revenue in 2017 slightly decreased by approximately 3% as compared to the last financial year.

PUYANG
Market



5. *Puyang Market*

Puyang Hongjin Agricultural and By-Product Exchange Market ("**Puyang Market**") is one of our joint venture projects in cooperation with a local partner. During the year under review, the operating performance of Puyang Market improved and resulted an increase of approximately 10% in turnover as compared to the last financial year.

KAIFENG
Market

6. Kaifeng Market

Kaifeng Market with a gross floor construction area of approximately 120,000 square metres, was the third point of market operations for facilitating the Group to build an agricultural produce market network in Henan Province, the PRC. After a year of business operations, Kaifeng Market was still in the business development stage during the last financial year. The business of Kaifeng Market is still behind our expectation and the management will take a more conservative approach in running Kaifeng Market.

QINZHOU
Market

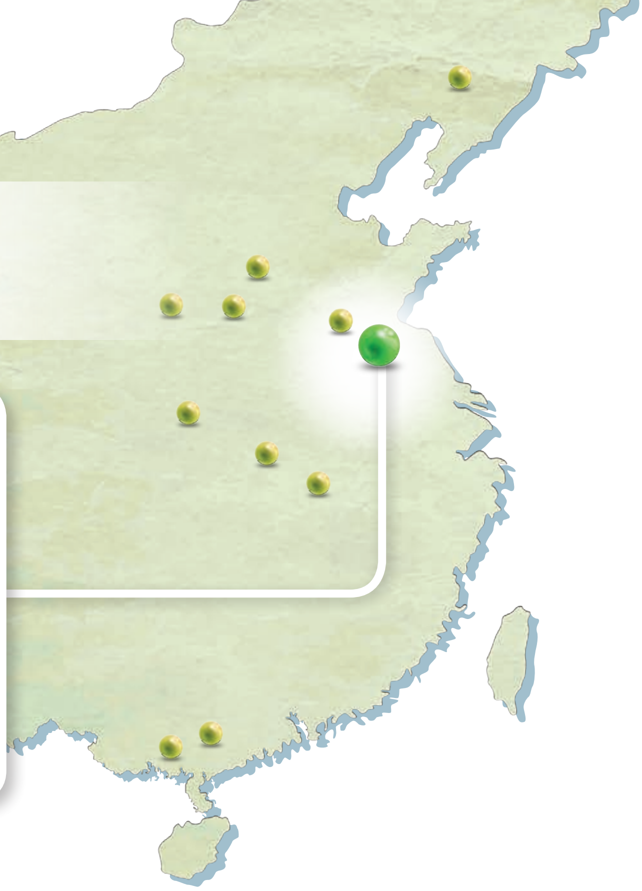
7. *Qinzhou Market*

Qinzhou Hongjin Agricultural and By-Product Exchange Market ("**Qinzhou Market**"), with a gross floor construction area of approximately 180,000 square metres, was the second point of market operations and facilitated the Group to build an agricultural produce market network in the Guangxi Region, the PRC. During the year under review, Qinzhou Market resulted a decrease of approximately 81% in turnover as compared to the last financial year due to property sales recognition decreased.

HUANGSHI
Market

8. *Huangshi Market*

Following the completion of acquisition of Huangshi Hongjin Agricultural and By-Product Exchange Market ("**Huangshi Market**") in January 2015, Huangshi Market was one of the Group's joint venture projects in Hubei Province, the PRC. Huangshi Market occupies approximately 23,000 square metres. Huangshi city is a county level city in Hubei and around 100 kilometres away from Wuhan Baisazhou Market. Huangshi Market, as a second-tier agricultural produce exchange market, created synergy effect with Wuhan Baisazhou Market for increasing vegetable and by-products trading. During the year under review, the operating performance of Huangshi Market was satisfactory, bringing positive operating cashflow to the Group.



HUAI'AN
Market

9. *Huai'an Market*

Huai'an Market occupies approximately 100,000 square metres and is located at Huai'an city of Jiangsu Province, the PRC. Phase one of Huai'an Market is in operation in October 2015 and it is expected that the performance of Huai'an Market will gradually improve after the market has become more mature.

In September 2017, the Group established a joint venture company with the independent third parties for the operations of agricultural produce market in vegetables and fruits transaction. During the period, the Group recorded profit in sharing of joint venture of approximately HK$5 million.

PANJIN
Market

10. Panjin Market

Phase one of Panjin Market, with the construction area of around 50,000 square metres, is in operation and is the first attempt of the Group's investment in Liaoning Province, the PRC. Panjin Market is focused on the trading of river crabs and is still in the preliminary stage of operation. It is expected that the performance of Panjin Market will gradually improve after the market becomes more mature.

E-commerce development

In 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. In 2017, 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 electronic commerce business. The Group will also explore opportunities to cooperate with other business partners in this area.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, the Group had total cash and cash equivalents amounting to approximately HK$514 million (2016: approximately HK$330 million) whilst total assets and net assets were approximately HK$6,111 million (2016: approximately HK$5,957 million) and approximately HK$1,958 million (2016: approximately HK$1,159 million), respectively. The Group's gearing ratio as at 31 December 2017 was approximately 1.0 (2016: approximately 2.3), being a ratio of total bank and other borrowings, bonds and promissory notes of approximately HK$2,553 million (2016: approximately HK$2,993 million), net of cash and cash equivalents and pledge bank deposits of approximately HK$514 million (2016: approximately HK$330 million) to shareholders' funds of approximately HK$1,958 million (2016: approximately HK$1,159 million).

As at 31 December 2017, the ratio of total interest-bearing debts of approximately HK$2,553 million (2016: approximately HK$2,993 million) to total assets of approximately HK$6,111 million (2016: approximately HK$5,957 million) was approximately 42% (2016: approximately 50%).

CONVERTIBLE NOTES

On 19 October 2016, the Company issued 7.5% denominated convertible notes with the aggregate principal amount of HK$500 million which will mature on 18 October 2021 (the "**Convertible Notes**"), which entitle the holders to convert into the Company's ordinary shares (the "**Share(s)**") at a conversion price of HK$0.4 per Share. During the period under review, the principal amount of HK$198.2 million of the Convertible Notes were converted into 495,500,000 Shares by the Convertible Notes holders and the principal amount of HK$37,000,000 was settled by the rights issue subscription fee for Easy One Financial Group Limited ("**EOG**") (details of which were disclosed in the section entitled "Fund Raising Activities" below), with outstanding principal amount of HK$264.8 million of the Convertible Notes still in issue as at 31 December 2017.

CAPITAL COMMITMENTS, PLEDGES AND CONTINGENT LIABILITIES

As at 31 December 2017, outstanding capital commitments, contracted but not provided for, amounted to approximately HK$260 million (2016: approximately HK$194 million) in relation to the purchase of property, plant and equipment, construction contracts and operating lease agreements. As at 31 December 2017, the Group had significant contingent liabilities in the amount of approximately HK$8 million in relation to the guarantees provided by a wholly-owned subsidiary of the Company to our customers in favor of a bank for the loans provided by the bank to the customers of our project (2016: approximately HK$15 million).

As at 31 December 2017, certain investment properties and stock of properties with carrying amount of approximately HK$2,345 million (2016: approximately HK$2,269 million for land use rights and properties) were pledged to secure certain bank borrowings.

The Group did not have any outstanding foreign exchange contracts, interest or currency swaps or other financial derivatives as at 31 December 2017. The revenue, operating costs and bank deposits of the Group were mainly denominated in Renminbi and Hong Kong dollars. During the year under review and due to the currency fluctuation of Renminbi against Hong Kong dollars, the Group has been considering, from time to time, alternative risk hedging tools to mitigate Renminbi currency exchange risk.

DEBT PROFILES AND FINANCIAL PLANNING

As at 31 December 2017 and 31 December 2016, interest-bearing debts of the Group were analyzed as follows:

	2017		2016	
	Carrying amount ***HK$ million***	**Approximate effective interest rate** ***(per annum)***	Carrying amount *HK$ million*	Approximate effective interest rate *(per annum)*
Bond Issuance	**1,255**	**11%**	1,336	11%
Convertible Notes	**226**	**12%**	413	12%
Financial Institution Borrowings	**672**	**6%**	707	6%
Non-Financial Institution Borrowings	**24**	**10%**	161	11%
Promissory Notes	**376**	**5%**	376	5%
Total	**2,553**		2,993	

Note:

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

As at 31 December 2017, the bonds issued by the Company will mature during the period from November 2019 to September 2024; the Convertible Notes will mature in October 2021; the financial institution borrowings of the Company will mature during the period from January 2018 to November 2023; the non-financial institution borrowings will mature in September 2019; and the holders of the promissory notes have given 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 are disclosed in note 35 to the consolidated financial statements. In order to meet interest-bearing debts and business capital expenditure, the Group is, from time to time, considering various financing alternatives, as and when appropriate, including equity and debt financing including but not limited to new share placing, rights issue of new Shares, financial institution borrowings, non-financial institution borrowings, bonds issuance, convertible notes, other debt financial instruments, disposal of investment properties and sales of stock of property inventories.

TREASURY POLICY

The Group's treasury policy includes diversifying the funding sources. Internally generated cash flow, issuance of Shares and 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 year. The Group regularly reviews its major funding positions to ensure that it has 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 alternatives including 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 property inventories.

CONTRACTUAL ARRANGEMENT OF E-COMMERCE BUSINESS

Shenzhen Gudeng Technology Limited ("**Shenzhen Gudeng**"), established in 2015, was an indirectly-owned subsidiary of the Group carrying out the business of e-commerce and electronic trading platform of the Group. For the compliance of the PRC regulatory requirements, on 11 July 2016, the Group entered into an agreement to transfer its entire interest in Shenzhen Gudeng to a nominee shareholder and further entered into a series of contractual arrangements after obtaining the Internet Content Provider license issued by the Communication Authority of Guangdong Province to enable the Group to manage and operate the Internet Content Provider services of Shenzhen Gudeng. During the year under review, the above said contractual arrangements are still valid and effective between the nominee shareholder and the Group.

MATERIAL UNCERTAINTY RELATING TO GOING CONCERN

Assumption of going concern in the preparation of consolidated financial statements

The Company has adopted the going concern basis in the preparation of consolidated financial statements and implemented the following measures in order to improve the working capital and liquidity and cashflow of the Group. Firstly, the Group is taking measures to tighten cost control over various cost and expenses and sale of property with an aim to improve cash flow operations. Secondly, the Group is negotiating with various bankers to secure necessary facilities to meet the Group's working capital and financial requirements in the near future. Thirdly, the Company has obtained a court order from the High Court of the Hong Kong Special Administrative Region to the effect that the promissory notes under the sale and purchase agreement shall not be indorsed, assigned, transferred or negotiated by Ms. Wang Xiu Qun ("**Ms. Wang**") and Wuhan Tian Jiu Industrial and Commercial Development Co., Ltd. ("**Tian Jiu**") until the final determination of the court action or further court order. Under the undertakings currently obtained by the Company, the promissory notes will no longer fall due for payment by the Company. In light of the various measures and arrangements, 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 management has prepared the consolidated financial statements on a going concern basis.

Material valuation method of investment properties and review of audit committee

The investment properties of the Group were stated at fair value as at 31 December 2017. The fair value was arrived at based on the valuations carried out by an independent firm of qualified professional valuers. Professional valuers have professional staff members of Hong Kong Institute of Surveyors with experience in the location of the properties being valued. The valuations conform to the Valuation Standard of Hong Kong Institute of Surveyors. Professional valuers valued the properties on the basis of capitalisation of the net income derived from properties rental. Direct comparison method is adopted based on the principle of substitution, where comparison is made based on prices realized on actual sales and/or asking prices of comparable properties. Comparable properties of similar size, scale, mature, character and location are analysed and carefully weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market value and capital values.

The material valuation methods of investment properties valuation have been reviewed by the audit committee of the Company (the "**Audit Committee**") and the Board.

RISK FACTORS RELATING TO OUR INDUSTRY AND BUSINESS OPERATIONS

As at 31 December 2017, the Group operated 10 agricultural products exchange markets across 5 provinces in the PRC. In view of the ever-changing business environment in the PRC, the following are the principal risks, challenges and uncertainties faced by the Group, including (1) fluctuation in the exchange rate of Renminbi against Hong Kong dollars, which affects the translation of the PRC assets and liabilities from Renminbi to Hong Kong dollars in the Group's financial reporting; (2) difficulty in obtaining adequate financing, including equity and debt financing, to support our agri-products exchange markets that are capital intensive; (3) preserving or enhancing our competitive position in the agri-products exchange markets industry; (4) maintaining or enhancing the level of occupancy at our agri-products exchange markets; (5) obtaining all necessary licenses and permits for the development, construction, operations and acquisition of agri-products exchange markets; and (6) the effect of changes and amendments in the national and local laws and regulations, especially the laws and regulations relating to agri-products exchange markets, on the Group's operations and development.

DEPENDENCE OF EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

The operations and development of agri-products exchange markets are subject to a variety of environmental laws and regulations during their construction and operations.

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

MATERIAL TRANSACTIONS

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., 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 allotment and issue of new Shares at the issue price of HK$1.35 per Share; and (ii) a subscription agreement with 3 subscribers for the subscription of 114,400,626 Shares at the subscription price of HK$1.35 per Share (the "**Subscription**").

On 17 May 2017, for commercial reasons, 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 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.

Extension of payment dates on outstanding bonds interest

On 29 May 2017, 4 July 2017, 15 September 2017 and 18 October 2017, the Company entered into the agreements for extension of payment dates on outstanding bonds interest with a subsidiary of Wai Yuen Tong Medicine Holdings Limited ("**WYT**", together with its subsidiaries, the "**WYT Group**"), a subsidiary of Wang On Group Limited ("**WOG**", together with its subsidiaries, the "**WOG Group**") and a subsidiary of EOG (together with its subsidiaries, the "**EOG Group**"), respectively, in the aggregate amount of approximately HK$115.9 million from 29 May 2017 to 31 January 2018. Details of the above were disclosed in the announcements of the Company dated 29 May 2017, 25 August 2017 and 18 October 2017, respectively. Please also see the section "Liquidity and Financial Resources" above regarding the Company's plan to meet the financial obligations under the loans.

FUND RAISING ACTIVITIES

Proposed Capital Reorganisation, Rights Issue and Issue of Convertible Notes in July 2017 and their termination in September 2017

On 26 July 2017, the Company announced, inter alia, a capital reorganisation whereby, among other things, every 5 Shares of HK$0.01 each will be consolidated into 1 consolidated Share (the "**Capital Reorganisation**") and a rights issue (the "**First Rights Issue**") of a minimum of 2,322,382,489 rights shares (the "**First Rights Share(s)**") or a maximum of 2,888,682,489 First Rights Shares (depending on whether the conversion rights under the Convertible Notes will be exercised or not before the record date for the First Rights Issue) on the basis of 7 First Rights Shares for every 1 consolidated Share at the price of HK$0.45 per First Rights Share. The Company also entered into the agreements with Kingston Securities Limited ("**KSL**") and Key High Limited ("**Key High**", a wholly-owned subsidiary of WYT), 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 "**New Convertible Notes**"). The total net proceeds raised from the First Rights Issue and the New 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 the First Rights Shares to be issued, out of which approximately HK$877 million was intended to be utilized towards the repayment of bonds and loans due to the subsidiaries of WOG, WYT and EOG, approximately HK$58 million was intended to be utilized towards the repayment of the outstanding interests, approximately HK$441 million to approximately HK$695 million was intended to be utilized towards the 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 First Rights Issue and the issue of the New Convertible Notes were disclosed in the announcement of the Company dated 26 July 2017.

As disclosed in the announcement of the Company dated 26 July 2017, the Company received negative feedback from the Listing Division of The Stock Exchange of Hong Kong Limited (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. The Board did not share the same view in respect of the above concerns from the Stock Exchange and the Executive.

On 15 September 2017, the Company, KSL, WYT and Key High entered into a series of termination agreements in which the parties have mutually agreed to terminate, with no further liability of or claims towards each other, the underwriting agreement, the placing agreement and the subscription agreements about the First Rights Issues and the issue of the New Convertible Notes.

Rights Issue in October 2017 and completion in December 2017

On 4 October 2017, the Company proposed to raise gross proceeds of not less than approximately HK$730 million (the "**October 2017 Rights Issue**") (assuming the conversion rights under the Convertible Notes are not exercised on or before the record date). The Company should allot and issue not less than 8,294,223,185 rights shares (the "**October 2017 Rights Share(s)**") assuming the conversion rights under the Convertible Notes are not exercised on or before the record date, on the basis of five October 2017 Rights Shares for every one existing Share. The subscription price is HK$0.088 per October 2017 Rights Share payable in full. The aggregate net proceeds were of approximately HK$697 million of which (a) approximately HK$110 million was intended to be utilized towards the offsetting of outstanding principal amounts of the bonds issued by the Company to EOG Group; (b) approximately HK$37 million was intended to be utilized towards the offsetting of outstanding principal amounts of the Convertible Notes held by EOG Group; (c) approximately HK$100 million was intended to be utilized towards the repayment of outstanding principal amounts on loans of the Group due to WOG Group; (d) approximately HK$205 million was intended to be utilized towards the repayment of outstanding interests accrued on the bonds, loans and the Convertible Notes held by/owed to EOG Group, WYT Group and WOG Group; (e) approximately HK$235 million was intended to be utilized towards the repayment of outstanding indebtedness of the Group owed to independent third parties; and (f) the remaining net proceeds of approximately HK$10 million was intended to be utilized as general working capital of the Group.

As at 31 December 2017, (a) approximately HK$110 million was utilized towards the offsetting of outstanding principal amounts of the bonds issued by the Company to Peony Finance Limited, a wholly-owned subsidiary of EOG; (b) approximately HK$37 million was utilized towards the offsetting of outstanding principal amounts of the Convertible Notes held by EOG Group; (c) approximately HK$100 million was utilized towards the repayment of outstanding principal amounts on loans of the Group due to WOG Group; (d) approximately HK$140 million was utilized towards the repayment of outstanding interests accrued on the bonds, loans and the Convertible Notes held by/owed to EOG Group, WYT Group and WOG Group; (e) approximately HK$56 million was utilized towards the repayment of outstanding indebtedness of the Group owed to independent third parties; and (f) the remaining balance of net proceeds from the October 2017 Rights Issue will be used as intended and the expected timing of usage will be principally determined by reference to, inter alia, the date of maturity of debts, the possibility of early repayment of debts with higher interest rate and/or early redemption of outstanding Convertible Notes.

Details of the October 2017 Rights Issue were disclosed in the announcements of the Company dated 4 October 2017, 26 October 2017, 14 November 2017, 15 November 2017 and 18 December 2017 and the circular of the Company dated 26 October 2017 and the prospectus of the Company dated 27 November 2017, respectively.

FUND RAISING ACTIVITIES IN 2016: ISSUE OF CONVERTIBLE NOTES

On 23 August 2016, the Company entered into a notes placing agreement with KSL in relation to the placing of the Convertible Notes in the aggregate principal amount of HK$360 million convertible into 900,000,000 convertible shares at the conversion price of HK$0.40 per convertible share (the "**Notes Placing**") in the Company. On 23 August 2016, the Company entered into a note subscription agreement with Peony Finance Limited, a wholly-owned subsidiary of EOG Group, a substantial shareholder of the Company, pursuant to which the Company agreed to issue to Peony Finance Limited the Convertible Note in the principal amount of HK$140 million convertible into 350,000,000 convertible shares at the conversion price of HK$0.40 per convertible share (the "**EOG Note Subscription**") in the Company. As at 29 December 2017 (i.e. the last trading day in 2017), the closing price of the Shares was HK$0.087.

The total gross proceeds and net proceeds of the Notes Placing and the EOG Note Subscription were HK$500 million and approximately HK$488 million, respectively. The net proceeds of (i) approximately HK$200 million was intended to be utilized for the repayment of the bonds due in 2016; (ii) approximately HK$40 million was intended to be utilized for offsetting part of the principal amount of the bonds due in 2019; (iii) approximately HK$100 million was intended to be utilized towards the offsetting of the outstanding principal amounts and interest of loan from EOG Group; (iv) approximately HK$100 million was intended to be utilized for the repayment of principal amount and interest of interest-bearing debts; and (v) the remaining balance of approximately HK$48 million was intended to be utilized for general working capital.

As at 31 December 2017, (i) approximately HK$200 million was utilized for the repayment of the bonds due in 2016; (ii) approximately HK$40 million was utilized for offsetting part of the principal amount of the bonds due in 2019; (iii) approximately HK$100 million was utilized towards the offsetting of the outstanding principal amounts and interest of loan from EOG Group; (iv) approximately HK$100 million was utilized for the repayment of principal amount and interest of interest-bearing debts; and (v) approximately HK$48 million was utilized for general working capital of the Group, major components of which were operating expenses, such as rental expenses, marketing expenses and salary expenses.

As at 31 December 2017, the Convertible Notes with the principal amount of HK$264,800,000 were outstanding which were convertible into 662,000,000 Shares, representing approximately 6.7% of the total number of Shares in issue (i.e. 9,953,067,822 Shares). If all outstanding Convertible Notes (including the Convertible Notes held by EOG Group in the principal amount of HK$103,000,000) were converted on 31 December 2017, the interest of EOG Group, the substantial shareholder of the Company, in the Company would have been increased from approximately 20.17% to approximately 21.34%. As mentioned in the section entitled "Treasury Policy" above, the Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligation (including the repayment obligation of the Convertible Notes).

Details of the Notes Placing and the EOG Note Subscription were disclosed in the announcement of the Company dated 23 August 2016 and the circular of the Company dated 15 September 2016, respectively.

LITIGATION

References were made to the announcements of the Company dated 11 January 2011, 22 May 2012, 19 June 2014, 4 July 2014, 13 January 2015, 14 January 2015, 28 May 2015, 8 January 2016, 11 January 2016, 24 May 2016, 31 August 2016, 19 April 2017 and 11 May 2017 in relation to the civil proceedings (the "**Legal Proceedings**") in the PRC initiated by Ms. Wang and Tian Jiu as plaintiffs against the Company as defendant and joined Wuhan Baisazhou Agricultural By-Product Grand Market Company Limited ("**Baisazhou Agricultural**") as third party.

Ms. Wang and Tian Jiu alleged that the share transfer agreements in relation to the acquisition of an aggregate of 90% interest in Baisazhou Agricultural by the Company from Ms. Wang as to 70% thereof and Tian Jiu as to 20% thereof (the "**Contended Agreements**") were forged. They sought an order from the Higher People's Court of Hubei Province, the PRC (the "**Hubei Court**") that the Contended Agreements were void and invalid from the beginning and should be terminated and claimed against the Company and Baisazhou Agricultural all relevant profits of Baisazhou Agricultural which were attributable to Ms. Wang and Tian Jiu, together with costs of the Legal Proceedings.

The Company received the judgment from the Hubei Court in relation to the Legal Proceedings (the "**Hubei Court Judgment**") in June 2014. By the Hubei Court Judgment, the Hubei Court dismissed the claims of Ms. Wang and Tian Jiu, and ordered Ms. Wang and Tian Jiu to bear the legal costs of the Legal Proceedings. Ms. Wang and Tian Jiu filed an appeal notice to the Supreme People's Court of the PRC (the "**Supreme Court**"). On 13 January 2015, the Company received the judgment (the "**Beijing Judgment**") handed down from the Supreme Court in relation to Ms. Wang and Tian Jiu's appeal against the Hubei Court Judgment. The Supreme 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, Ms. Wang and Tian Jiu jointly commenced legal proceedings against the Ministry of Commerce ("**MOFCOM**") of the PRC alleging that MOFCOM failed to discharge its statutory duties for handling their application submitted in January 2015 for revoking the certificate of approval and letter of approval in relation to the Contended Agreements (the "**Application**"). The cases were accepted by the Beijing Second Intermediate People's Court (the "**Beijing Court**") in May 2015. The Company and Baisazhou Agricultural then made an application to join the cases as third party. The Company received a judgment dated 31 December 2015 on 8 January 2016 issued by the Beijing Court, by which the Beijing Court demanded MOFCOM to handle the Application again within 30 days.

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

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 Judgment**") 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 (the "**Notice of Appeal**"). 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 (b) MOFCOM to make a decision to revoke the Approval.

The hearing for the appeal against the 31 March Judgment took place on 30 August 2017. As at the date of this report, the judgment for the appeal has not been available.

Separately, in May 2015, in view of the Beijing Judgment, the Company issued a writ against Ms. Wang and Tian Jiu which was accepted by the Hubei Court. The Company sought an order from the Hubei Court that Ms. Wang and Tian Jiu shall assist Baisazhou Agricultural to discharge its contractual duties under the SPA to make the necessary filing with MOFCOM.

On 10 May 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. 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. The Company then applied for review of the 26 May Order which was dismissed by the Hubei Court on 12 June 2017.

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 advised by the PRC legal advisers of the Company, (i) the Supreme 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 "**Hubei AIC**"). The Company will take all necessary actions in the PRC as advised by its PRC legal advisers in response to the Beijing Judgment.

For other detailed information of the litigation cases, please refer to note 35 to the consolidated financial statements.

EVENT AFTER THE REPORTING PERIOD

In January 2018 and up to the date of this report, the Company has completed the purchase of outstanding 1 per cent notes due 2024 in the aggregate principal amount of HK$110,000,000.

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2017, the Group had 1,355 employees (2016: 1,698), approximately 98% of whom were located in the PRC. The Group's remuneration policy was reviewed periodically by the remuneration committee of the Company and the Board's remuneration is determined by reference to market terms, company performance, and individual qualifications and performance. The Group aimed to recruit, retain and develop competent individuals who were committed to the Group's long-term success and growth. Remunerations and other benefits of the employees were reviewed annually in response to both market conditions and trends, and were based on qualifications, experience, responsibilities and performance.

PROSPECTS

Looking forward to 2018, the Group will continue to build a nationwide agricultural produce exchange network by leveraging on its leading position in the industry, readily replicable business model, well-advanced management system, information technology infrastructure and quality customer services.

Once again, agricultural issue is the PRC central government's first priority policy for the next consecutive years under the document named "the Number 1 Policy of 2018". The document promises to promote investments in agricultural produce markets, expand agricultural produce network, build logistic infrastructure and storage of agriculture and improve regional cold storage infrastructure. On the other hand, it is expected that the "One Belt, One Road" policy will drive the overall growth of the PRC economy and provide a sustainable way for the PRC's continuing development.

In order to capture new business opportunity, the Group has taken further steps to expand its operations/coverage in the PRC by cooperating with different partners while managing capital investments that such expansion may entail by pursuing an "asset light" strategy going forward. Recently, the Group took up the management rights of Suizhou market in Hubei Province in collaboration with the property owner as local partner. Taking the advantage of a leading position in the industry, the Group is confident that this strategy and business model will deliver long-term benefits to the Company and its shareholders as a whole.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Executive Directors

Mr. CHAN Chun Hong, Thomas, aged 54, joined the Group as an executive director of the Group in February 2009 and is the chairman, the chief executive officer and an authorised representative of the Company. Mr. Chan is the chairman of the executive committee and a member of each of the remuneration committee and the nomination committee of the Company. He has extensive experience in strategic planning and day-to-day operation management. Mr. Chan is an executive director of Wang On Group Limited, Wai Yuen Tong Medicine Holdings Limited and Easy One Financial Group Limited, and the non-executive chairman of Wang On Properties Limited, all of which are companies listed on the main board of the Stock Exchange. Mr. Chan graduated from the Hong Kong Polytechnic University with a degree in Accountancy and is a fellow member of The Association of Chartered Certified Accountants and an associate member of The Hong Kong Institute of Certified Public Accountants.

Mr. LEUNG Sui Wah, Raymond, aged 50, joined the Group as an executive director of the Group and the chief financial officer in June 2010. Mr. Leung was appointed as an authorised representative of the Company in February 2012. He is a member of each of the executive committee and the nomination committee of the Company, and the chief executive officer of Hongjin Agri-Products Wholesale Market Group Limited, a wholly-owned subsidiary of the Company, responsible for overseeing the agricultural produce exchange market operation of the Group in the PRC. Mr. Leung had over 25 years of experience in corporate finance, accounting and company secretarial matters in Hong Kong and the PRC. He holds a Master Degree in Business Administration and Master of Arts from The University of Hong Kong and City University of Hong Kong, respectively. He is a fellow member of The Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants, The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He is also a full member of Chartered Institute of Procurement and Supply and Certified Information Security Manager of Information Systems Audit and Control Association.

Mr. YAU Yuk Shing, aged 53, joined the Group in April 2012 and was appointed as an executive director of the Group in December 2012. Mr. Yau is a member of the executive committee of the Company. He has more than 23-year management experience in property development, engineering and construction businesses. Prior to joining the Group, Mr. Yau worked for certain companies with a wide spread of experience in real estate industry and project management.

Independent Non-executive Directors

Mr. NG Yat Cheung, *JP*, aged 62, joined the Company as an independent non-executive Director in February 2009. He is a member of each of the audit, remuneration and nomination committee of the Company. On 16 March 2012, Mr. Ng was also appointed as the chairman of the remuneration committee of the Company. He holds an associate degree in arts in business data processing from Chabot College in the United States. He holds offices as a director with a number of private companies which are principally engaged in technology, property development, insurance, finance and property holding. Mr. Ng is an independent non-executive director of Tao Heung Holdings Limited, a company listed on the main board of the Stock Exchange and was an independent non-executive director of VSTECS Holdings Limited (formerly known as VST Holdings Limited) (resigned in May 2016), a company listed on the main board of the Stock Exchange and Jia Meng Holdings Limited (resigned in August 2015), a company listed on the Growth Enterprise Market of the Stock Exchange.

Mr. LAU King Lung, aged 71, joined the Company as an independent non-executive Director in May 2013. He is the chairman of the nomination committee and a member of each of the audit committee and the remuneration committee of the Company. Mr. Lau has over 40 years' experience in planning, design and contracting of civil engineering and building works in Hong Kong or the PRC. Mr. Lau is a chartered engineer with his profession registration both in the United Kingdom and Hong Kong. He participated in the design of the initial systems of the Mass Transit Railway in Hong Kong after his graduation from civil engineering department of Imperial College, University of London for 6 years with Freeman Fox and Partners, London.

Mr. WONG Hin Wing, aged 55, joined the Company as an independent non-executive Director in December 2016. He is the chairman of the audit committee and a member of each of the remuneration committee and the nomination committee of the Company. Mr. Wong holds a Master's degree in Executive Business Administration from The Chinese University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England & Wales, the Association of Chartered Certified Accountants, the Hong Kong Institute of Directors and the Institute of Chartered Secretaries and Administrators. He is also a member of the American Institute of Certified Public Accountants and a chartered member of the Chartered Institute for Securities & Investment. He is an independent non-executive director of each of Dongjiang Environmental Company Limited (a public company with A shares listed on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange and H shares listed on the Stock Exchange), CRCC High-Tech Equipment Corporation Limited (a public company with H shares listed on the Stock Exchange), AEON Credit Service (Asia) Company Limited (a public company listed on the Stock Exchange), 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), 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) and Wine's Link International Holdings Limited (a public company listed on the Stock Exchange). He is also a member of Anhui Provincial Committee of the Chinese People's Political Consultative Conference, a panel member of Securities and Futures Appeals Tribunal and a member of each of the Nursing Council of Hong Kong and the Construction Industry Council. He is the managing director and has been the responsible officer of China Silk Road International Capital Limited (formerly known as Legend Capital Partners, Inc.), a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) since 1997. Prior to this, he had worked with an international audit firm for four years and then a listed company as chief financial officer for seven years. He has 34 years of experience in accounting, finance, investment management and advisory.

SENIOR MANAGEMENT

Mr. CHIER Ping Cheung, aged 56, joined the Group in September 2012. He is the chief operating officer (Team One) of the Group and a director of four subsidiaries of the Group, namely Wuhan Baisazhou Agricultural By-Products Grand Market Company Limited, Xuzhou Yuan Yang Trading Development Company Limited, Huai'an Hongjin Mingyuan Agricultural By-Products Logistics Company Limited and Yulin Hongjin Agricultural By-Products Wholesale Market Limited. He is responsible for project operation and management in the PRC. Mr. Chier has over 24 years of experience in accounting in Hong Kong and the PRC.

Mr. LEUNG Wai Hong, aged 38, joined the Group in January 2015. He is the chief operating officer (Team Two) of the Group and an executive director of Henan Hongjin Gudeng Entrepreneurship Incubator Limited, a subsidiary of the Group. He is responsible for operation and management of the Group's projects in Kaifeng city, Puyang city, Luoyang city and Panjin city in the PRC. Mr. Leung holds a Bachelor Degree in Accounting from The Chinese University of Hong Kong. He is a member of The Association of Chartered Certified Accountants and has over 14 years of experience in accounting in Hong Kong and the PRC.

Mr. WONG Ka Kit, aged 45, joined the Group in August 2009. He is the regional general manager (Guangxi) of the Group and a director of Yulin Hongjin Agricultural By-Products Wholesale Market Limited in Guangxi, a subsidiary of the Group. He is responsible for the business operations and sales in Guangxi. Mr. Wong holds a Master Degree in Business Administration from Hong Kong Baptist University and a Bachelor (Hons) Degree in Accountancy from The Hong Kong Polytechnic University. He is a member of The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants, and was a member of the 4th Guangxi Yulin Committee of the Chinese People's Political Consultative Conference. Prior to joining the Group, Mr. Wong has over 10 years of experience in general management and finance in Hong Kong and the PRC.

Mr. LEUNG Wai Kai, Ray, aged 43, joined the Group in April 2013. He is the general manager of Human Resources Department of the Group and is responsible for human resources management and talent development. Mr. Leung holds a Bachelor Degree of Business Administration in Human Resources Management from Hong Kong Baptist University and he is a qualified Human Resources Professional in the PRC. Mr. Leung has over 21 years of experience in human resources both in Hong Kong and the PRC.

Mr. CHEUNG Chin Wa, Angus, aged 40, joined the Company as company secretary in May 2012. He is also a director of a subsidiary of the Group namely Pu Yang Hongjin Agricultural By-Products Wholesale Marketplace Limited. Mr. Cheung is a fellow member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He holds a Master Degree of Professional Accounting, a Master Degree of Corporate Governance, a Bachelor Degree of Laws and a Bachelor Degree of Arts in Translation. Prior to joining the Group, Mr. Cheung held company secretary or senior company secretarial positions in several Hong Kong listed companies.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

Corporate Profile

The Group operates an agri-products exchange platform which provides food safety monitoring and distribution and logistics services, facilitating management and sales of properties in agricultural wholesale markets.

As at 31 December 2017, the Group had 10 projects in operation in the PRC strategically located in Wuhan city, Yulin city, Xuzhou city, Luoyang city, Puyang city, Kaifeng city, Qinzhou city, Panjin city, Huai'an city and Huangshi city, the PRC, respectively.

In tune with the Group's philosophy of "Benefiting Agriculture", the Group has successfully set up a modern logistics network in the PRC and our brand "Hongjin" received high recognition from the industries.

Reporting Period and Scope

This Environmental, Social and Governance ("**ESG**") report includes data and information of the Group's 10 agricultural exchange markets in the PRC during the period from 1 January 2017 to 31 December 2017.

About this Report

This is the second ESG report of the Company which focuses on disclosing information about the environmental and social performance of the Group. This report is prepared in compliance with the ESG Reporting Guide sets out in Appendix 27 to the Listing Rules.

LETTER TO STAKEHOLDERS

Dear Stakeholders,

On behalf of the Board, I am pleased to present our second ESG report. The Group and its management firmly believe in "taking from society, giving to society" and constantly strive to strike a balance between business expansion and environmental and social concerns.

The Group values its relationships with its stakeholders including investors, employees, clients, suppliers and the communities where it operates. We maintain regular communications with stakeholders in order to respond to issues that concern them, such as product safety, waste generation, occupational health and safety, etc.

To ensure our agri-products markets comply with environment-related regulatory requirements, we take a proactive approach towards environmental management. Stringent measures are taken in this respect including audits and assessments of our ESG systems and performance by independent firms of professional specialising in various areas. In respect of environmental protection, we have adopted measures to reduce the fugitive dust at construction sites and installed wastewater treatment facilities in the markets, mitigating the adverse impacts of our business on the local community and the environment. The Group also signed the carbon reduction charter initiated by the Hong Kong Environmental Protection Department and has participated in the computer recycling programme, for promoting sustainable business development.

Our employees are pivotal to business success. To achieve a harmonious working environment, both training and recreational activities are organized on a regular basis. We passionately participate in and even organise different charitable events in both Hong Kong and China, to make sure that we give back to the society to the extent possible, thereby pursuing a win-win outcome for all stakeholders.

I hereby place on record our sincere thanks to all stakeholders for the continued support we have received for the growth of our Group as well as for helping us give back to the society.

By Order of the Board
Chan Chun Hong, Thomas
Chairman and Chief Executive Officer
Hong Kong, 6 March 2018

LAWFUL OPERATION

Product Responsibility

We strive to ensure that people are provided with high-quality food by managing our agri-platforms efficiently and systematically. An agri-products safety testing system is in place, in which, quality of products is checked by professional technicians with advanced safety testing equipment on a regular basis and the daily testing results are announced on the market website and electronic display screen. Also, we have adopted an industry leading QR code technology which helps enhance convenience of independent third-party testing and timely traceability of supply sources by downstream users of the products. The qualified products are issued certificates and any out-of-limits varieties are destroyed in a harmless way based on the requirements of the Industry and Commerce Administration and Agricultural Law-Enforcing Authority.

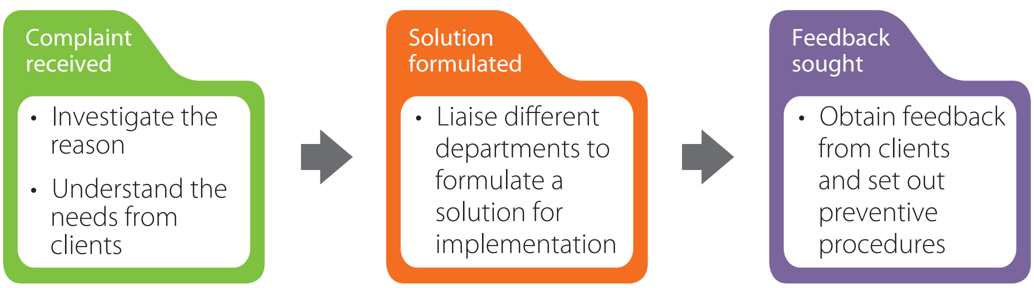
To ensure quality and safety of products during processing, storage, transport, distribution or retail of fresh-products, the Group has its own cold-chain warehousing facilities with a total gross floor area of approximately 30,000 square metres and a suitably equipped logistics system which can store products in an appropriate low and constant-temperature environment. The system can distribute frozen and fresh agri-products nationwide.

The Group puts its best efforts to ensure all its operations are in compliance with relevant laws and regulations, such as the "Food Safety Law of the PRC" and the "Agricultural Product Quality Safety Law of the PRC", etc.

A series of rules and regulations have been put in place to maintain a safe working environment and for sustainable management of the environment. Cleanliness of public areas and regular pest-control measures in trading zones and other areas are treated as important functions. These measures guarantee adherence to food safety standards and smooth daily operations of our markets.

Customer Relations

Our Group is committed to providing the best service to all of our clients and therefore, we have a complaint handling procedure to ensure all clients are treated fairly and respectfully. Below is the process chart showing how we handle complaints received from clients.



When a complaint is received from a client, we will analyze the rationality and the reasons. Responsible departments will analyse the complaint and recommend possible solutions for management's consideration. Approved solution will be implemented within 5 working days and the complainant will receive a feedback.

Supplier's Evaluation

Our suppliers are crucial in ensuring smooth daily operations and are selected strictly on the basis of fair selection criteria. The Group is committed to treating its suppliers with the utmost respect and integrity. Summary of the fair supplier selection criteria is as follows:

Fair Supplier Selection

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

— All bidders or suppliers are required to issue or confirm a declaration stating their kinship or close relationship, if any, with any of our employees nor do they have any other financial interests.

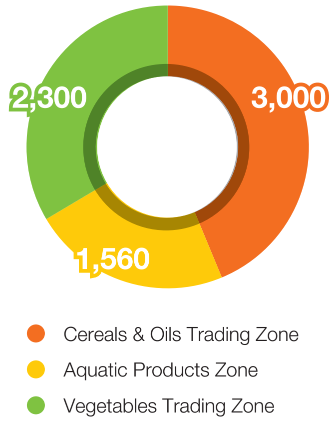
— Procurement contracts which exceed a certain monetary amount are required to be approved by our senior management.

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

In addition, a project team has been formed which is responsible for all important or large-scale tenders or procurements, monitoring and managing the entire tendering process, and implementing strictly the relevant procurement policies. Particular members of staff are responsible for partial process of tenders or procurements, separately, to avoid conflicts of interest.

Wuhan Baisazhou Market is a major market supported by the National Development and Reform Commission, Ministry of Commerce and Ministry of Agriculture. The graph shows the number of suppliers for the three product categories traded in 2017.

Supplier Distribution in Wuhan Baisazhou Market in 2017



Anti-corruption

The Company is committed to achieving the highest possible standards of openness, probity, and accountability. To avoid conflicts of interest and create a corruption free working environment, all employees are required to strictly follow the anti-corruption rules stated in the staff handbook. They need to declare any potential conflicts of interest. Staff are required to inform their supervisor if they have any direct or indirect economic relationships with business partners of the Group. Also, they are prohibited from disclosing any confidential and sensitive information without approval.

A whistleblowing policy is set up for reporting any inappropriate behaviour or organizational malpractices. The policy is designed to assist individual employee to inform the top management about any malpractices or improprieties within the Group, in a written format. Every report received is investigated fully if needed, by internal audit department, or is referred to external auditors of the Company. The identity of reporting employee is not divulged without the consent of the employee. The chairman of the Board acknowledges receipt and/or gives feedback to the whistle blower, if appropriate.

Education is always an effective way to prevent bribery. Hence, the Group organises anti-corruption training programmes and the relevant cases are covered in our employee newsletter so as to disseminate the information and convey management's resolution to maintain zero tolerance for bribery and corruption.

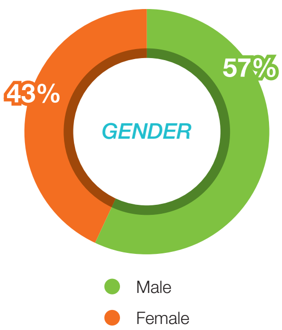
OUR PEOPLE AND COMMUNITY

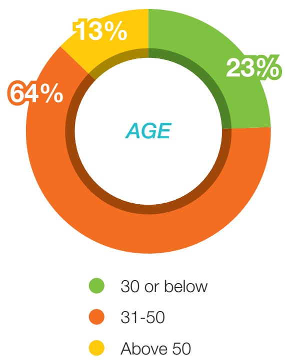
Talent is our most precious resource. We are striving to provide a harmonious workplace with adequate advancement opportunities. All our employees are protected by the relevant labour laws and regulations in both Hong Kong and the PRC as well as our human resources policies.

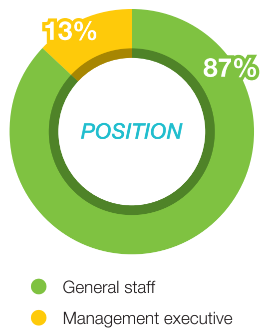
We have complied with all employees-related laws and regulations in Hong Kong and China. All staff in mainland China must be aged 18 or above, and identity documents of newcomers are checked by the human resources department to prevent any cases of child labour. If an employee is found to have intentionally provided false information, he/she will be dismissed immediately.

Employee Composition

As at 31 December 2017, our Group had 1,355 employees, about 98% of whom were located in the PRC. Approximately 87% of our employees were general staff, and approximately 13% of them were management executives. Proportion of female and male employees were approximately 43% and approximately 57%, respectively. Approximately one-fourth of them were aged 30 or below, while approximately 64% were aged 31-50, and approximately 13% of them were aged above 50.







The graphs above show the diversified characteristics of our Group's workforce. We believe this enhances our productivity and job satisfaction. To achieve this goal, our recruitment process is open, equal and fair while we welcome those who are committed to our long-term success and growth. The remuneration policy is reviewed periodically by the remuneration committee of the Company, with reference to relevant variables such as the Company's performance and individual qualifications and performance, besides market norms. During the recruitment process, offers will be given to suitable candidates regardless of gender, marital status, family role or disability.

Employee Welfare

The Group cares about employees' mental well-being. A number of team-building and recreational activities were carried out to help employees achieve work-life balance. Highlights of such activities organised in 2017 are as follows.

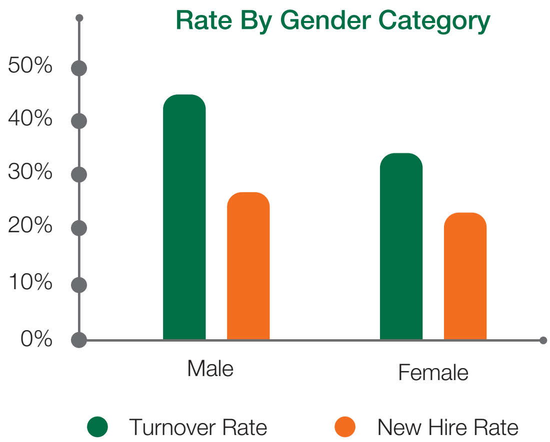
Annual Dinner of Qinzhou Market in January 2017

Staff of Qinzhou Market visit Dahua County in April 2017

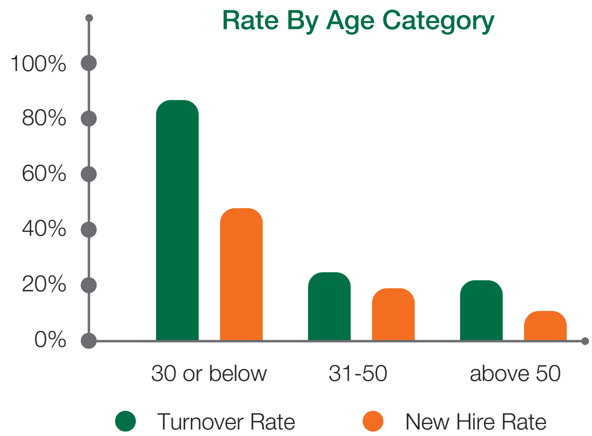
Celebration of three years anniversary of Qinzhou Market in November 2017

In 2017, the employee turnover rate of the Group was approximately 40%, while the rate of new hires was approximately 24%. The breakdowns of our employee turnover and new hires by gender and age categories in both Hong Kong and the PRC are shown in the graphs below.

Employee Turnover & New Hire Rate By Gender Category



Employee Turnover & New Hire Rate By Age Category



Training and Development

In 2017, our staff had received 8,918 person-hours of training. Among all our employees, there were approximately 88% and approximately 86% of male and female have received trainings, respectively and approximately 87% of both management executives and general staff have received training. Three major types of training provided to our employees were newly-joined training, in-service training, and professional qualification training. For filling job vacancies, priority is given to existing and well-performed employees.

Human resources department carries out an annual survey to plan and implement effective training programmes by understanding the needs of all departments and regular evaluations are undertaken to figure out whether the goals of trainings are achieved.

Training programme for management executives at Qinzhou Market in 2017

Health and Safety

The health and safety of our workforce is our utmost concern. In 2017, we recorded 7 incidents of injuries which resulted in loss of 325 person-days. In order to raise the safety awareness, the Group provided safety training for a total of 2,954 hours in 2017. These training programmes include handling of emergency situations, operation of cardiopulmonary resuscitation, and prevention and remedy of occupational diseases.

In addition, we have clearly spelt out regulations and standards for our employees to follow when they have to deal with hazardous chemical substances when performing tasks such as pest control. Work hours are assigned in a flexible manner to ensure employees do not suffer heat strokes when working in summer because of the blazing sun and high outdoor temperatures.

To enhance the awareness about the need for prevention and handling of fire-related incidents, prevention facilities and safety training are provided. During the training sessions, employees learn the operations of fire-handling equipment and relevant knowledge from the firemen.

Fire safety training in Xuzhou Market in 2017

Community Care

We believe in pursuing reasonable profit and achieving win-win outcome for our business partners, investors, communities and government. In doing so, the Group actively participated in and organised various charitable events in both Hong Kong and the PRC in the year under review.

In 2017, the Company made donations of approximately HK$295,000, and our employees were strongly encouraged to participate in charity events. For example, our Hong Kong staff participated in the "2016/2017 Hong Kong & Kowloon Walk for Millions", "World No Tobacco Day 2017 – Smoke-free Support Station" and "Dress Casual Day 2017", while in the PRC, we donated cash in the amount of approximately RMB30,000 and staple food to a secondary school and destitute families, respectively.

ENVIRONMENTAL MANAGEMENT

With 10 agricultural wholesale markets in mainland China, the Group has been striving hard to mitigate the impacts of its operations on the environment and the community, making sure our daily operations comply with the relevant environmental laws and regulations, including but not limited to the relevant environmental protection law in the PRC.

During the year, the Group was not aware of any non-compliance of laws and regulations that have a significant impact on the Group, relating to air and greenhouse gas ("**GHG**") emissions, discharges into water and land, or generation of hazardous and non-hazardous waste.

Emissions

The operation of our markets does not involve significant emissions. For all agricultural products markets, the Group had commissioned independent environmental consultants to conduct Environmental Impact Assessment (EIA) prior to construction and operation. The Group continues to adopt environmental measures mentioned in the EIA report, aiming to mitigate air emissions and sewage and waste generation. The major sources of GHG are electricity, fuel and refrigerant consumptions. The carbon emissions generated during 2017 were as follows:

Carbon emissions	Unit	Amount*
Scope I – direct^	tCO_2e	3,113.06
Scope II – indirect<	tCO_2e	20,533.80
Total	tCO_2e	23,646.86

Regarding air emissions, the Group generated a limited amount due to the consumption of diesel and petrol by vehicles. Measures have been taken by the Group to mitigate air emissions which include regular cleaning of the ground surface. The air emissions generated in 2017 were as follows:

Air emissions	Unit	Amount*
SOx	kg	4.78
NOx	kg	71
PM	kg	5.69

Effluent and Waste

The major sources of wastewater generation are domestic sewage, catering sewage and floor flushing sewage. After filtering the grease, catering sewage is collected and handled together with domestic sewage and floor flushing sewage, which then goes through a biological treatment process in the septic tank. We ensure the treated waste water meets Level 3 of the "Integrated Wastewater Discharge Standard" before it is discharged into the water mains and flows into the municipal sewage treatment plant.

Waste generated in our markets mainly comprises food waste, which gets decomposed and releases odor. These are collectively handled and stored in designated waste collection points for centralised handling. We ensure that they are removed daily to minimise the impacts on our tenants and customers. Also, the Group has set up rules and regulations for its tenants to ensure the working environment is managed in a sound manner. Regular inspection is carried out to ensure hygiene in the markets. During the year, all waste generated was of non-hazardous waste from our office and markets, totaling 63,546 tonnes.

Resource Consumption

The major resources consumed by the Group's operations are electricity and water, mainly by the tenants in our markets. The major resources consumed in 2017 were as follows:

Resource type	Unit	Amount*
Electricity	kWh	36,610,759
Water	tonnes	1,828,501
Petrol	litres	325,045
Diesel	litres	1,807
Refrigerant R-22	tonnes	1.24
Liquid ammonia	tonnes	2.5

In order to reduce energy and water consumption, the Group has undertaken various conservation initiatives. Besides, we have undertaken plantation of trees in some of our markets to improve the surroundings. Below are some resources conservation measures implemented in our markets.

Resources	Initiatives
Water	• Implementing water reuse purification system • Using induction faucet • Using water saving flushing facilities • Education on and promotion of water-saving
Energy	• Using energy-saving lights and timer switches • Use of LED lights • Using transformers equipped with capacitors for saving electricity

PROSPECT

The Company continues to engage with its employees, investors, suppliers, customers and other stakeholders through different channels to develop mutually beneficial relationships. We will continue to promote environmental awareness, social responsibility and governance in order to enhance the ESG awareness in the corporate culture of the Group which, in turn, benefit the Group and the society as a whole.

* The data includes 9 agricultural wholesale markets. The environment data of Huai' an Market will be disclosed in the future.

^ Scope I emissions are direct emissions from owned or controlled source

< Scope II emissions are indirect emissions from the generation of purchased electricity

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2017, the Company has complied with the code provisions set out in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules, except for the following deviation:

Code provision A.2.1

Mr. Chan Chun Hong, Thomas, the chairman of the Board, has assumed the role of chief executive officer of the Company after the resignation of the then chief executive officer of the Company and executive Director with effect from 8 May 2014. The Company does not propose to comply with code provision A.2.1 of the CG Code for the time being but will continue to review such deviation to enhance the best interest of the Group as a whole on the reasons as set out in the paragraph headed "Roles of the Chairman and Chief Executive Officer" below.

The Company periodically reviewed its corporate governance practices to ensure they continue to meet the requirements of the CG Code during the year of 2017. The key corporate governance principles and practices of the Company are summarised in this report.

DIRECTORS' SECURITIES TRANSACTIONS

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

THE BOARD

Composition

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

Executive Directors:

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

Independent non-executive Directors:

Mr. Ng Yat Cheung
Mr. Lau King Lung
Mr. Wong Hin Wing

The biographical details of the Directors are set out on pages 31 to 32 of this annual report.

Responsibilities

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

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

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

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

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

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

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

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

Board Meetings and General Meetings

During the year under review, four regular meetings of the Board, the annual general meeting (the "**2017 AGM**") and one special general meeting for approving a rights issue of the Company (the "**SGM**") were held and the attendance of each Director is set out as follows:

	Attendance/Number of meetings		
Directors	Regular board meetings	2017 AGM	SGM
Executive Directors			
Mr. Chan Chun Hong, Thomas	4/4	1/1	1/1
Mr. Leung Sui Wah, Raymond	4/4	1/1	0/1
Mr. Yau Yuk Shing	2/4	0/1	0/1
Independent non-executive Directors			
Mr. Ng Yat Cheung	3/4	1/1	0/1
Mr. Lau King Lung	4/4	1/1	0/1
Mr. Wong Hin Wing	4/4	1/1	1/1

ROLES OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

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

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

BOARD COMMITTEES

Remuneration Committee

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

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

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

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

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

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

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

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

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

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

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

Remuneration Committee Members	Attendance
Mr. Ng Yat Cheung	1/1
Mr. Lau King Lung	1/1
Mr. Wong Hin Wing	1/1
Mr. Chan Chun Hong, Thomas	1/1

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

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

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

Nomination Committee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Nomination Committee Members	Attendance
Mr. Lau King Lung	1/1
Mr. Ng Yat Cheung	1/1
Mr. Wong Hin Wing	1/1
Mr. Chan Chun Hong, Thomas	1/1
Mr. Leung Sui Wah, Raymond	1/1

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

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

Audit Committee

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

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

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

Audit Committee Members	Attendance
Mr. Wong Hin Wing	3/3
Mr. Ng Yat Cheung	2/3
Mr. Lau King Lung	3/3

During the year under review, the Audit Committee reviewed and discussed with the management and the auditors of the Company the accounting principles and practices adopted by the Company. In addition, the Audit Committee also, among other things, reviewed internal control measures and risk management with the senior management and professional advisors, and the adequacy of resources of the Group, the annual results for the year ended 31 December 2016 and the interim results for the six months ended 30 June 2017 with the senior management and/or the auditors of the Company. The Audit Committee satisfied the effectiveness of the Company's internal audit function.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparation and publication of the timely financial statements and ensure that they are prepared in accordance with the statutory requirements and applicable accounting standards. In preparing the financial statements for the year ended 31 December 2017, the Directors have adopted suitable accounting policies which are pertinent to the Group's operations and relevant to the financial statements and have presented an understandable assessment of the Group's position and prospects.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, and save as the matters as stated in notes 2(b) and 35 to the consolidated financial statements and the financial information which indicated that the Group incurred a net loss of approximately HK$338 million and the net current liabilities exceeded its current assets by approximately HK$236 million and the PRC legal proceedings (as detailed in the independent auditors' report), they are not aware of any material uncertainties relating to the events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The Directors continue to explore any opportunities to enhance its financial position and the business development of the Group by way of refinancing, extension of borrowings and/or fund raising and deriving cash flow from operations and will keep the public informed of the latest development of the said PRC legal proceedings as and when appropriate.

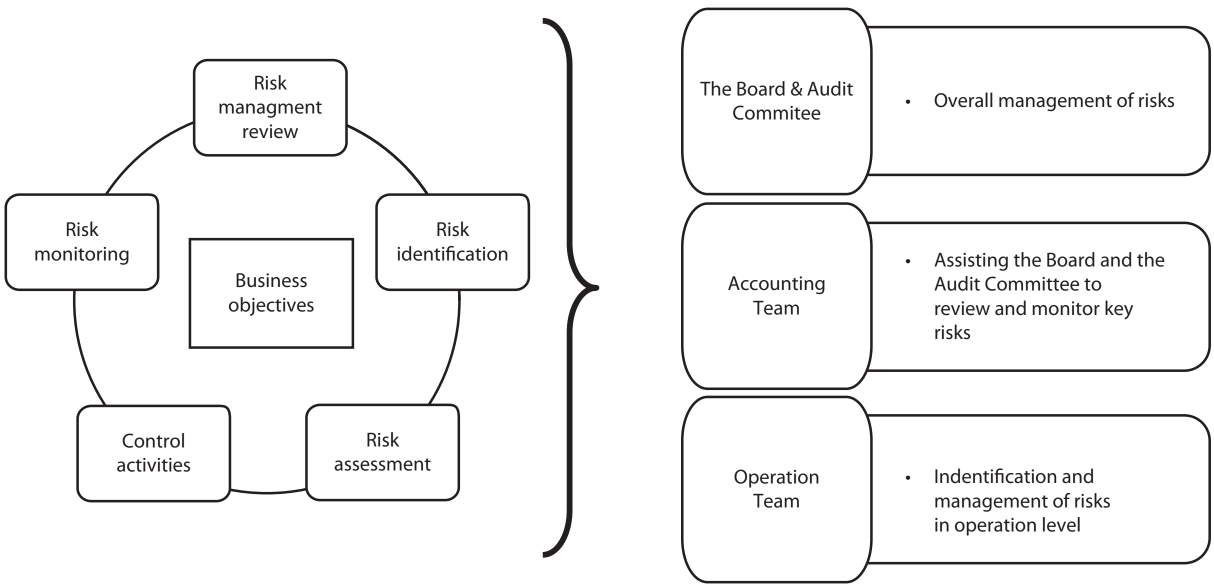
The statement of the auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the independent auditors' report.

RISK MANAGEMENT AND INTERNAL CONTROL

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

Risk management process

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



Risk identification : Both internal and external factors including economic, political, social, technology and environmental factors, laws and regulations, business objectives and stakeholders' expectation would be considered

Risk assessment : The risk identified would be assessed and rated based on the likelihood and impact to the achievement of the Group's objectives

Control activities : The internal control procedures have been designed and implemented to address the risks

Risk monitoring : Risk register has been maintained and updated regularly to monitor risks on an ongoing basis

Risk management review : The Board and the Audit Committee would perform review on any change of significant risks of the Group

Internal audit function

In the fiscal year of 2017, the Company appointed external advisers to perform the ongoing monitoring of the systems of internal control of the Group and report their findings and recommendations to the Audit Committee and follow up the status of implementation of the recommendations to ensure all significant control activities are properly in place within the Group.

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

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

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

Review on risk management and internal control systems

The Board has conducted annual review on the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2017 and confirmed that the Group's risk management and internal control systems in respect of financial, operational, compliance, risk management and adequacy of resources, are effective and adequate.

INSIDE INFORMATION POLICY

The Group always puts emphasis on the importance of transparency of communication between the stakeholders and the Group and has established policies and procedures for timely disclosure of inside information to the public when available. The senior management of the Group would take all reasonable measures from time to time to ensure that the disclosure of inside information is in compliance with the requirements of all applicable laws and regulations.

AUDITORS' REMUNERATION

During the year under review, the remuneration paid/payable to the Company's external auditors, HLB Hodgson Impey Cheng Limited, in respect of audit services and other services for the year ended 31 December 2017 is set out as follows which has been reviewed and approved by the Audit Committee based on the scopes of their works:

Services rendered	Fees paid/payable HK$'000
Audit services	2,200
Other services (service provided for a fund raising activity of the Company)	724
Total	2,924

WHISTLEBLOWING POLICY

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

COMPANY SECRETARY

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

Mr. Cheung is a fellow member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He holds a Master Degree of Professional Accounting, a Master Degree of Corporate Governance, a Bachelor Degree of Laws and a Bachelor Degree of Arts in Translation. Prior to joining the Group, Mr. Cheung held company secretary or senior company secretarial positions in several Hong Kong listed companies. During the year ended 31 December 2017, Mr. Cheung has complied with Rule 3.29 of the Listing Rules and taken no less than 15 hours of relevant professional training.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

The Group is conscious of its role as an environmentally and socially responsible group of companies. It has made donations for community wellbeing from time to time and has environmental friendly policies in place. We support the communities and encourage our employees to participate in charitable events and environmental protection activities. Details of the environmental and social responsibility of the Group are disclosed in the Environmental, Social and Governance Report on pages 34 to 41 of this annual report.

SHAREHOLDERS' RIGHTS

Putting Forward Proposals at General Meetings

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

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

Convening of Special General Meeting

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

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

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

ENQUIRIES FROM SHAREHOLDERS

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

For corporate affairs:

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

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

For shareholding or entitlement affairs:

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

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

CONSTITUTIONAL DOCUMENT

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

CONCLUSION

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

REPORT OF THE DIRECTORS

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

The Directors present their annual report and audited consolidated financial statements of the Company and of the Group for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

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

Structured Contracts

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

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

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

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

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

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

Gudeng if and when the Foreign Shareholding Restrictions are lifted. For details of the Structured Contracts, please refer to the announcements of the Company dated 11 July 2016 and 11 October 2016, respectively.

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

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

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

The revenue, net loss and total asset value subject to the Contractual Arrangements amounted to approximately HK$0.8 million and approximately HK$22.0 million for the year ended 31 December 2017 and approximately HK$8.4 million as of 31 December 2017, respectively.

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

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

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

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

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

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

Risk factors

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

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

Internal control measures

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

No material change in the Contractual Arrangements

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

No unwinding of the Contractual Arrangements

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 and the state of affairs of the Company and of the Group are set out in the consolidated financial statements on pages 68 to 153.

The Board did not recommend the payment of any final dividend for the year ended 31 December 2017 (2016: Nil). No interim dividend was paid to the shareholders of the Company during the year under review (2016: Nil).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 154.

RESERVES

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

DISTRIBUTABLE RESERVES

As at 31 December 2017, in the opinion of the Directors, the Company has no distributable reserves.

PROMISSORY NOTES AND SHARE CAPITAL

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

PROPERTY, PLANT AND EQUIPMENT

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

INVESTMENT PROPERTIES

Details of the movements in the investment properties of the Group during the year are set out in note 16 to the consolidated financial statements.

FINANCIAL ASSETS

Details of the movements in the financial assets of the Group during the year are set out in notes 23 and 29 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

DIRECTORS

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

Executive Directors:

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

Independent non-executive Directors

Mr. Ng Yat Cheung
Mr. Lau King Lung
Mr. Wong Hin Wing

In accordance with bye-law 99 of the bye-laws of the Company, Mr. Leung Sui Wah, Raymond and Mr. Ng Yat Cheung will retire at the forthcoming annual general meeting by rotation and, being eligible, offer themselves for re-election.

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

The biographical details of the Directors are set out on pages 31 to 32 of this annual report.

CHANGES IN INFORMATION OF DIRECTORS

The changes in the information of Directors since the publication of the 2017 interim report are set out below pursuant to Rule 13.51B(1) of the Listing Rules:

1. Mr. Leung Sui Wah, Raymond was appointed as the chief executive officer of Hong Jin Agri-Products Wholesale Market Group Limited, a wholly-owned subsidiary of the Company, on 27 November 2017; and

2. Mr. Wong Hin Wing was appointed as an independent non-executive director of Wine's Link International Holdings Limited (a public company listed on the Stock Exchange with stock code 8509) and became a member of the Construction Industry Council in February 2018. He is no longer a council member of Hong Kong Institute of Certified Public Accountants.

DIRECTORS' SERVICE CONTRACTS

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

MANAGEMENT CONTRACTS

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

INDEMNITY OF DIRECTORS

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

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

As at 31 December 2017, none of the Directors, the chief executive of the Company, nor any of their respective associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or pursuant to the Model Code contained in the Listing Rules.

SHARE OPTION SCHEME

On 3 May 2012, the Company terminated the old share option scheme adopted on 4 June 2002 and adopted a new share option scheme (the "**Scheme**") for the primary purpose of providing incentive to selected eligible persons (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.

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

Since the adoption of the Scheme and up to 31 December 2017, no option had been granted. As at the date of this annual report, the total number of Shares available for issue under the Scheme is 116,334,463, representing approximately 1.17% of the existing issued share capital of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Option Scheme" as set out above and in note 33 to the consolidated financial statements, at no time during the year ended 31 December 2017 were rights to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company granted to any Director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

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

As at 31 December 2017, to the best knowledge of the Directors, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that the following shareholders (other than the Directors or the chief executive of the Company) had notified the Company of relevant interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in the Shares

Name of shareholders	Capacity	Total number of Shares held	Approximate percentage of the Company's total issued share capital (Note a) %
Easy One Financial Group Limited ("**Easy One**")	Interest of controlled corporation	2,265,200,062 (Note b)	22.75
Chu Yuet Wah	Interest of controlled corporation	793,254,588 (Note c)	7.97
Active Dynamic Limited	Interest of controlled corporation	793,254,588 (Note c)	7.97
Galaxy Sky Investments Limited	Interest of controlled corporation	793,254,588 (Note c)	7.97
Kingston Capital Asia Limited	Interest of controlled corporation	793,254,588 (Note c)	7.97
Kingston Financial Group Limited	Interest of controlled corporation	793,254,588 (Note c)	7.97
Kingston Securities Limited	Beneficial owner	793,254,588 (Note c)	7.97

Notes:

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

(b) Pursuant to the disclosure of interest form published on the website of the Stock Exchange, Easy One, through Onger Investments Limited and Peony Finance Limited, its indirect wholly-owned subsidiaries, was taken to be interested in 2,007,700,062 Shares and 257,500,000 Shares, respectively.

(c) Pursuant to the disclosure of interest forms published on the website of the Stock Exchange, the 793,254,588 Shares were held by Kingston Securities Limited. Each of Chu Yuet Wah, Active Dynamic Limited, Galaxy Sky Investments Limited, Kingston Capital Asia Limited and Kingston Financial Group Limited were deemed to be interested in the 793,254,588 Shares under the SFO.

Save as disclosed above, as at 31 December 2017, there was no other person (other than the Directors or the chief executive of the Company) who had any interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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

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

CORPORATE GOVERNANCE

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 42 to 51 of this annual report.

CONTINUING CONNECTED TRANSACTIONS

Contractual Arrangements

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

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

The amount of financial assistance (including: capital injections) made by the Group to Shenzhen Gudeng was approximately RMB20.8 million during the year ended 31 December 2017.

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

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

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

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

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

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

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

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

Since the Stock Exchange has granted a wavier from strict compliance with Rule 14A.53 of the Listing Rules, the review of annual cap requirement is not applicable in these transactions.

The transactions relating to the remuneration of the directors of the Group took place during the year as set out in note 37(a) to the consolidated financial statements under the heading of "Material Related Party Transactions" were the service contracts entered into between the directors of the Group which were exempt from any disclosure and shareholders' approval requirements under the Listing Rules. The remaining transactions which took place during the year as set out under the heading of "Material Related Party Transactions" did not constitute connected transactions under the Listing Rules.

AUDIT COMMITTEE

The Company has an Audit Committee, which was established in accordance with the requirements of the Listing Rules, for the purposes of, inter alia, reviewing and providing supervision over the Group's financial reporting processes and internal controls. The Audit Committee comprises all of the independent non-executive Directors, namely Mr. Wong Hin Wing (chairman), Mr. Ng Yat Cheung and Mr. Lau King Lung. The Audit Committee has reviewed with the management and the Company's auditors the consolidated financial statements for the year ended 31 December 2017.

EMOLUMENT POLICY

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

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2017, the percentages of sales and purchases attributable to the Group's five largest customers and five largest suppliers, respectively, were both less than 5%.

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

DONATIONS

During the year, the Group made charitable donations of approximately HK$295,000 (2016: approximately HK$21,000).

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float of not less than 25% of the total issued shares of the Company as required under the Listing Rules throughout the year ended 31 December 2017 and up to the date of this annual report.

EVENTS AFTER THE REPORTING PERIOD

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

AUDITORS

The financial statements for the year ended 31 December 2017 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting. A resolution for their re-appointment as auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

In the last three years preceding 31 December 2017, there has been no change in the auditors of the Company.

On behalf of the Board

Chan Chun Hong, Thomas
Chairman and Chief Executive Officer

6 March 2018

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

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

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

OPINION

We have audited the consolidated financial statements of China Agri-Products Exchange Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 68 to 153, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Notes 2(b) and 35 in the consolidated financial statements, which describe the uncertainty related to 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 Province Administration of Industry and Commerce ("**Hubei AIC**") in relation to the acquisition of Wuhan Baisazhou Agricultural By-Product Grand Market Company Limited ("**Baisazhou Agricultural**") were void. On 23 May 2016, the Company received a decision issued by MOFCOM dated 19 May 2016 (the "**MOFCOM's Decision**") to the effect, inter alia, that approval issued in November 2007 in relation to the contended agreements shall not be revoked and shall remain to be in force. On 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 revoke the approval issued in 2007 in relation to the contended agreements. As at the date of this report, the judgment for the appeal has not been available. The Company will take all necessary actions in the PRC as advised by its PRC legal advisor in response to the possible court judgement. The Group incurred a net loss of approximately HK$337,571,000 during the year ended 31 December 2017 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$236,354,000. Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the Group's ability to extend its short-term borrowings upon maturity, obtain long-term financing facilities to re-finance its short-term borrowings, and derive adequate cash flows from operations in order for the Group to meet its financial obligations as they fall due and to finance its future working capital and financial requirements. These conditions, along with other matters as set forth in note 2(b), indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

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

Key audit matters	How our audit addressed the key audit matter
Valuation of investment properties Refer to Note 16 to the consolidated financial statements	
Management has estimated the fair value of the Group's investment properties to be approximately HK$4,392,818,000 as at 31 December 2017, with net gain in fair value for the year ended 31 December 2017 recorded in the consolidated statement of profit or loss and other comprehensive income of approximately HK$52,068,000. Independent external valuations were obtained in order to support management's estimates. The valuations are dependent on certain key assumptions that require significant management judgement, including market selling price, market rental and plot ratio of land use right.	Our procedures in relation to management's valuation of investment properties included: • Evaluation of the independent valuer's competence, capabilities and objectivity; • Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the property industry and using our valuation experts; and • Checking, on a sample basis, the accuracy and relevance of the input data used. We found the key assumptions were supported by the available evidence.
Carrying value of stock of properties Refer to Note 20 to the consolidated financial statements	
The carrying values of stock of properties was approximately HK$886,488,000 as at 31 December 2017, with write-down of approximately HK$83,361,000 for the year ended 31 December 2017 recorded in the consolidated statement of profit or loss and other comprehensive income. The management estimated the net realisable values of the stock of properties by reference to sale proceeds received after the end of reporting period less selling expenses, which involve management estimation.	Our procedures in relation to management's determination of the carrying value of stock of properties included: • Assessing the appropriateness of the methodologies used by management for the assessments of the net realisable value of stock of properties; and • Comparing the management's estimates of selling prices for similar properties to market data. We found the carrying values of the stock of properties were supported by the available evidence.

Key audit matters	How our audit addressed the key audit matter
Revenue from properties sale Refer to Note 5 to the consolidated financial statements	
The Group recognised revenue from property sales of approximately HK$449,203,000 for the year ended 31 December 2017. Revenue from properties sale is recognised on the execution of binding sale agreement or when the relevant occupation permit or certificate of compliance is issued by the respective building authority, whichever is later and may require management judgement.	We selected samples of property sales transactions. Our procedures in relation to these transactions included: • Obtaining evidence regarding the recognition of properties sale (including, where relevant, occupation permits or certificates of compliance); • Reading the binding sale agreements to identify contractual arrangements; • Reconciliation of the monetary amounts to binding sale agreements; and • Agreeing the deposits and final payments to the bank statements. We found the amount and timing of the revenue recorded were supported by the available evidence.

Key audit matters	How our audit addressed the key audit matter
Valuation of redemption option of convertible bonds Refer to Note 29 to the consolidated financial statements	
Management has estimated the fair value of the Group's redemption option of convertible bonds of approximately HK$19,796,000 as at 31 December 2017, with fair value loss for the year ended 31 December 2017 recorded in the consolidated statement of profit or loss and other comprehensive income of approximately HK$77,396,000. Independent external valuations were obtained in order to support management's estimates. The valuations are dependent on certain key assumptions that require significant management judgement, including risk-free rates and dilution effect.	Our procedures in relation to management's valuation of redemption option of convertible bonds included: • Evaluation of the independent valuer's competence, capabilities and objectivity; • Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the convertible bonds and using our valuation experts; and • Checking, on a sample basis, the accuracy and relevance of the input data used. We found the key assumptions were supported by the available evidence.

OTHER INFORMATION

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

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

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

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

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Wong Sze Wai, Basilia
Practising Certificate Number: P05806

Hong Kong, 6 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Turnover	5	**790,059**	603,132
Cost of operation		**(448,698)**	(293,917)
Gross profit		**341,361**	309,215
Other revenue and other net income	6	**14,886**	64,815
General and administrative expenses		**(238,735)**	(287,884)
Selling expenses		**(43,590)**	(49,563)
Profit from operations before fair value changes and impairment		**73,922**	36,583
Net gain/(loss) in fair value of investment properties		**52,068**	(594,258)
Impairment loss on goodwill		**—**	(6,444)
Change in fair value of derivative financial instruments		**(77,396)**	(2,116)
Written down of stock of properties		**(83,361)**	(16,786)
Share of profit on joint venture		**5,262**	—
Loss from operations		**(29,505)**	(583,021)
Finance costs	7(a)	**(271,752)**	(269,421)
Loss before taxation	7	**(301,257)**	(852,442)
Income tax	8	**(36,314)**	73,884
Loss for the year		**(337,571)**	(778,558)
Other comprehensive income/(loss), net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**267,902**	(254,255)
Other comprehensive income/(loss) for the year, net of Income tax		**267,902**	(254,255)
Total comprehensive loss for the year, net of income tax		**(69,669)**	(1,032,813)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Profit/(loss) attributable to:			
Owners of the Company		**(340,970)**	(740,997)
Non-controlling interests		**3,399**	(37,561)
		(337,571)	(778,558)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**(95,704)**	(971,769)
Non-controlling interests		**26,035**	(61,044)
		(69,669)	(1,032,813)
Loss per share			
			(Restated)
— Basic	13(a)	**HK$(0.18)**	HK$(0.63)
			(Restated)
— Diluted	13(b)	**HK$(0.18)**	HK$(0.63)

The notes on pages 75 to 153 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	15	**59,195**	60,897
Investment properties	16	**4,392,818**	4,211,566
Intangible assets	17	**12,122**	18,183
		4,464,135	4,290,646
Current assets			
Stock of properties	20	**886,488**	938,516
Trade and other receivables	21	**185,142**	266,874
Loan receivables	22	**38,424**	30,421
Financial assets at fair value through profit or loss	23	**23,460**	100,645
Cash and cash equivalents	24	**513,827**	330,102
		1,647,341	1,666,558
Current liabilities			
Deposits and other payables	25	**737,953**	699,414
Deposit receipts in advance		**377,603**	656,336
Bank and other borrowings	26	**339,231**	276,202
Promissory notes	28	**376,000**	376,000
Income tax payable	30(a)	**52,908**	42,718
		1,883,695	2,050,670
Net current liabilities		**(236,354)**	(384,112)
Total assets less current liabilities		**4,227,781**	3,906,534

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current liabilities			
Bonds	27	1,254,581	1,335,866
Bank and other borrowings	26	357,023	591,701
Convertible bonds	29	226,279	413,116
Deferred tax liabilities	30(b)	432,295	406,845
		2,270,178	2,747,528
Net assets		1,957,603	1,159,006
Capital and reserves			
Share capital	31(a)	99,531	11,633
Reserves	31(b)	1,488,780	793,983
Total equity attributable to owners of the Company		1,588,311	805,616
Non-controlling interests		369,292	353,390
Total equity		1,957,603	1,159,006

Approved and authorised for issue by the board of directors on 6 March 2018.

Chan Chun Hong, Thomas
Director

Leung Sui Wah, Raymond
Director

The notes on pages 75 to 153 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to Owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Shareholders' contribution HK$'000	Other reserve HK$'000	Exchange reserve HK$'000	Convertible bonds reserve HK$'000 (note)	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2016	4,653	2,794,423	945	2,215,409	664	(15,021)	(48,900)	—	(3,610,975)	1,341,198	436,588	1,777,786
Exchange differences on translation into presentation currency	—	—	—	—	—	—	(230,772)	—	—	(230,772)	(23,483)	(254,255)
Other comprehensive loss for the year	—	—	—	—	—	—	(230,772)	—	—	(230,772)	(23,483)	(254,255)
Loss for the year	—	—	—	—	—	—	—	—	(740,997)	(740,997)	(37,561)	(778,558)
Total comprehensive loss for the year	—	—	—	—	—	—	(230,772)	—	(740,997)	(971,769)	(61,044)	(1,032,813)
Equity component of convertible bonds	—	—	—	—	—	—	—	179,882	—	179,882	—	179,882
Deferred tax arising on issue of convertible bonds	—	—	—	—	—	—	—	(29,681)	—	(29,681)	—	(29,681)
Rights issue	6,980	286,183	—	—	—	—	—	—	—	293,163	—	293,163
Transaction cost relating to rights issue	—	(7,177)	—	—	—	—	—	—	—	(7,177)	—	(7,177)
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(22,154)	(22,154)
At 31 December 2016	11,633	3,073,429	945	2,215,409	664	(15,021)	(279,672)	150,201	(4,351,972)	805,616	353,390	1,159,006
At 1 January 2017	**11,633**	**3,073,429**	**945**	**2,215,409**	**664**	**(15,021)**	**(279,672)**	**150,201**	**(4,351,972)**	**805,616**	**353,390**	**1,159,006**
Exchange differences on translation into presentation currency	**—**	**—**	**—**	**—**	**—**	**—**	**245,266**	**—**	**—**	**245,266**	**22,636**	**267,902**
Other comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**—**	**245,266**	**—**	**—**	**245,266**	**22,636**	**267,902**
(Loss)/Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(340,970)**	**(340,970)**	**3,399**	**(337,571)**
Total comprehensive income/(loss) for the year	**—**	**—**	**—**	**—**	**—**	**—**	**245,266**	**—**	**(340,970)**	**(95,704)**	**26,035**	**(69,669)**
Convertible bonds converted	**4,955**	**230,767**	**—**	**—**	**—**	**—**	**—**	**(59,540)**	**—**	**176,182**	**—**	**176,182**
Convertible bonds redeemed	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(11,114)**	**11,114**	**—**	**—**	**—**
Rights issue	**82,943**	**646,949**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**729,892**	**—**	**729,892**
Transaction cost relating to rights issue	**—**	**(27,675)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(27,675)**	**—**	**(27,675)**
Dividend paid to non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(10,133)**	**(10,133)**
At 31 December 2017	**99,531**	**3,923,470**	**945**	**2,215,409**	**664**	**(15,021)**	**(34,406)**	**79,547**	**(4,681,828)**	**1,588,311**	**369,292**	**1,957,603**

Note: The amount represented the equity component of the convertible bonds issued during the year ended 31 December 2017.

The notes on pages 75 to 153 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Operating activities			
Loss for the year		**(337,571)**	(778,558)
Adjustments for:			
Income tax expenses recognised in statement of profit or loss and other comprehensive income		**36,314**	(73,884)
Depreciation and amortisation	7(c)	**20,653**	21,814
Impairment on trade receivables		**7,968**	—
Unrealised (gain)/loss on financial assets at fair value through profit or loss	7(c)	**(211)**	209
Change in fair value of derivate financial instruments	7(c)	**77,396**	2,116
Impairment loss on goodwill		**—**	6,444
Net (gain)/loss in fair value on investment properties	16	**(52,068)**	594,258
Written down on stock of properties		**83,361**	16,786
Written off of investment properties	16	**3,198**	—
Loss on early redemption of convertible bonds		**5,419**	—
Loss on early redemption of bonds		**1,561**	—
Finance costs	7(a)	**271,752**	269,421
Bank and interest income	6	**(4,481)**	(5,200)
Loss on disposal of property, plant and equipment	7(c)	**194**	3,278
Operating profit before changes in working capital		**113,485**	56,684
Decrease in trade and other receivables		**27,145**	13,708
Increase in loan receivables		**(8,003)**	(23,281)
Decrease in stock of properties		**103,772**	81,962
(Decrease)/increase in deposit receipts in advance		**(278,733)**	24,916
Increase/(decrease) in deposits and other payables		**20,392**	(161,596)
Cash used in operations		**(21,942)**	(7,607)
Tax paid			
PRC enterprise income tax paid		**(18,429)**	(13,256)
Net cash used in operating activities		**(40,371)**	(20,863)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Investing activities			
Proceeds from disposal of property, plant and equipment		**628**	—
Payments for purchases of property, plant and equipment, net	15	**(9,352)**	(17,236)
Proceeds from investment properties, net		**158,600**	11,838
Bank interest received		**4,716**	5,456
Net cash generated from investing activities		**154,592**	58
Financing activities			
Proceeds from new bank borrowings		**199,324**	103,876
Proceeds from new other borrowings		**54,015**	170,989
Net proceeds from issue of convertible bonds		**—**	491,163
Repayments of bank borrowings		**(287,730)**	(504,700)
Repayment of other borrowings		**(193,424)**	(175,000)
Repayment of bonds redemption settlement		**(110,000)**	(238,655)
Repayment of convertible bonds redemption settlement		**(37,000)**	—
Net proceeds from rights issue		**702,217**	285,986
Dividend paid to non-controlling interests		**(10,133)**	(22,154)
Decrease in pledged bank deposit		**—**	138,357
Interest paid		**(217,311)**	(217,481)
Net cash generated from financing activities		**99,958**	32,381
Net increase in cash and cash equivalents		**214,179**	11,576
Cash and cash equivalents at 1 January	24	**330,102**	275,966
Effect of foreign exchange rate changes		**(30,454)**	42,560
Cash and cash equivalents at 31 December	24	**513,827**	330,102

The notes on pages 75 to 153 form part of these consolidated financial statements.

1. GENERAL

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of financial statements

(i) Going concern basis

The Supreme People's Court of the PRC ordered that, inter alia, the share transfer agreements filed with the Ministry of Commerce ("**MOFCOM**") of the PRC and the Hubei Province Administration of Industry and Commerce ("**Hubei AIC**") in relation to the acquisition of Wuhan Baisazhou Agricultural By-Product Grand Market Company Limited ("**Baisazhou Agricultural**") were void. As advised by the PRC legal advisor of the Company, the judgment will not lead to immediate change of the ownership of Baisazhou Agricultural and the Company continues to be the legal owner of Baisazhou Agricultural until and unless the revocation of the approval from the MOFCOM and the registration of the transfer of shareholding by the Hubei AIC. On 23 May 2016, the Company received a decision issued by MOFCOM dated 19 May 2016 (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 judgment of the Beijing Second Intermediate People's Court (the "**Beijing Court**") dated 31 March 2017 (the "**31 March Judgment**"). According to the 31 March Judgment, 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 Judgment and requested for an order that (a) the 31 March Judgment be set aside; and (b) that MOFCOM to make a decision to revoke the approval issued in 2007 in relation to the contended agreements. The hearing for the appeal against the 31 March Judgment took place on 30 August 2017. As at the date of this report, the judgment for the appeal has not been available. The Company will take all necessary actions in the PRC as advised by its PRC legal advisor in response to the possible court judgment. For details, please refer to note 35 to the consolidated financial statements.

The Group incurred a net loss of approximately HK$337,571,000 during the year ended 31 December 2017 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$236,354,000. In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group. The Directors adopted the going concern basis for the preparation of the consolidated financial statements and implemented the following measures in order to improve the working capital and liquidity and cash flow position of the Group.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(i) Going concern basis (Continued)

(1) Attainment of profitable and positive cash flow operations

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

(2) Necessary facilities

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

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

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

On 5 October 2012, the Company obtained a court order from the Court to the effect that undertakings (the "**Undertakings**") were given by Ms. Wang and Tian Jiu not to indorse, assign, transfer or negotiate the Instruments and enforce payment by presentation of the Instruments until the final determination of the court action or further court order. Under the Undertakings, the Instruments will no longer fall due for payment by the Company on 5 December 2012. The Instruments are recorded at book value at approximately HK$376,000,000, and interest payable at approximately HK$213,238,000 included under other payables as at 31 December 2017.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(ii) Basis of measurement

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

(iii) Functional and presentation currency

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

All values are rounded to the nearest thousand unless otherwise stated.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(iv) Use of estimates and judgements

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

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

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

(c) Basis of consolidation

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Basis of consolidation *(Continued)*

Allocation of total comprehensive income to non-controlling interests

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

(i) Business combinations

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Basis of consolidation *(Continued)*

(i) Business combinations (Continued)

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Basis of consolidation *(Continued)*

(ii) Goodwill

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

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

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

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

(d) Investment property

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Property, plant and equipment

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

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

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

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

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

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

— Furniture, equipment and motor vehicles 5 — 10 years

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

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

(f) Leasing

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

(i) The Group as lessor

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Leasing *(Continued)*

(ii) The Group as leasee

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

(g) Impairment of assets

(i) Impairment of receivables

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

— significant financial difficulty of the debtor;

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Impairment of assets *(Continued)*

(i) Impairment of receivables (Continued)

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

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

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

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

(ii) Impairment of other assets

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

— property, plant and equipment;

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

— goodwill.

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Impairment of assets *(Continued)*

(ii) Impairment of other assets (Continued)

— Calculation of recoverable amount

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

— Recognition of impairment losses

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

— Reversals of impairment losses

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

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

(iii) Interim financial reporting and impairment

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

Impairment losses recognised in an interim period in respect of intangible asset carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Stock of properties

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

(i) Trade and other receivables

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

(j) Financial instruments

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

(i) Financial assets

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

(ii) Financial liabilities and equities

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

Financial liabilities

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

Effective interest method

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

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

Financial guarantee contracts

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

(iii) Derecognition

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

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

(iv) Derivative financial instruments

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

Embedded derivatives

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

(k) Interest-bearing borrowings

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

(l) Deposits and other payables

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

(m) Cash and cash equivalents

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Employee benefits

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

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

(ii) Share-based payments

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

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

(iii) Termination benefits

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

(o) Income tax

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Income tax *(Continued)*

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

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

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

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

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

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

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

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

    — the same taxable entity; or

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Provisions and contingent liabilities

(i) Contingent liabilities acquired in business combinations

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

(ii) Other provisions and contingent liabilities

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

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

(q) Revenue recognition

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

(i) Rental income from operating leases

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

(ii) Revenue from properties sale

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

(iii) Revenue from property ancillary services

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Revenue recognition *(Continued)*

(iv) Commission income from agricultural exchange market

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

(v) Financial service income

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

(vi) Interest income

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

(vii) Government subsidies

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

(viii) Dividend income

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

(r) Translation of foreign currencies

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Borrowing costs

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

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

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

(t) Related parties

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

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

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

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

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

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers also related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (2).
- (vii) A person identified in (2)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Segment reporting

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

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

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

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

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

(v) Government grants

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

(w) Intangible assets

Intangible assets acquired separately

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Intangible assets *(Continued)*

Derecognition of intangible assets

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

Impairment of tangible and intangible assets other than goodwill

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Financial guarantee contracts

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

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

- the amount of the obligation under the contract, as determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

(y) Convertible bonds

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

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

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

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

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

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

In the current year, the Group has applied, for the first time, the following new standard, amendments and interpretations ("**new HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which are effective for the Group's financial year beginning 1 January 2017. A summary of the new HKFRSs are set out as below:

HKFRS 12 (Amendments)	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of deferred tax assets for unrealised losses

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

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

HKFRS 2 (Amendments)	Classifications and measurement of share-based payment transactions[1]
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts[1]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contract[4]
HKAS 28 (Amendments)	Investments in associates and joint ventures[1]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2014-2016 Cycle
HKFRS 1 (Amendments)	First time adoption of Hong Kong Financial Reporting Standards[1]
HKAS 40 (Amendments)	Transfers of investment property[1]
HK(IFRIC) — Int 22	Foreign currency transactions and advance consideration[1]
HK(IFRIC) — Int 23	Uncertainty over income tax treatments[2]
HKFRS 9 (Amendments)	Clarification to HKFRS 9 Financial Instrument[2]
HKFRS 15 (Amendments)	Clarification to HKFRS 15 Revenue From Contracts with Customers[1]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2021.

The above new HKFRSs are effective for annual periods beginning on or after 1 January 2018 and have not been applied in preparing these consolidated financial statements. None of these is excepted to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 9 *Financial Instruments*

HKFRS 9 introduced new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Specifically, pursuant to HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments*:

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

HKFRS 9 *Financial Instruments (Continued)*

Key requirements of HKFRS 9 are described below:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income ("**FVTOCI**"). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

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

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39 under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Except for the potential early recognition of credit losses based on the expected credit loss model in relation to the Group's financial assets measured at amortised costs, additional disclosure in respect of trade and other receivables including any significant judgements and estimation made, and enhanced disclosures about the Group's risk management activities, the management of the Group anticipates that the adoption of HKFRS 9 in the future may not have other significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as at 31 December 2017.

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

HKFRS 15 *Revenue from Contracts with Customers*

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

(a) Identify the contract(s) with a customer
(b) Identify the performance obligations in the contract
(c) Determine the transaction price
(d) Allocate the transaction price to each performance obligation
(e) Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRSs. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The Group's revenue recognition policies are disclosed in note 2. Management has assessed the effects of applying the new standard on the Group's financial statements and does not expect a significant impact on the recognition of revenue.

HKFRS 16 *Leases*

HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to account for certain leases outside the statement of financial position. Instead, all long-term leases must be recognised in the statement of financial position in the form of assets (for the rights of use) and lease liabilities (for the payment obligations). Short-term leases with a lease term of twelve months or less and leases of low-value assets are exempt from such reporting obligations. The new standard will therefore result in recognition of a right-to-use asset and an increase in lease liabilities in the statement of financial position. In the income statement, rental expenses will be replaced with depreciation and interest expense. The new standard is not expected to be applied by the Group until the financial year ending 31 December 2019. HKFRS 16 will primarily affect the accounting for the Group's operating leases. At 31 December 2017, the Group had non-cancellable operating lease commitments of HK$2,280,000. Upon adoption of HKFRS 16 the majority of operating lease commitments will be recognised in the consolidated statement of financial position as lease liabilities and right-of-use assets. The lease liabilities would subsequently be measured at amortised cost and the right-of-use assets will be depreciated on a straight-line basis during the lease term.

Management is in the process of making an assessment of the impact of other new standards, amendments to standards and interpretations and is not yet in a position to state whether they will have a significant impact on the Group's results of operations and financial position.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Key sources of estimation uncertainty

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

(i) Impairment of property, plant and equipment

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

(ii) Valuation of investment properties

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

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

(iii) Net realisable value of stock of properties

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

(iv) Impairment for trade and other receivables

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

4. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

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

(v) Impairment of intangible assets

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

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

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

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

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

(vi) Income tax and deferred taxation

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

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

4. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

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

(vii) Fair value measurements and valuation processes

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

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

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

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

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

Going Concern

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

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

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

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

5. TURNOVER

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

	2017 HK$'000	2016 HK$'000
Property rental income	185,589	182,150
Revenue from property ancillary services	74,174	66,734
Commission income from agricultural produce exchange market	80,304	75,649
Revenue from property sales	449,203	278,146
Financial service income	789	453
	790,059	603,132

6. OTHER REVENUE AND OTHER NET INCOME

	2017 HK$'000	2016 HK$'000
Other revenue		
Bank and other interest income	4,481	5,200
PRC government subsidies (note 6(a))	8,165	51,922
Others	2,240	7,693
	14,886	64,815

(a) PRC government subsidies

PRC government subsidies represent various form of subsidies granted to the Group by the local governmental authorities in the PRC for compensation of expenses incurred by the Group. These grants are generally made for business support and awarded to enterprises on a discretionary basis. The Group received these government grants in respect of its investments in the agricultural products exchange market in the PRC. There are no unfulfilled conditions or contingencies relating to these grants.

7. LOSS BEFORE TAXATION

Loss before taxation is arrived after charging:

(a) Finance costs

	2017 HK$'000	2016 HK$'000
Interest on bank and other borrowings wholly repayable within five years	**64,649**	72,292
Interest on bank and other borrowings wholly repayable over five years	**482**	—
Interest on promissory notes	**23,500**	23,500
Interest on convertible bonds	**36,422**	10,125
Interest on bonds	**146,699**	164,477
Less: — Amounts classified as capitalised into stock of properties	**—**	(973)
	271,752	269,421

No interest was capitalised for the year ended 31 December 2017 and the weighted average capitalisation rate on borrowing is approximately 7.4% per annum for the year ended 31 December 2016.

(b) Staff costs (including directors' emoluments)

	2017 HK$'000	2016 HK$'000
Contributions to defined contribution retirement plans	**459**	1,315
Salaries, wages and other benefits	**107,746**	138,129
	108,205	139,444

(c) Other items

	2017 HK$'000	2016 HK$'000
Depreciation and amortisation	**20,653**	21,814
Loss on disposal on property, plant and equipment	**194**	3,278
Auditors' remuneration		
— audit services	**2,200**	2,200
— other services	**724**	200
Operating lease charges: minimum lease payments		
— property rental	**2,185**	2,694
Loss on early redemption of convertible bonds	**5,419**	—
Loss on early redemption of bonds	**1,561**	1,167
Charge in fair value of derivative financial instruments	**77,396**	2,116
Unrealised (gain)/loss on financial assets through profit or loss	**(211)**	209
Total unrealised loss on financial assets through profit or loss	**77,185**	2,325
Impairment on trade receivables	**7,968**	4,227
Cost of stock of properties	**346,487**	185,262

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

(i) Taxation in the consolidated statement of comprehensive income represents:

	2017	2016
	HK$'000	HK$'000
Current tax		
PRC enterprise income tax	28,934	14,526
Deferred tax		
Origination and reversal of temporary difference (note 30(b))	7,380	(88,410)
	36,314	(73,884)

No provision for Hong Kong Profits Tax has been made as the Group had no estimated assessable profits arising in Hong Kong for the years ended 31 December 2017 and 2016. PRC Enterprise Income Tax is computed according to the relevant legislation interpretations and practices in respect thereof during the year. PRC Enterprise Income Tax rate is 25% (2016: 25%).

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

	2017		2016	
	HK$'000	%	HK$'000	%
Loss before taxation	(301,257)		(852,442)	
Notional tax on loss before taxation calculation at the rates applicable to losses in the jurisdictions concerned	(75,314)	(25.0)	(213,111)	(25.0)
Effect of different tax rates in other tax jurisdiction	27,219	9.0	24,566	2.9
Tax effect of non-deductible expenses and temporary difference	49,090	16.3	86,980	10.2
Tax effect of non-taxable income	(14,137)	(4.6)	(839)	—
Tax effect on tax losses utilised	—	—	(10,929)	(1.3)
Tax loss not recognised	49,456	16.4	39,449	4.6
Income tax expense for the year	36,314	12.1	(73,884)	(8.6)

9. DIRECTORS' EMOLUMENTS

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

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contributions HK$'000	Total 2017 HK$'000
Executive directors:				
Chan Chun Hong, Thomas				
(Chairman and Chief Executive Officer)	**1,094**	**394**	**18**	**1,506**
Leung Sui Wah, Raymond	**1,640**	**596**	**18**	**2,254**
Yau Yuk Shing	**1,089**	**91**	**51**	**1,231**
Independent non-executive directors:				
Ng Yat Cheung	**130**	**—**	**—**	**130**
Lau King Lung	**140**	**—**	**—**	**140**
Wong Hin Wing	**140**	**—**	**—**	**140**
	4,233	**1,081**	**87**	**5,401**

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

During the years ended 31 December 2017 and 2016, no emoluments were paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. No directors of the Company waived or agreed to waive any emoluments during the years ended 31 December 2017 and 2016.

9. DIRECTORS' EMOLUMENTS *(Continued)*

Notes:

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

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

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

(a) Of the five individuals with the highest emoluments, two (2016: two) are directors whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the remaining three (2016: three) individuals are as follows:

	2017	2016
	HK$'000	HK$'000
Salaries and other benefits	**4,897**	8,498
Retirement schemes contributions	**50**	81
	4,947	8,579

The emoluments of three (2016: three) individuals with the highest emoluments are within the following bands:

	2017	2016
	Number of individuals	Number of individuals
Nil to HK$1,000,000	**—**	—
HK$1,000,001 to HK$1,500,000	**—**	—
HK$1,500,001 to HK$2,000,000	**3**	2
HK$2,000,001 to HK$2,500,000	**—**	1
	3	3

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

	2017	2016
	Number of individuals	Number of individuals
Nil to HK$1,000,000	**1**	—
HK$1,000,001 to HK$1,500,000	**3**	5
HK$1,500,001 to HK$2,000,000	**1**	2
HK$2,000,001 to HK$2,500,000	**—**	1
	5	8

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS *(Continued)*

The remuneration shown above represents remuneration received and receivable from the Group by these directors in their capacity as employees to the Group and/or in their capacity as the directors of the Company during the years ended 31 December 2017 and 2016.

During the years ended 31 December 2017 and 2016, no emoluments were paid by the Group to any of the highest paid individual and senior management as an inducement to join or upon joining the Group or as compensation for loss of office.

11. EMPLOYEE RETIREMENTS BENEFITS

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

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

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

12. DIVIDEND

The directors do not recommend the payment of any dividend in respect of the years ended 31 December 2017 and 2016 respectively.

13. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately HK$340,970,000 (2016: loss attributable to owners of the Company of approximately HK$740,997,000) and the weighted average number of 1,903,573,798 ordinary shares (2016: 1,174,338,434 ordinary shares (restated)) in issue during the year. For the year ended 31 December 2017 and 2016, the weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted and restated with the effect of rights issue completed during the year.

(b) Diluted loss per share

Diluted loss per share for the year ended 31 December 2017 and 2016 were the same as basic loss per share as the convertible bonds outstanding had an anti-dilutive effect on the basic loss per share.

14. SEGMENT REPORTING

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

Segment revenue and results

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

	Agricultural produce exchange market operation		Property sales		Unallocated		Consolidated	
	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000
Turnover								
External sales	340,856	324,986	449,203	278,146	—	—	790,059	603,132
Results								
Segment result	101,628	57,887	77,441	76,974	—	—	179,069	134,861
Other revenue and other income	10,986	59,878	—	—	3,900	4,937	14,886	64,815
Net gain/(loss) in fair value of investment properties	52,068	(594,258)	—	—	—	—	52,068	(594,258)
Impairment loss on goodwill	—	(6,444)	—	—	—	—	—	(6,444)
Change in fair value of derivative financial instruments	—	—	—	—	(77,396)	(2,116)	(77,396)	(2,116)
Written down of stock of properties	—	—	(83,361)	(16,786)	—	—	(83,361)	(16,786)
Share of profit on joint venture	—	—	—	—	5,262	—	5,262	—
Unallocated corporate expenses							(120,033)	(163,093)
Loss from operations							(29,505)	(583,021)
Finance costs	(42,607)	(45,061)	—	—	(229,145)	(224,360)	(271,752)	(269,421)
Loss before taxation							(301,257)	(852,442)
Income tax							(36,314)	73,884
Loss for the year							(337,571)	(778,558)

14. SEGMENT REPORTING *(Continued)*

Segment revenue and results *(Continued)*

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

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year (2016: Nil).

Segment assets and liabilities

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

	Agricultural produce exchange market operation		Property sales		Consolidated	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Assets						
Segment assets	**4,857,923**	4,709,840	**886,488**	938,516	**5,744,411**	5,648,356
Unallocated corporate assets					**367,065**	308,848
Consolidated total assets					**6,111,476**	5,957,204
Liabilities						
Segment liabilities	**1,643,907**	1,617,433	**286,828**	556,937	**1,930,735**	2,174,370
Unallocated corporate liabilities					**2,223,138**	2,623,828
Consolidated total liabilities					**4,153,873**	4,798,198

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

— all assets are allocated to reportable segments other than financial assets at fair value through profit or loss and corporate assets. Goodwill is allocated to agriculture produce exchange market operation.

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

14. SEGMENT REPORTING *(Continued)*

Other segment information

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

	Agricultural produce exchange market operation		Property sales		Unallocated		Consolidated	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Capital expenditure — others (Note (i))	**39,259**	47,229	**—**	—	**860**	2,273	**40,119**	49,502
Net gain/(loss) in fair value of investment properties	**52,068**	(594,258)	**—**	—	**—**	—	**52,068**	(594,258)
Impairment loss on goodwill	**—**	(6,444)	**—**	—	**—**	—	**—**	(6,444)
Change in fair value of derivative financial instruments	**—**	—	**—**	—	**(77,396)**	(2,116)	**(77,396)**	(2,116)
Written down on stock of properties	**—**	—	**(83,361)**	(16,786)	**—**	—	**(83,361)**	(16,786)
Unrealised gain/(loss) on financial assets at fair value through profit or loss	**—**	—	**—**	—	**211**	(209)	**211**	(209)
Depreciation and amortisation	**18,141**	19,899	**—**	—	**2,512**	1,915	**20,653**	21,814
Loss on early redemption of convertible bonds	**—**	—	**—**	—	**(5,419)**	—	**(5,419)**	—
Loss on early redemption of bonds	**—**	—	**—**	—	**(1,561)**	(1,167)	**(1,561)**	(1,167)

Note:

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

Information about major customers

For the year ended 2017 and 2016, no other single customers contributed 10% or more to the Group's revenue.

Geographical information

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

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Furniture, equipment and motor vehicles	Leasehold improvements	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Cost:				
1 January 2016	7,936	90,611	5,485	104,032
Exchange adjustments	(516)	(6,219)	(358)	(7,093)
Additions	—	17,075	161	17,236
Written off upon disposals	—	(8,896)	(132)	(9,028)
At 31 December 2016 and 1 January 2017	**7,420**	**92,571**	**5,156**	**105,147**
Exchange adjustments	**560**	**7,235**	**390**	**8,185**
Additions	—	**9,352**	—	**9,352**
Written off upon disposals	—	**(2,852)**	—	**(2,852)**
At 31 December 2017	**7,980**	**106,306**	**5,546**	**119,832**
Accumulated depreciation:				
At 1 January 2016	511	32,857	3,704	37,072
Exchange adjustments	(46)	(2,517)	(262)	(2,825)
Charge for the year	301	14,817	635	15,753
Written off upon disposals	—	(5,618)	(132)	(5,750)
At 31 December 2016 and 1 January 2017	**766**	**39,539**	**3,945**	**44,250**
Exchange adjustments	**67**	**3,449**	**309**	**3,825**
Charge for the year	**265**	**14,056**	**271**	**14,592**
Written off upon disposals	—	**(2,030)**	—	**(2,030)**
At 31 December 2017	**1,098**	**55,014**	**4,525**	**60,637**
Carrying amount:				
At 31 December 2017	**6,882**	**51,292**	**1,021**	**59,195**
At 31 December 2016	6,654	53,032	1,211	60,897

16. INVESTMENT PROPERTIES

	2017 HK$'000	2016 HK$'000
Completed investment properties	**4,392,818**	4,211,566
	4,392,818	4,211,566
At 1 January	**4,211,566**	3,398,040
Additions	**30,767**	32,266
Disposal	**(189,367)**	(44,104)
Written off	**(3,198)**	—
Transfer from stock of properties	—	1,686,179
Transfer to land prepayments	**(22,263)**	—
Fair value gain/(loss) recognised in profit or loss	**52,068**	(594,258)
Exchange adjustments	**313,245**	(266,557)
At 31 December	**4,392,818**	4,211,566

(a) Valuation of investment properties

The investment properties amounted of approximately HK$4,392,818,000 of the Group were stated at fair value as at 31 December 2017. The fair value were arrived at based on the valuations carried out by an independent firm of qualified professional valuers, RHL appraisal limited ("**RHL**"), who have among their staff members of the Hong Kong Institute of Surveyors with recent experience in the location and category of the properties being valued. The valuations conform to the Valuation Standards 2012 Edition published by the Hong Kong Institute of Surveyors.

RHL have valued the properties on the basis of capitalisation of the net income derived from properties rental. In the course of their valuation, RHL have also made reference to the comparable market transactions as available. Discussions of valuation processes and results are held between the Group and valuers at least once every six months, in line with the Group's interim and annual reporting dates. As at 31 December 2017 and 2016, the fair values of the properties have been determined by RHL. At each financial year end, the Group (i) verifies all major inputs to the independent valuation report; (ii) assess property valuations movements when compared to the prior year valuation input; and (iii) holds discussions with the independent valuer.

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

16. INVESTMENT PROPERTIES *(Continued)*

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

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

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

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

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

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

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

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

The major key inputs applied in valuing the investment properties were market unit rental per each square meter per month (the "**s.q.m. per month**"). The ranges of s.q.m. per month of various locations were from RMB7 to RMB55.8 (2016: RMB14 to RMB57.6). A significant increase in the s.q.m. per month used would result in a significant increase in fair value, and vice versa.

The term yield and reversionary yield were one of the key inputs used in valuing the investment properties. The ranges of term yield was from 7.0% to 8.0% (2016: 7.0% to 8.0%) while the ranges of reversionary yield were from 7.5% to 8.5% (2016: 8.0% to 9.0%). A slight increase in the term yield and reversionary yield used would result in a significant decrease in fair value measurement of the investment properties, and vice versa.

16. INVESTMENT PROPERTIES *(Continued)*

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

	2017	2016
	HK$'000	HK$'000
In the PRC		
— medium-term leases	**4,392,818**	4,211,566

(c) Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2017 and 2016 are as follows:

	Level 1	**Level 2**	**Level 3**	**Fair value as at 2017**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Investment property unit located in the PRC	**—**	**—**	**4,392,818**	**4,392,818**

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

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

(d) Investment properties leased out under operating leases

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

The Group leases out its investment properties which is agricultural exchange markets to various tenants. The leases typically run for an initial period of 1 year to 5 years, at the end of which period all terms are renegotiated. None of the leases includes contingent rentals. The rental income from investment properties less direct outgoings of approximately HK$19,920,000 (2016: approximately HK$14,585,000) amounted to approximately HK$165,669,000 (2016: approximately HK$167,565,000).

16. INVESTMENT PROPERTIES *(Continued)*

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

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

	2017	2016
	HK$'000	HK$'000
Within 1 year	**192,006**	196,034
After 1 year but within 5 years	**71,128**	101,240
Over 5 years	**19,985**	8,658
	283,119	305,932

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

(e) Pledge of investment properties

As at 31 December 2017, the land use rights in respect of investment properties with a total carrying amount of approximately HK$1,785,842,000 (2016: approximately HK$1,900,135,000) were pledged to banks for the Group's bank borrowings, details of which are set out in note 26.

At 31 December 2017, the Group had been applying for the relevant certificates in respect of the buildings erected on the land included under investment properties owned by the Group.

17. INTANGIBLE ASSETS

	Operating right HK$'000
Cost	
As at 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	**43,768**
Accumulated amortisation and impairment loss	
As at 1 January 2016	**19,524**
Amortisation expenses during the year	**6,061**
As at 31 December 2016 and 1 January 2017	**25,585**
Amortisation expenses during the year	**6,061**
As at 31 December 2017	**31,646**
Carrying amount	
As at 31 December 2017	**12,122**
As at 31 December 2016	**18,183**

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

Operating right	5 years

The license entitles a subsidiary of the Company to operate an agricultural products exchange market in the PRC for 5 years from the date of acquisition. The net carrying amount will therefore be amortised over the remaining useful lives of 3 years and less impairment loss.

18. GOODWILL

	2017 HK$'000	2016 HK$'000
Cost:		
At 1 January and 31 December	**25,017**	25,017
Accumulated impairment losses:		
At 1 January	**25,017**	18,573
Impairment during the year	**—**	6,444
At 31 December	**25,017**	25,017
Carrying amount:		
At 31 December	**—**	—

19. PRINCIPAL SUBSIDIARIES

(a) General information of subsidiaries

Name of Company	Place of incorporation/ registration and operation	Particulars of issued and fully paid ordinary share capital/ registered capital	Proportion of ownership interest and voting power held: Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities
Novel Talent Limited	British Virgin Islands/ Hong Kong	USD1	100%	100%	—	Investment holding
徐州源洋商貿發展有限公司 (note 19(a)(i))	The PRC	RMB61,220,000	51%	—	51%	Agricultural produce exchange market operation
武漢白沙洲農副產品大市場有限公司 (note 19(a)(i))	The PRC	RMB88,500,000	100%	94.4%	5.6%	Agricultural produce exchange market operation
玉林宏進農副產品批發市場有限公司 (note 19(a)(i))	The PRC	RMB76,230,000	65%	—	65%	Agricultural produce exchange market operation and property sales
玉林宏進物流發展有限公司 (note 19(a)(ii))	The PRC	RMB80,000,000	100%	—	100%	Agricultural produce exchange market operation and property sales
欽洲宏進農副產品批發市場有限公司 (note 19(a)(ii))	The PRC	RMB150,000,000	100%	—	100%	Agricultural produce exchange market operation and property sales
開封宏進農副產品批發市場有限公司 (note 19(a)(ii))	The PRC	USD23,230,000	100%	—	100%	Agricultural produce exchange market operation and property sales
洛陽宏進農副產品批發市場有限公司 (note 19(a)(ii))	The PRC	HKD180,000,000	100%	—	100%	Agricultural produce exchange market operation and property sales
洛陽利寶置業有限公司 (note 19(a)(iii))	The PRC	RMB10,000,000	100%	—	100%	Agricultural produce exchange market operation and property sales
濮陽宏進農副產品批發市場有限公司 (note 19(a)(i))	The PRC	RMB2,000,000	75%	—	75%	Agricultural produce exchange market operation and property sales
盤錦宏進農副產品批發市場有限公司 (note 19(a)(ii))	The PRC	USD10,000,000	100%	—	100%	Agricultural produce exchange market operation and property sales

19. PRINCIPAL SUBSIDIARIES *(Continued)*

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

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

Notes:

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

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

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

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

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

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

Name of Company	Place of incorporation/ registration and operation	Proportion of ownership interests and voting rights held by non-controlling interests	Profits/(loss) allocated to non- controlling interests		Accumulated non-controlling interests	
			2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000
徐州源洋商貿發展有限公司	The PRC	49%	7,417	(33,096)	158,628	150,547
玉林宏進農副產品批發市場有限公司	The PRC	35%	(350)	(2,587)	187,401	175,503

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

19. PRINCIPAL SUBSIDIARIES *(Continued)*

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

(i) *徐州源洋商貿發展有限公司*

	2017 HK$'000	2016 HK$'000
Current assets	71,425	66,727
Non-current assets	461,088	424,213
Current liabilities	76,563	75,373
Non-current liabilities	130,283	108,304
Equity attributable to owners of the Company	167,039	156,716
Non-controlling interests	158,628	150,547
Turnover	46,281	47,571
Other gain	1,498	24,051
Net gain/(loss) in fair value of investment properties	6,866	(97,075)
Expenses	(39,509)	(42,090)
Profit/(loss) for the year	15,136	(67,543)
Profit/(loss) attributable to owners of the Company	7,719	(34,447)
Profit/(loss) attributable to non-controlling interests	7,417	(33,096)
Profit/(loss) for the year	15,136	(67,543)
Total comprehensive income/(loss) attributable to owners of the Company	18,957	(46,630)
Total comprehensive income/(loss) attributable to non-controlling interests	18,214	(44,799)
Total comprehensive income/(loss) for the year	37,171	(91,429)
Dividend paid to non-controlling interests	10,133	22,154
Net cash inflow/(outflow) from operating activities	9,378	(33,463)
Net cash inflow/(outflow) from investing activities	1,180	(1,718)
Net cash (outflow)/inflow from financing activities	(26,949)	6,817
Net cash outflow	(16,391)	(28,364)

19. PRINCIPAL SUBSIDIARIES *(Continued)*

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

(ii) 玉林宏進農副產品批發市場有限公司

	2017 HK$'000	2016 HK$'000
Current assets	**206,024**	77,549
Non-current assets	**509,646**	582,695
Current liabilities	**111,632**	78,123
Non-current liabilities	**73,046**	85,124
Equity attributable to owners of the Company	**343,591**	321,494
Non-controlling interests	**187,401**	175,503
Turnover	**138,368**	107,828
Other gain	**398**	923
Net loss in fair value of investment properties	**(32,192)**	(46,640)
Expenses	**(107,573)**	(69,502)
Loss for the year	**(999)**	(7,391)
Loss attributable to owners of the Company	**(649)**	(4,804)
Loss attributable to non-controlling interests	**(350)**	(2,587)
Loss for the year	**(999)**	(7,391)
Total comprehensive income/(loss) attributable to owners of the Company	**22,097**	(27,166)
Total comprehensive income/(loss) attributable to non-controlling interests	**11,898**	(14,628)
Total comprehensive income/(loss) for the year	**33,995**	(41,794)
Net cash inflow/(outflow) from operating activities	**53,536**	(7,107)
Net cash outflow from investing activities	**(2,541)**	(25,999)
Net cash outflow from financing activities	**(70,484)**	(1,551)
Net cash outflow	**(19,489)**	(34,657)

20. STOCK OF PROPERTIES

	2017 HK$'000	2016 HK$'000
Completed properties	**772,827**	428,742
Properties under development	**197,022**	526,560
	969,849	955,302
Less: written down of stock of properties	**(83,361)**	(16,786)
	886,488	938,516

During the year, there was a significant decrease in the net realisable value of stock due to the stagnant property market environment in the PRC in 2017 and 2016. As a result, a write-down of HK$83,361,000 (2016: HK$16,786,000) has been recognised and included in profit or loss in the current year.

As at 31 December 2017, the stock of properties of approximately HK$558,963,000 (2016: approximately HK$368,879,000) were pledged to bank for the Group's bank borrowings, details of which are set out in note 26.

21. TRADE AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade debtors, net	**6,892**	15,084
Deposit for land acquisition	**58,299**	97,685
Other deposits	**21,806**	16,694
Prepayments	**36,882**	91,691
Other receivables	**61,263**	45,720
Trade and other receivables, net	**185,142**	266,874

21. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Ageing analysis

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

	2017	2016
	HK$'000	HK$'000
Less than 90 days	**3,321**	6,252
More than 90 days but less than 180 days	**281**	5,672
More than 180 days	**3,290**	3,160
	6,892	15,084

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

(b) Ageing of past due but not impaired

	2017	2016
	HK$'000	HK$'000
Less than 90 days past due	**281**	5,672
More than 90 days past due	**3,290**	3,160
	3,571	8,832

Receivables that were past due but not impaired relate to a number of independent customers/tenants that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(c) The movement of the allowance for impairment loss of trade receivables is as follows:

	2017	2016
	HK$'000	HK$'000
At 1 January	**3,992**	1,275
Impairment losses recognised	**7,968**	4,227
Amounts written off as uncollectible	**(350)**	(1,303)
Exchange difference	**599**	(207)
At 31 December	**12,209**	3,992

22. LOAN RECEIVABLES

	2017 HK$'000	2016 HK$'000
Current portion	**38,424**	30,421

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

The effective interest rates on the Group's loan receivables are 8.0% (2016: 7.5%).

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 HK$'000	2016 HK$'000
Listed investments:		
— Equity securities listed in Hong Kong	**3,664**	3,453
Derivative financial instruments:		
— Redemption option derivative component (note 28)	**19,796**	97,192
Fair value	**23,460**	100,645

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

24. CASH AND CASH EQUIVALENTS

	2017 HK$'000	2016 HK$'000
Cash at banks and in hand	**513,827**	330,102

Notes:

(a) Cash at bank and in hand comprise cash held by the Group and bank balances that bear interest at prevailing market rates ranging from approximately 0.001% to 3.05% (2016: approximately 0.001% to 3.05%) per annum and have original maturity of three months or less.

Included in cash at banks and in hand as at 31 December 2017 is an amount denominated in Renminbi ("**RMB**") of approximately RMB253,700,000 (equivalent to approximately HK$304,630,000) (2016: approximately RMB222,305,000 (equivalent to approximately HK$248,170,000)). Renminbi is not freely convertible into other currencies.

Included in cash at bank and in hand as at 31 December 2017, an amount of approximately of RMB4,089,000 (equivalent to approximately HK$4,910,000) (2016: approximately HK$25,559,000 (equivalent to approximately RMB22,895,000)) is the restricted cash held at banks as receipt on behalf of tenant in agricultural market.

24. CASH AND CASH EQUIVALENTS *(Continued)*

Notes: *(Continued)*

(b) Reconciliation of liabilities arising from financing activities:

	Bank and other borrowings HK$'000 (note 26)	Bonds HK$'000 (note 27)	Convertible bonds HK$'000 (note 29)	Promissory notes HK$'000 (note 28)	Total HK$'000
Net debt as at 1 January 2017	867,903	1,335,866	413,116	376,000	2,992,885
Cash flow	(227,815)	(229,545)	(63,490)	—	(520,850)
Foreign exchange differences	56,166	—	—	—	56,166
Other non-cash movement	—	148,260	(123,347)	—	24,913
Net debt as at 31 December 2017	**696,254**	**1,254,581**	**226,279**	**376,000**	**2,553,114**

25. DEPOSIT AND OTHER PAYABLES

	2017 HK$'000	2016 HK$'000
Accrued charges	**32,892**	21,914
Construction payables	**100,852**	95,520
Deposit received	**66,859**	66,184
Interest payable	**233,815**	213,634
Other tax payables	**61,185**	30,139
Other payables	**242,350**	272,023
	737,953	699,414

26. BANK AND OTHER BORROWINGS

	2017 HK$'000	2016 HK$'000
Secured bank borrowings (note 26(c))	**672,239**	707,180
Unsecured other borrowings	**24,015**	160,723
	696,254	867,903
Carrying amount repayable:		
Within one year	**339,231**	276,202
More than one year, but within two years	**230,295**	253,282
More than two years, but within five years	**114,721**	338,419
More than five years	**12,007**	—
	696,254	867,903
Less: amounts due within one year shown under current liabilities	**(339,231)**	(276,202)
	357,023	591,701

(a) Included in the above balances are bank borrowings of variable-rate of approximately HK$531,206,000 (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 year ranged from approximately 4.9% to 6.7% (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$141,033,000 (2016: approximately HK$147,933,000) carry interest fixed from approximately 5.0% to 7.8% (2016: approximately 5.0% to 7.4%) per annum. The other borrowings of approximately HK$24,015,000 (2016: approximately HK$160,723,000) were obtained from one (2016: four) party and carry interest fixed from approximately 10% (2016: interest fixed from approximately 6% to 12% per annum) per annum.

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

	2017 HK$'000	2016 HK$'000
Effective interest rate:		
Fixed-rate borrowings	**5% to 10%**	5% to 12%
Variable-rate borrowings	**4.9% to 6.7%**	2.7% to 7.7%

(c) The secured bank borrowings are secured by the land use rights included in investment properties and stock of properties with a carrying amount of approximately HK$2,344,805,000 (2016: approximately HK$2,269,014,000) as set out in notes 16 and 20.

(d) During the year 31 December 2016, the Company has settled unsecured other borrowings of HK$100,000,000 to Peony Finance Limited, a wholly owned subsidy of Easy One Financial Group Limited, a Shareholder of the Company with significant influence.

27. BONDS

	Non-listed bond maturity in 2016 ("Bonds 2016")	Non-listed bond maturity in 2019 ("Bonds 2019")	Non-listed bond maturity in 2020 ("Bonds 2020")	Listed bond maturity in 2024 ("Listed bonds 2024")	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(Note 1)	(Note 1)	(Note 2)	(Note 3)	
At 1 January 2016	197,074	1,168,996	18,774	162,704	1,547,548
Interest charge	16,475	126,170	2,059	19,773	164,477
Less: Interest paid/payable	(14,172)	(119,464)	—	(4,003)	(137,639)
Less: redemption settlement	(199,377)	(39,143)	—	—	(238,520)
As at 31 December 2016	—	1,136,559	20,833	178,474	1,335,866
At 1 January 2017	—	**1,136,559**	**20,833**	**178,474**	**1,335,866**
Interest charge	—	**122,771**	**2,279**	**21,649**	**146,699**
Less: Interest paid/payable	—	**(115,545)**	—	**(4,000)**	**(119,545)**
Less: redemption settlement	—	**(108,439)**	—	—	**(108,439)**
As at 31 December 2017	—	**1,035,346**	**23,112**	**196,123**	**1,254,581**
Current portion	—	—	—	—	—
Non-current portion					
2017	—	1,035,346	23,112	196,123	1,254,581
2016	—	1,136,559	20,833	178,474	1,335,866

Notes:

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

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

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

   On 19 December 2017, the Company has early redeemed the Bonds 2019 in the aggregate principal amount of HK$110,000,000.

   The fair value of the Bonds 2019 is approximately HK$1,061,461,000 as at 31 December 2017 (2016: approximately HK$1,205,539,000). The Bonds 2019 were classified as level 2 of fair value hierarchy.

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

27. BONDS *(Continued)*

Notes: *(Continued)*

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

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

   The fair value of the Bonds 2020 is approximately HK$22,909,000 as at 31 December 2017 (2016: approximately HK$20,655,000). The Bonds 2020 were classified as level 2 of fair value hierarchy.

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

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

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

   The information of Listed bonds 2024 are presented as follows:

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

   The fair value of the Bonds 2024 is approximately HK$218,184,000 as at 31 December 2017 (2016: approximately HK$199,300,000). The Bonds 2024 were classified as level 2 of fair value hierarchy.

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

28. PROMISSORY NOTES

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

The movement of the carrying amount of the Promissory Notes during the year ended 31 December 2017 and 2016 is set out below:

	2017 HK$'000	2016 HK$'000
At 1 January and 31 December	376,000	376,000

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

During the year ended 31 December 2017, the Group was pursuing a litigation regarding the Promissory Notes. For details, please refer to note 35.

29. CONVERTIBLE BONDS

On 19 October 2016, the Company issued 7.5% denominated convertible bonds with the aggregate principal amount of HK$500,000,000 (the "**Convertible bonds**"). Each bond entitles the holder to convert into the Company's ordinary share at a conversion price of HK$0.4 and maturity on 19 October 2021.

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

29. CONVERTIBLE BONDS *(Continued)*

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

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

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

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

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

On 6 April 2017 and 19 April 2017, 380,000,000 shares and 115,500,000 shares have been converted. On 19 December 2017, the Convertible Bonds in the aggregate principal amount of HK$37,000,000 were used to set off the consideration of rights shares of the Company.

As at 31 December 2017, the Convertible Bonds with the principal amount of HK$264,800,000 were outstanding and the maximum number of share to be converted is 662,000,000 shares.

The fair value of the Convertible Bonds of approximately HK$238,719,000 (2016: approximately HK$422,536,000) as at 31 December 2017. The Convertible Bonds were classified as level 3 of fair value hierarchy.

29. CONVERTIBLE BONDS *(Continued)*

The Convertible Bonds information are presented as follows:

	Convertible Bonds HK$'000
Principal amounts:	
— as at 31 December 2017	264,800
Interest:	in HK$ settlement 7.5% p.a. payable per six calendar months after the date of issuance
Issue date:	19 October 2016
Maturity date:	19 October 2021
Conversion price per share:	HK$0.4
Risk free rate:	0.64%
Discount rate:	12.39%
Liability component	
As at 1 January 2016	—
Issue of Convertible Bonds	410,589
Imputed interest charge	10,125
Interest paid	(7,598)
As at 31 December 2016 and 1 January 2017	413,116
Convertible Bonds converted	(165,188)
Convertible Bonds redeemed	(31,581)
Imputed interest charge (note 7)	36,422
Interest paid	(26,490)
As at 31 December 2017	**226,279**
Equity component	
As at 1 January 2016	—
Issue of Convertible Bonds	182,574
Direct cost	(2,692)
	179,882
Deferred tax arising on issue of Convertible Bonds	(29,681)
As at 31 December 2016 and 1 January 2017	150,201
Convertible Bonds converted	(59,540)
Convertible Bonds redeemed	(11,114)
As at 31 December 2017	**79,547**
Redemption option derivative component	
As at 1 January 2016	—
Issue of Convertible Bonds	(99,308)
Change in fair value	2,116
As at 31 December 2016 and 1 January 2017	(97,192)
Change in fair value	77,396
As at 31 December 2017	**(19,796)**

30. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Income tax payable in the consolidated statement of financial position represents provision for PRC enterprise income tax.

(b) Deferred taxation recognised:

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year ended 31 December 2017 are as follows:

	Fair value adjustments of investment properties and stock of properties HK$'000	Convertible Bonds HK$'000	Total HK$'000
Deferred tax arising from:			
At 1 January 2016	493,953	—	493,953
Exchange adjustments	(28,379)	—	(28,379)
Issurance of Convertible Bonds	—	29,681	29,681
Credit to profit or loss	(87,571)	(839)	(88,410)
At 31 December 2016 and 1 January 2017	378,003	28,842	406,845
Exchange adjustments	29,064	—	29,064
Conversion of Convertible Bonds	—	(10,994)	(10,994)
Credit to profit or loss	12,440	(5,060)	7,380
At 31 December 2017	419,507	12,788	432,295

	2017 HK$'000	2016 HK$'000
Net deferred tax liabilities recognised in the consolidated statement of financial position	**432,295**	406,845

(c) Deferred taxation not recognised

At the end of the reporting period, the Group has obtained the tax assessment in regarding to the accumulated tax losses. In accordance to the tax assessment, tax losses of approximately HK$187,579,000 for the year ended 31 December 2017 (2016: approximately HK$239,489,000) can be brought forward to offset the future taxable profits. No deferred tax asset has been recognised due to the unpredictability of the future profit stream. The Group had no other significant deferred tax assets/liabilities not recognised as at the end of the reporting period.

31. CAPITAL AND RESERVES

(a) Authorised and issued share capital

	Notes	2017 Number of shares	2017 Nominal value HK$'000	2016 Number of shares	2016 Nominal value HK$'000
Authorised:					
Ordinary shares of HK$0.01 (2016: 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
Rights issue	(i), (ii)	**8,294,223,185**	**82,943**	698,006,782	6,980
Convertible Bonds converted		**495,500,000**	**4,955**	—	—
At 31 December		**9,953,067,822**	**99,531**	1,163,344,637	11,633

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally in regard to the Company's residual assets.

Notes:

(i) The Company proposes to raise gross proceeds of approximately HK$293 million, before expenses, by way of the rights issue. Pursuant to the rights issue, the Company shall allot and issue 698,006,782 rights shares at the subscription price of HK$0.42 per rights share, on the basis of three (3) rights shares for every two (2) adjusted shares held on the record date. On 27 January 2016, the Board announced that, on 19 January 2016, being the latest time for acceptance of, and payment for, the rights shares and the application and payment for excess rights shares: (i) 8 valid acceptances in respect of a total of 164,570,187 rights shares provisionally allotted under the rights issue have been received, representing approximately 23.58% of the total number of the rights shares available under the rights issue; and (ii) 3 valid applications in respect of a total of 70,090,428 excess rights shares have been received, representing approximately 10.04% of the total number of the rights shares available under the rights issue. In aggregate, 11 valid acceptances and applications in respect of a total of 234,660,615 rights shares, representing approximately 33.62% of the total number of the rights shares available under the rights issue, have been received. Accordingly, the rights issue was under-subscribed by 463,346,167 rights shares, representing approximately 66.38% of the total number of the rights shares available under the rights issue. The rights issues had been completed on 28 January 2016. For details, please refer to the Company's announcement dated 27 January 2016.

(ii) On 4 October 2017, the Company proposed to raise gross proceeds of not less than approximately HK$730 million. The Company should allot and issue not less than 8,294,223,185 rights shares assuming the conversion rights under the Convertible Bonds are not exercised on or before the record date, on the basis of five rights shares for every one existing share. The subscription price is HK$0.088 per rights share payable in full. The rights issue was completed on 19 December 2017 and the aggregate net proceeds were of approximately HK$697 million of which (a) approximately HK$110 million was intended to be utilised towards the offsetting of outstanding principal amounts of the bonds issued by the Company to EOG Group; (b) approximately HK$37 million was intended to be utilised towards the offsetting of outstanding principal amounts of the Convertible Bonds held by EOG Group; (c) approximately HK$100 million was intended to be utilized towards the repayment of outstanding principal amounts on loans of the Group due to WOG Group; (d) approximately HK$205 million was intended to be utilized towards the repayment of outstanding interests accrued on the bonds, loans and the Convertible Bonds held by/owed to EOG Group, WYT Group and WOG Group; (e) approximately HK$235 million was intended to be utilised towards the repayment of outstanding indebtedness of the Group owed to independent third parties; and (f) the remaining net proceeds of approximately HK$10 million was intended to be utilized as general working capital of the Group.

31. CAPITAL AND RESERVES *(Continued)*

(b) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by section 40 of the Bermuda Companies Act 1981 of Bermuda.

(ii) Capital redemption reserve

The capital redemption reserve represents the nominal value of the Company's shares repurchased which has been paid out of the distributable reserves of the Company.

(iii) Contributed surplus

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

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

— it is, or would after the payment be, unable to pay its liabilities as they become due; or

— the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

(iv) Shareholders' contribution

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

(v) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements into presentation currency of the Group which is dealt with in accordance with the accounting policy set out in note 2(r).

(vi) Other reserve

The other reserve of the Group was the changes in the Group's ownership interests in its subsidiaries that do not result in the loss of control.

(vii) Convertible bonds reserve

The convertible bonds reserve represents the conversion option of convertible bonds recognised in the equity until either the bonds are converted or redeemed.

(c) Distributability of reserves

At 31 December 2017, the aggregate amount of reserves available for distribution to equity shareholders of the Company was nil (2016: Nil).

31. CAPITAL AND RESERVES *(Continued)*

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to strictly control the debt level. The Group maintains a strategy on acquiring land only if the project development can commence within a short period of time so as to minimise the time period between acquisition and development of the acquired land, thus the Group's capital can be efficiently deployed.

The Group monitors its capital structure on the basis of gearing ratio. For this purpose, the Group defines net debt as total debt (which includes bank and other borrowings, bonds, convertible bonds and promissory notes) less cash and cash equivalents. Capital comprises total equity attributable to equity shareholders of the Company. The Group's overall strategy remains unchanged from prior year.

The gearing ratio as at 31 December 2017 and 2016 was as follows:

	Notes	2017 HK$'000	2016 HK$'000
Current debts			
— Bank and other borrowings	26	**339,231**	276,202
— Promissory notes	28	**376,000**	376,000
Total current debts		**715,231**	652,202
Non-current debts			
— Bank and other borrowings	26	**357,023**	591,701
— Convertible bonds	29	**226,279**	413,116
— Bonds	27	**1,254,581**	1,335,866
Total non-current debts		**1,837,883**	2,340,683
Total debt		**2,553,114**	2,992,885
Less: Cash and cash equivalents	24	**(513,827)**	(330,102)
Net debt		**2,039,287**	2,662,783
Total equity		**1,957,603**	1,159,006
Net debt-to-capital ratio		**104.2%**	229.7%

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

32. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

(a) Financial position of the Company

	2017	2016
	HK$'000	HK$'000
Non-current assets		
Investments in subsidiaries	319,580	319,580
Current assets		
Other receivables	2,658,028	2,848,771
Financial assets at fair value through profit or loss	19,796	97,192
Cash and cash equivalents	205,959	75,891
	2,883,783	3,021,854
Current liabilities		
Other payables	295,153	314,559
Promissory notes	376,000	376,000
	671,153	690,559
Net current assets	2,212,630	2,331,295
Total assets less current liabilities	2,532,210	2,650,875
Non-current liabilities		
Bonds	1,254,581	1,335,866
Bank and other borrowings	—	70,000
Convertible bonds	226,279	413,116
Deferred tax liability	12,787	28,842
	1,493,647	1,847,824
Net assets	1,038,563	803,051

32. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY *(Continued)*

(a) Financial position of the Company *(Continued)*

	2017 HK$'000	2016 HK$'000
Capital and reserves		
Share capital	99,531	11,633
Reserves	939,032	791,418
Total equity	1,038,563	803,051

Approved and authorised for issue by the board of directors on 6 March 2018.

Chan Chun Hong, Thomas
Director

Leung Sui Wah, Raymond
Director

32. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY *(Continued)*

(b) A summary to the Company's reserves is as follows:

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Convertible bonds reserves HK$'000	Shareholders contribution HK$'000	Accumulated losses HK$'000	Total HK$'000
At 31 December 2015 and 1 January 2016	4,653	2,794,423	945	588,812	—	664	(2,310,774)	1,078,723
Rights issue for the year	6,980	286,183	—	—	—	—	—	293,163
Transaction costs relating to rights issue	—	(7,177)	—	—	—	—	—	(7,177)
Equity component of convertible bonds	—	—	—	—	179,882	—	—	179,882
Deferred tax arising on issue of convertible bonds	—	—	—	—	(29,681)	—	—	(29,681)
Loss for the year	—	—	—	—	—	—	(711,859)	(711,859)
At 31 December 2016 and 1 January 2017	11,633	3,073,429	945	588,812	150,201	664	(3,022,633)	803,051
Rights issue for the year	82,943	646,949	—	—	—	—	—	729,892
Transaction costs relating to rights issue	—	(27,675)	—	—	—	—	—	(27,675)
Convertible bonds converted	4,955	230,767	—	—	(59,540)	—	—	176,182
Convertible bonds redeemed	—	—	—	—	(11,114)	—	11,114	—
Loss for the year	—	—	—	—	—	—	(642,887)	(642,887)
31 December 2017	99,531	3,923,470	945	588,812	79,547	664	(3,654,406)	1,038,563

33. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company adopted a share option scheme (the "**Scheme**") on 3 May 2012 whereby the directors the Company are authorised, at their discretion, to invite selected eligible persons (the "**Participants**") to take up options for their contribution to the Group. The Scheme will remain in force for 10 years. Under the Scheme, the board of directors (the "**Board**") may grant options to the Participants to subscribe for shares in the Company for a consideration of HK$1 for each lot of share options granted. The exercise price is to be determined by the Board and shall not be less than the highest of:

(a) the official closing price of the shares as stated in the daily quotations sheets of the Stock Exchange on the offer date which must be a business day (and for this purpose, shall be taken to be the date of the Board meeting at which the Board proposes to grant the options);

(b) the average of the official closing price of the shares as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the offer date; and

(c) the nominal value of a share.

Pursuant to the Scheme, the maximum number of shares in the Company in respect of which options may be granted when aggregated with any other share option scheme of the Company is not permitted to exceed 116,334,463 shares, representing approximately 1.17% of the issued share capital of the Company as at the date of this report. Subject to the issue of a circular and the approval of the shareholders of the Company in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may refresh the limit at any time to 10% of the total number of shares in issue as at the date of approval by the shareholders of the Company in general meeting. Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares in issue from time to time.

The number of shares in respect of which options may be granted to the Participants in any 12-month period up to and including the date of grant shall not exceed 1% of the total number of shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the approval of the shareholders in general meeting. The participant and his associates (as defined in the Listing Rules) are abstained from voting and/or other requirements prescribed under the Listing Rules from time to time. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

There is no specific requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than ten years from the date of grant.

No options have been granted, exercised, cancelled or lapsed during the year ended 31 December 2017 and 2016.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Exposure to credit, liquidity and market risks (including interest rate, currency risk and equity price risk) arises in the normal course of the Group's business.

These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation, and arises principally from the carrying amount of the respective financial assets as stated in the consolidated statement of financial position after deducting any impairment allowance.

In order to minimise the credit risk in relation to each class of recognised financial assets as stated in the consolidated financial statements, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt and non-trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has a concentration of credit risk in certain individual customers. At the end of each reporting period, the five largest receivable balances accounted for approximately 76% (2016: approximately 33%) of the trade receivables and the largest trade receivable was approximately 65% (2016: approximately 20%) of the Group's total trade receivables. The Group seeks to minimise its risk by dealing with counterparties which have good credit history. Majority of the trade receivables that are neither past due nor impaired have no default payment history.

The Group's concentration of credit risk by geographical location is mainly in the PRC.

In relation to the Group's deposits with bank, the Group limits its exposure to credit risk by placing deposits with financial institutions with high credit rating and no recent history of default. The Directors consider that the Group's credit risk on the bank deposits is low. Management continues to monitor the position and will take appropriate action if their ratings should change. As at 31 December 2017 and 2016, the Group has no significant concentration of credit risk in relation to deposits with bank.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 21.

The amount of contingent liabilities in relation to the financial guarantees provided by the Group is disclosed in note 38.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. As at 31 December 2017 and 2016, there were no unutilised banking facilities.

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

(b) Liquidity risk *(Continued)*

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

At 31 December 2017

	Carrying amount	**Total contractual undiscounted cash flows**	**Within 1 year or on demand**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**
Deposit and other payables	**739,020**	**739,020**	**739,020**	**—**	**—**	**—**
Bank and other borrowings	**696,254**	**781,722**	**375,530**	**253,738**	**137,609**	**14,845**
Bonds	**1,254,581**	**1,712,468**	**110,898**	**1,151,117**	**43,439**	**407,014**
Promissory notes	**376,000**	**376,000**	**376,000**	**—**	**—**	**—**
Convertible bonds	**226,279**	**340,268**	**19,860**	**19,860**	**300,548**	**—**
	3,292,134	**3,949,478**	**1,621,308**	**1,424,715**	**481,596**	**421,859**

At 31 December 2016

	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
Deposit and other payables	677,500	677,500	677,500	—	—	—
Bank and other borrowings	867,903	1,006,029	330,573	285,561	389,895	—
Bonds	1,335,866	1,960,157	121,898	121,898	1,305,347	411,014
Promissory notes	376,000	376,000	376,000	—	—	—
Convertible Bonds	413,116	687,500	37,500	37,500	612,500	—
	3,670,385	4,707,186	1,543,471	444,959	2,307,742	411,014

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

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank and other borrowings, bonds, convertible bonds, promissory notes, and cash and cash equivalents.

Cash and cash equivalents comprise mainly cash at banks and in hand, with the annual interest rates ranging from approximately 0.001% to 3.05% as at 31 December 2017 (2016: approximately 0.001% to 3.05%).

The interest rates of the Group's bank and other borrowings, bonds, promissory notes and convertible bonds are disclosed in notes 26, 27, 28 and 29 respectively.

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank and other borrowings, bonds, promissory notes and convertible bonds (see notes 26, 27, 28 and 29 for details).

The Group is exposed to cash flow interest rate risk in respect of its variable-rate bank and other borrowings (see note 26) and bank balances (see note 24) due to changes of interest rates. It is the Group's present policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The Group currently does not have any interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant fixed-rate bank and other borrowings should the need arise.

Sensitivity analysis

At 31 December 2017, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax and increase/decrease accumulated losses by approximately HK$5,312,000 (2016: approximately HK$5,592,000). Other components of equity would not be affected (2016: Nil) in response to the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in the respective interest rates over the period until the next annual reporting period. The analysis is performed on the same basis for 2016.

(d) Currency risk

Currency risk to the Group is minimal as most of the Group's transactions denominated and settled in the functional currency of the operations to which the transactions relate. Most of the Group's monetary assets and liabilities are also denominated in the Group's functional currencies. Therefore, the Group has no significant currency risk exposure as they are denominated in a currency same as the functional currencies of the group entities to which these transactions relate.

(e) Equity price risk

The Group is exposed to equity price risk mainly through its investment in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with difference risk and return profiles. The Group exposed to equity price risk arising from changes in the Group's financial assets at fair value through profit or loss.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risk at the reporting date. If equity price had been 5% higher/lower, the Group's net profit for the year would increase/decrease by approximately HK$183,000 (2016: approximately HK$173,000). This is mainly due to the changes in financial assets at fair value through profit or loss.

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

(f) Fair value of financial instrument

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

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

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

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

Fair value measurements recognised in the consolidated statement of financial position

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

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets				
At 31 December 2017				
Financial assets at fair value through profit or loss				
— Equity securities listed in Hong Kong	**3,664**	**—**	**—**	**3,664**
Derivative financial instruments				
— Redemption option derivative component	**—**	**—**	**19,796**	**19,796**

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 December 2016				
Financial assets at fair value through profit or loss				
— Equity securities listed in Hong Kong	3,453	—	—	3,453
Derivative financial instruments				
— Redemption option derivative component	—	—	97,192	97,192

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

35. 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**")

1. On 7 January 2011, the Company received a writ (the "**Writ**") issued by Ms. Wang Xiu Qun ("**Ms. Wang**") and Wuhan Tian Jiu Industrial and Commercial Development Co., Ltd. ("**Tian Jiu**") (as plaintiffs) against the Company (as defendant) and filed with the Higher People's Court of Hubei Province (the "**Hubei Court**") of the PRC, together with the related court summons dated 4 January 2011 (the "**Summons**"). The writ also joined Wuhan Baisazhou Agricultural By-Product Grand Market Company Limited ("**Baisazhou Agricultural**") as third party to such civil proceeding.

   Major allegations of Ms. Wang and Tian Jiu as set out in the Writ are as follows:

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

   (b) it is alleged that Baisazhou Agricultural forged the related documentation for filing with the PRC Ministry of Commerce ("**MOFCOM**") and the Hubei Administration For Industry and Commerce (the "**Hubei AIC**"), and that such documentation and the Contended Agreement involved forged signatures; and

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

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

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

2. On 18 November 2011, the Hubei Court made an interim order that 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 such freezing order no longer has any effect on the Group.

35. 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)*

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.

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.

35. 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 financial year ended 31 December 2017, Baisazhou Agricultural contributed approximately the following to the Group: (i) approximately HK$ 156 million (approximately 20% of the Group) in revenue; (ii) approximately HK$143 million (approximately 43% increase in the loss attributable to owners of the Company of the Group) in profit attributable to owners of the Company; (iii) approximately HK$1,567 million (approximately 26% of the Group) in assets; (iv) approximately HK$612 million (approximately 15% of the Group) in liabilities, and (v) approximately HK$955 million (approximately 49% of the Group) in total equity attributable to owners of the Company;

    (b) the Company cancelling the provision for payment of the two outstanding instruments purportedly described as promissory notes in the respective sale and purchase agreement between the Company and Ms. Wang and Tian Jiu. As at 31 December 2017, the instruments are recorded at book value of approximately HK$376 million, together with interest payable in the aggregate amount of approximately HK$589 million; and

    (c) the Company may take all necessary actions to seek (i) the return of the remaining balance of approximately HK$706 million, being the consideration paid for the Acquisition, and (ii) the investments made by the Company over the years in Baisazhou Agricultural.

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

(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.

35. LITIGATION *(Continued)*

(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.

(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.

35. LITIGATION *(Continued)*

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

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 a 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.

10. The hearing for the appeal against the 31 March Judgment took place on 30 August 2017. As at the date of this report, the judgment for the appeal has not been available.

(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 Section (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.

35. LITIGATION *(Continued)*

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

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.

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).

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 (the "**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.

35. LITIGATION *(Continued)*

(F) Writ issued in the PRC by Mr. Yeung *(Continued)*

8. According to the judgment of the Wuhan Intermediate People's Court dated 23 October 2017 which was received by the Group on 6 November 2017, the verdict of Hongshan District People's Court was revoked and the case was remitted to Hongshan District People's Court for retrial.

9. The case is now being heard by Hongshan District People's Court and it was directed by the court that Wuhan Tingjia Wuzi Company Limited ("**Tingjia Wuzi**") (the Plaintiff in Section (G) below) be added as a co-plaintiff to the proceedings.

(G) Writ issued by Wuhan Tingjia Wuzi Company Limited against Baisazhou Agricultural

1. In July 2015, Tingjia Wuzi commenced proceedings against Baisazhou Agricultural in Hongshan District People's Court for breach of contract. Tingjia Wuzi sought declaration from the Hongshan District People's Court that Baisazhou Agricultural was in breach of contract in terminating the "Water and Electricity Management Contract" dated 22 February 2006 ("**Water and Electricity Management Agreement**") and "Investment Agreement in relation to Construction of Sewage Treatment System in Wuhan Baisazhou Agricultural and By-Product Exchange Market" ("**Sewage System Construction Agreement**") dated 4 April 2007, and relief that Baisazhou Agricultural shall be liable for Tingjia Wuzi's loss in the total sum of RMB7,458,775.

2. On 15 October 2015, Hongshan District People's Court commenced the trial.

3. On 6 December 2017, Hongshan District People's Court ruled that: (1) Baisazhou Agricultural was in breach of contract in terminating the Water and Electricity Management Agreement and the Sewage System Construction Agreement; (2) Baisazhou Agricultural was liable to pay to Tingjia Wuzi RMB2,965,700 as compensation for the breach of contracts; and (3) other claims by Tingjia Wuzi be dismissed.

4. In January 2018, Baisazhou Agricultural appealed to the Wuhan Intermediate People's Court. The case is now being heard at Wuhan Intermediate People's Court.

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

1. On 16 March 2016, upon the application by Qinzhou 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 18 March 2016, the Qinzhou Court made an order to freeze the Company's 94.4% of its shares in Baisazhou Agricultural for the period from 30 March 2016 to 29 March 2019.

3. On 13 April 2016, Qinzhou Hongjin issued a writ against Guangxi Zhengdi for its delay in completing the construction works in an agricultural produce exchange market in Qinzhou. Qinzhou 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.

35. LITIGATION *(Continued)*

(I) Writ issued by Jiangsu Tiancheng Construction Group Company Limited against Huaián Hongjin Agricultural and By-Product Exchange Market Company Limited

1. On 5 September 2017, Huaián Hongjin Agricultural and By-Product Exchange Market Company Limited ("**Huaián Hongjin**") received a writ issued by Jiangsu Tiancheng Construction Group Company Limited against it claiming a sum of approximately RMB19,845,300 being the outstanding construction payment together with interest.

2. Two hearings took place on 1 and 20 November 2017 and the judgment has yet to be delivered.

(J) Writ issued by Luoyang Hongjin Agricultural and By-Product Exchange Market Company Limited against Mr. Cui Zhanjun

1. On 3 April 2017, Luoyang Hongjin Agricultural and By-Product Exchange Market Company Limited ("**Luoyang Hongjin**") issued writ against Mr. Cui Zhanjun ("**Mr. Cui**") seeking an order from the Laocheng District People's Court ("**Laocheng Court**") for return of security deposit in relation to the construction works in the sum of RMB2,721,500 with interests by Mr. Cui.

2. Upon mediation between the parties, the Laocheng Court made an mediation order that (1) Mr. Cui shall pay RMB2,721,500 to Luoyang Hongjin by 31 December 2017 and (2) in the event of default by Mr. Cui, interest shall accrue on the said sum of RMB2,721,500 at the benchmark interest rate of the People's Bank of China.

3. By 31 December 2017, Mr. Cui had failed to pay the sum of RMB2,721,500 to Luoyang Hongjin. Luoyang Honjin applied to the Laocheng Court for enforcement action against Mr. Cui. As at the date of this report, the enforcement action is still ongoing.

(K) Writ issued by Mr. Cui Zhanjun against Luoyang Hongjin and Nanchang City Construction Engineering Group Company Limited

1. In or around August 2016, Mr. Cui issued writ against Luoyang Hongjin and Nanchang City Construction Engineering Group Company Limited ("**Nanchang Construction**"), seeking an order from the Laocheng Court that (1) Luoyang Hongjin shall pay RMB2,809,115.12 as the construction costs for the additional area with interests; (2) Nanchang Construction shall return the tax allowance of RMB980,000 with interests; and (3) the defendants shall be jointly liable for the costs of the proceedings.

2. In the course of the proceedings, Mr. Cui amended his claims to (1) Luoyang Hongjin shall pay RMB2,394,216.62 as construction costs for the additional area with interests; and (2) Luoyang Hongjin shall return the security deposit of RMB2,418,725 with interests ("**Amended Claims**")

3. On 18 December 2017, the Laocheng Court ruled in favour of Mr. Cui and made an order in terms of the Amended Claims.

4. On 7 January 2018, Luoyang Hongjin appealed to Luoyang Intermediate People's Court. As at the date of this report, the appeal is still ongoing.

Save as disclosed above, as at 31 December 2017, so far as the Directors were aware, (i) the Group was not engaged in any litigation or claims of material importance, and (ii) no litigation or claims of material importance is pending or threatened against the Group.

36. COMMITMENTS

(a) Capital commitments outstanding at 31 December 2017 not provided for in the financial statements were as follows:

	2017 HK$'000	2016 HK$'000
Capital expenditure authorised and contracted for in respect of:		
— capital injection of entity	—	285
— acquisition of investment properties	260,148	193,531

(b) At 31 December 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017 HK$'000	2016 HK$'000
Within one year	1,520	2,210
After one year but within five years	760	4,552
	2,280	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 extension options. None of the leases includes contingent rentals.

37. MATERIAL RELATED PARTY TRANSACTIONS

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

(a) Transactions with key management personnel

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

	2017 HK$'000	2016 HK$'000
Short-term employee benefits	10,939	11,354
Post-employment benefits	167	133
	11,106	11,487

Total remuneration is included in "staff costs" (see note 7(b)).

37. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Balances with related parties

Details of the balances with related parties as at 31 December 2017 and 2016 are set out in note 27.

(c) Material related party transaction

	2017 HK$'000	2016 HK$'000
Peony Finance Limited		
— Unsecured other borrowing interest	524	9,600
— Interest on Convertible Bonds	14,328	2,835
— Interest on bond	11,261	14,810
	26,113	27,245

38. FINANCE GUARANTEE

As at 31 December 2017, a wholly-owned subsidiary of the Company provided guarantees of approximately HK$7,576,000 to our customers in favor of a bank for the loans provided by the bank to the customers of our project (2016: approximately HK$14,859,000).

39. EVENT AFTER THE REPORTING PERIOD

In January 2018, the Company has completed the purchase of outstanding 1 per cent notes due 2024 in the aggregate principal amount of HK$40,000,000.

40. AUTHORISATION FOR ISSUE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 6 March 2018.

FIVE-YEAR FINANCIAL SUMMARY

	Year ended 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Turnover	**790,059**	603,132	365,192	298,043	408,544
(Loss)/profit before taxation	**(301,257)**	(852,442)	(493,558)	(292,068)	419,176
Income tax	**(36,314)**	73,884	(382)	(44,001)	(198,457)
(Loss)/profit for the year	**(337,571)**	(778,558)	(493,940)	(336,069)	220,179
Attributable to:					
Owners of the Company	**(340,970)**	(740,997)	(489,117)	(340,420)	154,980
Non-controlling interests	**3,399**	(37,561)	(4,823)	4,351	65,739
	(337,571)	(778,558)	(493,940)	(336,069)	220,719

	As at 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**6,111,476**	5,957,204	7,043,243	6,906,025	5,698,794
Total liabilities	**(4,153,873)**	(4,798,198)	(5,265,457)	(5,029,767)	(4,077,946)
	1,957,603	1,159,006	1,777,786	1,876,258	1,620,848
Attributable to:					
Owners of the Company	**1,588,311**	805,616	1,341,198	1,423,291	1,199,589
Non-controlling interests	**369,292**	353,390	436,588	452,967	421,259
	1,957,603	1,159,006	1,777,786	1,876,258	1,620,848