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

2018 Interim 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

Interim Dividend

The board of directors (the "**Board**" or the "**Director(s)**") of China Agri-Products Exchange Limited (the "**Company**" together with its subsidiaries, collectively the "**Group**") does not recommend any payment of interim dividend for the six months ended 30 June 2018 (the "**Period**") (for the six months ended 30 June 2017: Nil).

Management Discussion and Analysis

Summary of Financial Results

Turnover, gross profit and segment result

For the Period, the Group recorded a turnover of approximately HK$327 million, representing a decrease of approximately HK$38 million or approximately 10% from approximately HK$365 million for the corresponding period of last financial year as property sales recognition was lower than that of the same period of last financial year. The below table summarises the key financial performance of the Group:

	For the six months ended 30 June 2018			For the six months ended 30 June 2017		
HK$ million and approximate %	**Agricultural Produce Exchange Market Operations**	**Property Sales**	**Total**	Agricultural Produce Exchange Market Operations	Property Sales	Total
Turnover	**192**	**135**	**327**	156	209	365
Gross Profit	**147**	**58**	**205**	111	114	225
Segment Result	**88**	**48**	**136**	30	109	139
Gross Profit to Turnover	**77%**	**43%**	**63%**	71%	55%	62%
Segment Result to Turnover	**46%**	**36%**	**42%**	19%	52%	38%

During the Period, the Group recorded a gross profit and a segment result of approximately HK$205 million and approximately HK$136 million, respectively (for the six months ended 30 June 2017: approximately HK$225 million and approximately HK$139 million, respectively), representing a decrease of approximately 9% and approximately 2%, respectively, as compared to the corresponding period of last financial year mainly due to the better performance and improved income of agricultural produce exchange market operations, but set off by the lower property sales recognition in the Period compared to the corresponding period of last financial year with higher property sales recognition.

General and administrative expenses, selling expenses and finance costs

The Group recorded general and administrative expenses of approximately HK$90 million in the Period (for the six months ended 30 June 2017: approximately HK$120 million). The decrease was mainly due to tighter control of operating expenses in various projects. Selling expenses were approximately HK$11 million (for the six months ended 30 June 2017: approximately HK$21 million), the decrease was mainly due to tighter control of marketing and promotion expenses. Finance costs were approximately HK$111 million in the Period (for the six months ended 30 June 2017: approximately HK$137 million) and such decrease was mainly due to the repayment of bank and other borrowings.

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

The net change in fair value of investment properties was approximately HK$6 million (for the six months ended 30 June 2017: net change of approximately HK$2 million). Such increase was mainly due to the improvement of the income derived from agri-products exchange markets. Stock of properties value was impaired by approximately HK$32 million (for the six months ended 30 June 2017: Nil), mainly due to the decrease in property value in Huai'an Hongjin Agricultural and By-Product Exchange Market ("**Huai'an Market**"). The fair value was arrived at based on the valuations carried out by an independent firm of qualified professional valuers. The professional valuers are professional members of The Hong Kong Institute of Surveyors and the valuations conform to the Valuation Standard of The Hong Kong Institute of Surveyors.

Change in fair value of derivative financial instruments

During the Period, net loss in fair value of derivative financial instruments was approximately HK$13 million (for the six months ended 30 June 2017: net loss of approximately HK$39 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 Period.

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$9 million (for the six months ended 30 June 2017: Nil).

Loss attributable to owners of the Company

The loss attributable to owners of the Company for the Period was approximately HK$87 million as compared to approximately HK$96 million in the corresponding period of last financial year. The Group recorded profit from operations before fair value change of investment properties and impairment of approximately HK$111 million and profit from operations of approximately HK$81 million for the Period (for the six months ended 30 June 2017: approximately HK$91 million and approximately HK$54 million, respectively). The decrease in loss attributable to owners of the Company was mainly due to the effective control on the operation cost and expenses.

Review of Operations

During the Period, the Group was principally engaged in management and sales of properties in agricultural produce exchange markets in the People's Republic of China (the "**PRC**"). The operating performance of our agricultural by-products exchange markets was steady during the Period.

Agricultural Products Exchange Markets

Hubei Province

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, which represented recognition of the market contribution made by the Group's effort and expertise as an agricultural produce exchange market operator in the PRC.

As a mature market in Wuhan, the PRC, Wuhan Baisazhou Market has established its reputation and track record to customers and tenants and has continued to make significant contribution to the community. During the Period, the turnover of Wuhan Baisazhou Market increased significantly as compared to the corresponding period of last financial year.

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 with Wuhan Baisazhou Market to boost vegetable and by-products trading. During the Period, the operating performance of Huangshi Market was satisfactory and contributed a positive cashflow to the Group.

Suizhou Market

In March 2018, the Group formed a joint venture company with an independent third party in Suizhou City, Hubei Province, the PRC, to operate Suizhou Baisazhou Agricultural and By-Product Exchange Market ("**Suizhou Market**"), which is the third project of the Group in Hubei Province and this market occupies approximately 240,000 square metres. Phase one of Suizhou Market focused on vegetables and fruit transactions. The Group has pursued asset light business model by taking up the contract management rights to operate this new market in Hubei Province. Suizhou Market is in its early stage of development and is expected to grow gradually.

Henan Province

Luoyang Market

Luoyang Hongjin Agricultural and By-Product Exchange Market ("**Luoyang Market**") was the flagship project of the Group in Henan Province, the PRC, with site area and gross floor area of 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, while both occupancy rate and vehicles traffic were satisfactory. During the Period, Luoyang Market had bought positive contribution to the Group.

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 in Henan Province. During the Period, the operating performance of Puyang Market improved significantly and resulted in a growth at a double digit rate in turnover as compared to the corresponding period of last financial year.

Kaifeng Market

Kaifeng Hongjin Agricultural and By-Product Exchange 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. Kaifeng Market was still in the business development stage during the first half financial year of 2018.

Guangxi Zhuang Autonomous Region

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 was a new growth driver for the Group. As an energetic agricultural produce exchange market with continuously remarkable performance, Yulin Market has become one of the key agricultural produce exchange markets in the Guangxi Region. The performance of Yulin Market was satisfactory during the Period, achieving property sales recognition contributed to the Group.

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. During the Period, Qinzhou Market's performance was steady. The management has teamed up and networked local agri-products business operators in the Guangxi Region to develop Qinzhou Market.

Jiangsu Province

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, the revenue of Xuzhou Market increased by approximately 7% during the Period as compared to the corresponding period of last financial year.

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 began operation in October 2015 and it is expected that the performance of Huai'an Market will gradually improve after the market becomes 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 from the joint venture of approximately HK$9 million.

Liaoning Province

Panjin Market

Phase one of Panjin Hongjin Agricultural and By-Product Exchange Market ("**Panjin Market**"), with a 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 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

With the robust mobile network and widespread use of intelligent mobile devices in the PRC, the Group has put resources into e-commerce development linking online and offline customers in our agricultural exchange markets together. Our website and mobile phone applications of trading platform provide one-stop shopping experience to our customers. In 2018, the management continuously slowed down the e-commerce development and strengthened the existing resources of customer base and e-commerce business. The Group will also explore opportunities to cooperate with other business partners in this area.

Cyber risk and security

With computer system and internet network playing vital roles in its operation, the Group has designated professionals to monitor and assess potential cyber risk. Both hardware and software are kept track with appropriate company policies. Potential cyber risks and network security is one of the key concerns to the management, thus the Group has formulated policies and procedures to regulate the use of internet, physical safeguard of system power supply, regular update of internet protection system and firewall to separate the Company's intranet from the outside network. Designated professionals are responsible for day-to-day monitoring on any abnormal network activities.

Data fraud or theft risk

The Group continuously reviews and updates its internal control system on data and information access. Appropriate policies have been adopted to protect data, and access permissions are only granted to the authorised personnel. The management believes the current policies and procedures have been effectively in place to avoid data fraud risk.

Environmental and social risk

Due to the nature of business, the Company will face a moderate environmental risk if serious and permanent climate change happens in China. Such risk may cause an adverse effect on agricultural production and affect the Company's turnovers from market operation and property sales.

Reclassification of Investment Properties to Stock of Properties

During the Period, the Group has reclassified the investment properties of Yulin Market to stock of properties in the amount of approximately HK$996 million due to the change of sale plan and business strategy to increase sale of properties.

Liquidity and Financial Resources

As at 30 June 2018, the Group had total cash and cash equivalents amounting to approximately HK$401 million (31 December 2017: approximately HK$514 million) whilst total assets and net assets were approximately HK$5,917 million (31 December 2017: approximately HK$6,111 million) and approximately HK$1,847 million (31 December 2017: approximately HK$1,958 million), respectively. The Group's gearing ratio as at 30 June 2018 was approximately 1.1 (31 December 2017: approximately 1.0), being a ratio of total bank and other borrowings, bonds and promissory notes of approximately HK$2,361 million (31 December 2017: approximately HK$2,553 million), net of cash and cash equivalents and pledge bank deposits of approximately HK$401 million (31 December 2017: approximately HK$514 million) to shareholders' funds of approximately HK$1,847 million (31 December 2017: approximately HK$1,958 million).

As at 30 June 2018, the ratio of total interest-bearing debts of approximately HK$2,361 million (31 December 2017: approximately HK$2,553 million) to total assets of approximately HK$5,917 million (31 December 2017: approximately HK$6,111 million) was approximately 40% (31 December 2017: approximately 42%).

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 financial year of 2017, 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 Easy One Financial Group Limited ("**EOG**") for its subscription fee of rights shares under the rights issue of the Company completed in 2017 (the "**Rights Issue**"). Outstanding principal amount of HK$264.8 million of the Convertible Notes was still in issue as at 30 June 2018.

Repurchase and Cancellation of 1 Per Cent Listed Notes Due in 2024 ("Listed Notes")

In May 2014, the Company established a HK$1,000,000,000 medium term note program. The Listed Notes issued under the program are listed on The Stock Exchange of Hong Kong Limited by way of debt issue to professional investors only (stock code: 5755). During the period from January to March 2018, the Company had completed the purchase of and subsequently cancelled the outstanding Listed Notes in the aggregate principal amount of HK$110,000,000. Following such repurchase and cancellation, Listed Notes in the principal amount of HK$290,000,000 remained outstanding as at 30 June 2018.

Capital Commitments, Pledges and Contingent Liabilities

As at 30 June 2018, outstanding capital commitments, contracted but not provided for, amounted to approximately HK$247 million (31 December 2017: approximately HK$260 million) in relation to the purchase of property, plant and equipment, construction contracts and operating lease agreements. As at 30 June 2018, the Group had significant contingent liabilities in the amount of approximately HK$0.2 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 projects (31 December 2017: approximately HK$8 million).

As at 30 June 2018, certain investment properties and stock of properties with carrying amount of approximately HK$2,212 million (31 December 2017: approximately HK$2,345 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 30 June 2018. The revenue, operating costs and bank deposits of the Group were mainly denominated in Renminbi and Hong Kong dollars. During the Period and due to the currency fluctuation of Renminbi against Hong Kong dollars, the Group considered, from time to time, alternative risk hedging tools to mitigate Renminbi currency exchange risk.

Debt Profiles and Financial Planning

As at 30 June 2018 and 31 December 2017, interest-bearing debts of the Group were analysed as follows:

	As at 30 June 2018		As at 31 December 2017	
	Carrying amount HK$ million	Approximate effective interest rate (per annum)	Carrying amount HK$ million	Approximate effective interest rate (per annum)
Bonds	**1,212**	**11%**	1,255	11%
Convertible Notes	**230**	**12%**	226	12%
Financial Institution Borrowings	**543**	**6%**	672	6%
Non-Financial Institution Borrowings	**–**	**–**	24	10%
Promissory Notes	**376**	**5%**	376	5%
Total	**2,361**		2,553	

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 30 June 2018, 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 July 2018 to November 2023; and the holders of the promissory notes gave an undertaking not to indorse, assign, transfer or negotiate the promissory notes and enforce payment by presentation of the promissory notes until the final determination of a court action or further court order. Under the said undertaking, the promissory notes would no longer fall due for payment by the Company on 5 December 2012. Details of the undertaking and the court case were disclosed in note 18 to the condensed consolidated financial statements.

Treasury Policy

The Group's treasury policy includes diversifying the funding sources. Internally generated cash flow and interest-bearing bank/non-financial institution loans are the general source of funds to finance the operation of the Group during the Period. The Group regularly reviews its major funding positions to ensure that it 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 equity and debt financing including but not limited to new share placing, rights issue of new shares, financial institution borrowings, non-financial institution borrowings, bonds issuance, convertible notes, other debt financial instruments, disposal of investment properties and sales of stock of property inventories.

Fund Raising Activities

On 4 October 2017, the Company announced the Rights Issue on the basis of five rights shares for every one existing Share at a price of HK$0.088 per rights share. The aggregate net proceeds were approximately HK$697 million. The intended use of proceeds and actual use of proceeds are set out below:

Intended use of proceeds		Actual use of proceeds as of 30 June 2018
(i)	approximately HK$110 million was intended to use for offsetting of outstanding principal amounts of the bonds issued by the Company to a subsidiary of EOG	approximately HK$110 million was utilized as intended
(ii)	approximately HK$37 million was intended to use for offsetting of outstanding principal amounts of the Convertible Notes held by a subsidiary of EOG	approximately HK$37 million was utilized as intended
(iii)	approximately HK$100 million was intended to use for repayment of outstanding principal amounts on loans of the Group due to a subsidiary of Wang On Group Limited ("**WOG**")	approximately HK$100 million was utilized as intended

Intended use of proceeds	Actual use of proceeds as of 30 June 2018
(iv) approximately HK$205 million was intended to use for repayment of outstanding interests accrued on the bonds, loans and the Convertible Notes held by/owed to the subsidiaries of EOG, Wai Yuen Tong Medicine Holdings Limited and WOG	approximately HK$196 million was utilized as intended, the remaining of approximately HK$9 million will be utilized as intended
(v) approximately HK$235 million was intended to use for repayment of outstanding indebtedness of the Group owed to independent third parties	approximately HK$235 million was utilized as intended
(vi) approximately HK$10 million was intended to use for the general working capital of the Group	approximately HK$10 million was utilized as intended

The remaining of the proceeds was expected to be used as intended. The details of the 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.

Material valuation method of investment properties and review of audit committee

The investment properties of the Group were stated at fair value as at 30 June 2018. The fair value was arrived at based on the valuations carried out by an independent firm of qualified professional valuers. The professional valuers are professional members of The Hong Kong Institute of Surveyors with experience in the location of the properties being valued. The valuations conform to be in accordance with HKIS Valuation Standards 2017, which incorporates the International Valuation Standards (IVS). The 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 realised on the actual sales and/or asking prices of comparable properties. Comparable properties of similar size, scale, maturity, 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.

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 30 June 2018, the Group operated 11 agricultural produce 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, the Group periodically monitor the exchange rate fluctuation, and prepare effective hedging mechanism to tackle when adverse condition happens; (2) obtaining adequate financing, including equity and debt financing, to support our agri-products exchange markets that are capital intensive, the Group regularly review the short-term and long-term liquidity level to prepare for the future needs, as and when appropriate; (3) preserving or enhancing our competitive position in the agri-products exchange markets industry, the Group has designated personnel to monitor our competitors activities and formulate effective strategies to preserve our competitive position; (4) maintaining or enhancing the level of occupancy at our agri-products exchange markets, the Group launches, from time to time, various marketing campaigns to retain existing tenants and to attract new tenants; (5) obtaining all necessary licenses and permits for the development, construction, operations and acquisition of agri-products exchange markets, the Group hires sufficient local staff with professional qualifications to ensure all processes are comply with local laws and regulations; 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, the Group maintains a relatively flat organizational structure and high autonomous to enable fast react to the changes.

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 Xiu Qun ("**Ms. Wang**") and Wuhan Tian Jiu Industrial and Commercial Development Co., Ltd. ("**Tian Jiu**") as plaintiffs against the Company as defendant and joined Wuhan Baisazhou Agricultural By-Product Grand Market Company Limited ("**Baisazhou Agricultural**") as third party.

Ms. Wang and Tian Jiu alleged that the share transfer agreements in relation to the acquisition of an aggregate 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 a 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 advisors 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 Company will take all necessary actions in the PRC as advised by its PRC legal advisors in response to the Beijing Judgment.

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

Employees and Remuneration Policies

As at 30 June 2018, the Group had 1,316 employees (31 December 2017: 1,355 employees), approximately 98% of whom were located in the PRC. The Group's remuneration policy is reviewed periodically by the remuneration committee of the Company and the Board's remuneration is determined by reference to market terms, company performance, and individual qualifications and performance. The Group aimed to recruit, retain and develop competent individuals who were committed to the Group's long-term success and growth. Remunerations and other benefits of employees were reviewed annually in response to both market conditions and trends, and were based on qualifications, experience, responsibilities and performance.

Future Plans and Prospects

The PRC economy grew slowly and gradually in the first half of 2018, and the prices of fruit and vegetables dropped due to abundant harvest in agricultural sector in the PRC, which may have slight impact on the income of the Group in the first half of 2018. As for the property sales of the Group, slow pace of economic growth induced investors and business operators to take a more conservative approach in acquisition of new properties.

Agricultural issue remains the theme of 2018 Number 1 Document of the PRC Government. The Group will continue to adjust its business model, as and when appropriate, in order to meet the overall government policy requirements. For e-commerce development, the Group has attempted to adopt an offline to online business model to bridge up the connection between the virtual internet world and the physical agricultural markets. With tight control of business development, the Group has put limited resources in this area, and the management will take a more prudent approach in this resource-intensive area in the long run with considering the possibility of forming a strategic alliance with other electronic business service providers.

The Group has endeavored to build up a national network of agricultural produce exchange markets. After the continuous effort being put by the management in the recent years, the Group has build up a nationwide chain of markets, linking the southern and northern regions and across the eastern and south-western parts of the PRC. The brand name of "Hongjin" is well recognised among the agricultural produce exchange markets. Going forward, the Group will accelerate the pace of sale of properties and continue to negotiate, build and expand its network of agricultural produce exchange markets in the PRC by establishing partnerships and exploring business opportunities of agricultural produce exchange markets in different provinces in the country so as to deliver long-term benefits to the shareholders of the Company.

Disclosure of Interests

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

As at 30 June 2018, none of the Directors or the chief executive of the Company, nor any of their respective associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

Directors' Rights to Acquire Shares or Debentures

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

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

As at 30 June 2018, to the best knowledge of the Directors, the following persons (other than the Directors or the chief executive of the Company) had, or were deemed or taken to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in the shares of the Company

Name of shareholder	Capacity	Total number of shares held	Approximate percentage of the Company's total issued share capital *(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 ("**Active Dynamic**")	Interest of controlled corporation	793,254,588 *(Note c)*	7.97
Galaxy Sky Investments Limited ("**Galaxy Sky**")	Interest of controlled corporation	793,254,588 *(Note c)*	7.97
Kingston Capital Asia Limited ("**Kingston Capital**")	Interest of controlled corporation	793,254,588 *(Note c)*	7.97
Kingston Financial Group Limited ("**Kingston Financial**")	Interest of controlled corporation	793,254,588 *(Note c)*	7.97
Kingston Securities Limited ("**Kingston Securities**")	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 interests forms.

(b) Pursuant to the disclosure of interests form published on the website of the Stock Exchange, Easy One, through Onger Investments Limited and Peony Finance Limited, both 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 interests forms published on the website of the Stock Exchange, the 793,254,588 shares were held by Kingston Securities, which is directly wholly-owned by Galaxy Sky (a direct wholly owned subsidiary of Kingston Capital which is directly wholly-owned by Kingston Financial). Kingston Financial was owned as to 42.9% by Active Dynamic which is directly wholly-owned by Chu Yuet Wah. In the circumstance, each of Chu Yuet Wah, Active Dynamic, Galaxy Sky, Kingston Capital and Kingston Financial were deemed to be interested in those 793,254,588 shares under the SFO.

Save as disclosed above, as at 30 June 2018, there were no other persons (other than the Directors or the chief executive of the Company) who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Share Option Scheme

On 3 May 2012, the Company terminated the old share option scheme adopted on 4 June 2002 and adopted a new share option scheme (the "**Scheme**") for the primary purpose of providing incentive to selected eligible persons (the "**Participants**") to take up options for their contribution to the Group. Under the Scheme, the Board may grant share options to the Participants to subscribe for the shares of the Company (the "**Share(s)**") for a consideration of HK$1 for each lot of share options granted. The exercise price is to be determined by the Board and shall not be less than the highest of (i) the official closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a business day; (ii) the average of the official closing price of the Shares as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share. The number of Shares in respect of which options may be granted to any Participants in any 12-month period up to and including the date of grant shall not exceed 1% of the Shares in issue at any point in time, without prior approval from the shareholders of the Company. Options granted to substantial shareholders of the Company or independent non-executive Directors, or any of their respective associates, in excess of 0.1% of the Shares in issue and with an aggregate value in excess of HK$5,000,000 must be approved in advance by the shareholders of the Company. The Scheme became effective on 3 May 2012 and will remain in force for a period of 10 years. There is no specific requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised for a period of more than 10 years from the date of grant.

Share Option Scheme

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

On 15 May 2018, the shareholders of the Company had at the annual general meeting passed an ordinary resolution to refresh the aforesaid limit. Since then, the maximum number of Shares which may be issued upon exercise of all share options to be granted by the Company under the refreshed limit has become 995,306,782.

Since the adoption of the Scheme and up to 30 June 2018, no share option had been granted. As at the date of this interim report, the total number of Shares available for issue under the Scheme is 995,306,782, representing approximately 10% of the total number of Shares in issue.

Corporate Governance and Other Information

The Company had complied with the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules during the Period, except the following deviation:

Code provision A.2.1

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

Changes in Information of Directors

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

- Mr. Wong Hin Wing became an independent non-executive director of Jiangxi Bank Co., Ltd. in February 2018 of which its H shares are listed on the Stock Exchange on 26 June 2018.

- The basic annual salary payable to each of Mr. Chan Chun Hong, Thomas and Mr. Leung Sui Wah, Raymond has been increased by HK$21,960 and HK$168,000, respectively to approximately HK$1.1 million and approximately HK$1.8 million with effect from 1 April 2018. The basic annual salary payable to Mr. Yau Yuk Shing has been decreased by HK$789,360 to HK$300,000 with effect from 1 March 2018.

- The monthly director's fee payable to each of the independent non-executive Directors (i.e. Mr. Ng Yat Cheung, Mr. Lau King Lung and Mr. Wong Hin Wing) has increased from HK$10,000 to HK$12,000 with effect from 15 August 2018.

Purchase, Sale or Redemption of Listed Securities of the Company

During the Period, the Company completed the purchase of and cancelled outstanding 1 per cent notes due 2024 (the "**Notes**") under the HK$1,000,000,000 medium term note programme on the Stock Exchange in the aggregate principal amount of HK$110,000,000. As at 30 June 2018, the Notes in the principal amount of HK$290,000,000 remained outstanding. For further details, please refer to the announcement of the Company dated 8 March 2018.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the Period.

Model Code for Securities Transactions by Directors

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

Audit Committee

The Company has the Audit Committee which was established in accordance with the requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting processes, internal controls and risk management. The Audit Committee comprises all the independent non-executive Directors, namely Mr. Wong Hin Wing, Mr. Ng Yat Cheung and Mr. Lau King Lung, and is chaired by Mr. Wong Hin Wing. The Audit Committee has reviewed with the management and HLB Hodgson Impey Cheng Limited, the Group's external auditors, the unaudited condensed consolidated interim results for the six months ended 30 June 2018.

Appreciation

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

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

Hong Kong, 15 August 2018

Independent Review Report

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

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

INDEPENDENT REVIEW REPORT
TO THE BOARD OF DIRECTORS OF
CHINA AGRI-PRODUCTS EXCHANGE LIMITED
(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 38 to 76, which comprises the condensed consolidated statement of financial position of China Agri-Products Exchange Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") at 30 June 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Main Board Listing Rules**") require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Wong Sze Wai, Basilia
Practising Certificate Number P05806

Hong Kong, 15 August 2018

Interim Results

The Board announces the unaudited condensed consolidated results of the Group for the six months ended 30 June 2018, together with the comparative figures for the corresponding period in 2017. These interim condensed consolidated financial statements were not audited, but have been reviewed by HLB Hodgson Impey Cheng Limited, the Group's external auditors, and the Audit Committee.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018

		For the six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
	Notes	**HK$'000**	HK$'000
Turnover	*3*	**326,830**	365,354
Cost of operation		**(121,441)**	(140,553)
Gross profit		**205,389**	224,801
Other revenue and other net income		**6,940**	7,054
General and administrative expenses		**(90,005)**	(119,923)
Selling expenses		**(11,124)**	(20,846)
Profit from operations before fair value change of investment properties and impairment		**111,200**	91,086
Net change in fair value of investment properties		**5,849**	1,826
Change in fair value of derivative financial instruments		**(13,063)**	(39,085)
Written down of stock of properties		**(31,970)**	–
Share of profit on joint venture		**8,905**	–
Profit from operations		**80,921**	53,827
Finance costs	*4*	**(110,540)**	(137,144)
Loss before taxation	*5*	**(29,619)**	(83,317)
Income tax	*6*	**(30,117)**	(9,296)
Loss for the period		**(59,736)**	(92,613)

For the six months ended 30 June 2018

	Notes	For the six months ended 30 June 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Other comprehensive (loss)/income, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(51,981)**	87,014
Other comprehensive (loss)/income for the period, net of income tax		**(51,981)**	87,014
Total comprehensive loss for the period, net of income tax		**(111,717)**	(5,599)
(Loss)/profit attributable to:			
Owners of the Company		**(87,234)**	(95,805)
Non-controlling interests		**27,498**	3,192
		(59,736)	(92,613)
Total comprehensive (loss)/profit attributable to:			
Owners of the Company		**(134,109)**	(8,256)
Non-controlling interests		**22,392**	2,657
		(111,717)	(5,599)
Loss per share			
– Basic	8	**HK$0.01**	HK$0.07
– Diluted	8	**HK$0.01**	HK$0.07

Condensed Consolidated Statement of Financial Position

As at 30 June 2018

	Notes	**As at 30 June 2018 (Unaudited) HK$'000**	As at 31 December 2017 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	*9*	**56,688**	59,195
Investment properties	*10*	**3,356,906**	4,392,818
Intangible assets	*11*	**9,092**	12,122
		3,422,686	4,464,135
Current assets			
Stock of properties		**1,820,452**	886,488
Trade and other receivables	*12*	**224,917**	185,142
Loan receivables		**41,458**	38,424
Financial assets at fair value through profit or loss		**6,872**	23,460
Cash and cash equivalents		**401,020**	513,827
		2,494,719	1,647,341
Current liabilities			
Deposits and other payables	*13*	**753,552**	737,953
Deposit receipts in advance		**–**	377,603
Contract liabilities		**461,281**	–
Bank and other borrowings	*14*	**275,951**	339,231
Promissory notes		**376,000**	376,000
Income tax payable		**65,445**	52,908
		1,932,229	1,883,695
Net current assets/(liabilities)		**562,490**	(236,354)
Total assets less current liabilities		**3,985,176**	4,227,781

As at 30 June 2018

	Notes	As at 30 June 2018 (Unaudited) HK$'000	As at 31 December 2017 (Audited) HK$'000
Non-current liabilities			
Bonds		**1,212,310**	1,254,581
Banks and other borrowings	*14*	**267,145**	357,023
Convertible bonds		**230,349**	226,279
Deferred tax liabilities		**428,434**	432,295
		2,138,238	2,270,178
Net assets		**1,846,938**	1,957,603
Capital and reserves			
Share capital	*15*	**99,531**	99,531
Reserves		**1,354,348**	1,488,780
Total equity attributable to owners of the Company		**1,453,879**	1,588,311
Non-controlling interests		**393,059**	369,292
Total equity		**1,846,938**	1,957,603

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000 (note a)	Shareholders' contribution HK$'000 (note b)	Other reserve HK$'000	Exchange reserve HK$'000	Convertible bonds reserve HK$'000 (note c)	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2017 (audited)	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 translating foreign operations	-	-	-	-	-	-	87,549	-	-	87,549	(535)	87,014
Other comprehensive (loss)/profit for the period	-	-	-	-	-	-	87,549	-	-	87,549	(535)	87,014
(Loss)/profit for the period	-	-	-	-	-	-	-	-	(95,805)	(95,805)	3,192	(92,613)
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	87,549	-	(95,805)	(8,256)	2,657	(5,599)
Convertible bonds converted for the period	4,955	230,767	-	-	-	-	-	(59,541)	-	176,181	-	176,181
At 30 June 2017 (unaudited)	16,588	3,304,196	945	2,215,409	664	(15,021)	(192,123)	90,660	(4,447,777)	973,541	356,047	1,329,588
At 1 January 2018 (audited)	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
Exchange differences on translating foreign operations	-	-	-	-	-	-	(46,875)	-	-	(46,875)	(5,106)	(51,981)
Other comprehensive loss for the period	-	-	-	-	-	-	(46,875)	-	-	(46,875)	(5,106)	(51,981)
(Loss)/profit for the period	-	-	-	-	-	-	-	-	(87,234)	(87,234)	27,498	(59,736)
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(46,875)	-	(87,234)	(134,109)	22,392	(111,717)
Transaction cost relating to rights issue in 2017	-	(323)	-	-	-	-	-	-	-	(323)	-	(323)
Acquisition of a non-wholly owned subsidiary	-	-	-	-	-	-	-	-	-	-	1,375	1,375
At 30 June 2018 (unaudited)	99,531	3,923,147	945	2,215,409	664	(15,021)	(81,281)	79,547	(4,769,062)	1,453,879	393,059	1,846,938

Notes:

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

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

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

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

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

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash generated from/(used in) operating activities	**188,351**	(50,295)
Investing activities		
Payments for purchase of property, plant and equipment	**(5,970)**	(3,663)
Proceeds from investment properties, net	**(15,236)**	(5,393)
Proceeds from disposal of property, plant and equipment	**331**	–
Proceeds from disposal of financial assets at fair value through profit or loss	**3,394**	–
Bank interest received	**3,458**	2,397
Net cash used in investing activities	**(14,023)**	(6,659)
Financing activities		
Proceeds from new bank borrowings	**34,351**	63,250
Repayments of other borrowings	**(23,690)**	(13,800)
Repayments of bank borrowings	**(154,396)**	(73,573)
Payment for redemption of bonds	**(58,112)**	–
Net cash inflow from acquisition of a non-wholly owned subsidiary	**1,375**	–
Payment for transaction cost related to rights issue in 2017	**(323)**	–
Decrease in pledged bank deposit	**–**	(16,100)
Interest paid	**(67,864)**	(45,001)
Net cash used in financing activities	**(268,659)**	(85,224)

For the six months ended 30 June 2018

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net decrease in cash and cash equivalents	**(94,331)**	(142,178)
Cash and cash equivalents at 1 January	**513,827**	330,102
Effect of foreign exchange rate changes	**(18,476)**	(35,633)
Cash and cash equivalents at 30 June	**401,020**	152,291

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

1. Basis of Preparation

Statement of compliance

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

The Interim Financial Statements has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

2. Application of New and Revised HKFRSs

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

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

HKFRS 1 (Amendments)	First time adoption of Hong Kong Financial Reporting Standard
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts
HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
HKAS 28 (Amendments)	Investments in associates and joint ventures
HKAS 40 (Amendments)	Transfers of investment property
HK(IFRIC) — 22	Foreign currency transactions and advance consideration

2. Application of New and Revised HKFRSs *(Continued)*

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

HKFRS 9 Financial instruments

The Group has initially adopted HKFRS 9 Financial instruments from 1 January 2018. HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

Based on the assessment by the Group, there would be no retrospective item that existed and no significant cumulative effect of the initial application of HKFRS 9 at 1 January 2018 in accordance with the transition requirement.

(i) Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("**FVOCI**") and at fair value through profit or loss ("**FVPL**"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial assets is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

— Amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

— FVOCI — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

— FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including) interest are recognised in profit or loss.

2. Application of New and Revised HKFRSs *(Continued)*

HKFRS 9 Financial instruments *(Continued)*

(i) Classification of financial assets and financial liabilities *(Continued)*

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

There is no reclassification or remeasurement of the financial assets, including cash and cash equivalent, loan receivables, trade and other receivables, financial assets at fair value through profit or loss for the adoption of HKFRS 9.

The measurement categories for all financial liabilities remain the same.

The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

2. Application of New and Revised HKFRSs *(Continued)*

HKFRS 9 Financial instruments *(Continued)*

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" ("**ECL**") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including cash and cash equivalents, loan receivables, trade and other receivables).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expect cash shortfalls are discounted using the effective interest rate determined at initial recognition or an approximation thereof for fixed rate financial assets and trade and other receivables where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without under cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12 month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— Lifetime ECLs: these are losses that are expected to result from all possible default events over the expected of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matric based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

2. Application of New and Revised HKFRSs *(Continued)*

HKFRS 9 Financial instruments *(Continued)*

(ii) Credit losses *(Continued)*

Measurement of ECLs *(Continued)*

For all other financial instruments, the Group recognised a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— Failure to make payments of principal or interest on their contractually due dates;

— An actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— An actual or expected significant deterioration in the operating results of the debtor; and

— Existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

2. Application of New and Revised HKFRSs *(Continued)*

HKFRS 9 Financial instruments *(Continued)*

(ii) Credit losses *(Continued)*

Significant increases in credit risk *(Continued)*

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for financial asset at fair value through profit or loss.

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired included the following observable events:

— Significant financial difficulties of the debtor;

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

— It becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

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

— The disappearance of an active market for a security because of financial difficulties of the issuer.

2. Application of New and Revised HKFRSs *(Continued)*

HKFRS 9 Financial instruments *(Continued)*

(ii) Credit losses *(Continued)*

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(iii) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

— Information relating to comparative periods has not been restated.

— The assessments have been made on the basis of the facts and circumstances that exist at 1 January 2018 (the date of initial application of HKFRS 9 by the Group) for the determination of the business model within which a financial asset is held.

— If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

2. Application of New and Revised HKFRSs *(Continued)*

HKFRS 15 Revenue from Contracts with Customers

Impact of adoption

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in HKFRS 15, the Group has adopted the new rules modified retrospectively and therefore has not restated comparatives for the 2017 financial year. In summary, the following adjustments were made to the amounts recognised in the opening balance sheet on 1 January 2018:

	HKAS 18 carrying amount 31 December 2017	**Reclassification**	**Remeasurement**	**HKFRS 15 carrying amount 1 January 2018**
	HK$'000	HK$'000	HK$'000	HK$'000
Trade and other receivables	185,142	–	15,916	201,058
Contract liabilities	–	377,603	15,916	393,519
Deposits receipts in advance	377,603	377,603	–	–

Presentation of assets and liabilities related to contracts with customers

The Group has also changed the presentation of the following amounts in the balance sheet to reflect the terminology of HKFRS 15:

- Contract liabilities in relation to property sales contracts and rental contracts were previously include in deposit receipts in advance (approximately HK$377,603,000 as at 1 January 2018).

2. Application of New and Revised HKFRSs *(Continued)*

HKFRS 15 Revenue from Contracts with Customers *(Continued)*

Presentation of assets and liabilities related to contracts with customers *(Continued)*

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(a) Timing of revenue recognition

The new revenue standard does not likely to have significant impact on how the Group recognised revenue from rental income from agricultural produce exchange market operation and revenue recognition for sales of development properties is not affected. Previously the Group's property development activities are carried out in the Mainland China only. Taking into account the contract terms, the Group's business practice and the legal and regulatory environment of the Mainland China, the Group assessed that its property sales contracts do not meet the criteria for recognising revenue over time and therefore revenue from property sales is recognised at a point in time. Previously the Group recognised revenue from property sales upon 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. Under HKFRS 15, revenue from property sales was recognised when the legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property.

(b) Significant financing component

For contracts where the period between the payment by the customer and transfer of the promised property or service exceeds one year, the transaction price should be adjusted for the effects or a financing component, if significant. The Group has assessed that the financing component effect was insignificant.

3. Segment Reporting

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

Segment revenue and results

An analysis of the Group's revenues and results by reportable segment for the six months ended 30 June 2018 and 2017:

	Agricultural produce exchange market operation		Property sales		Unallocated		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Turnover								
External sales	**192,181**	156,693	**134,649**	208,661	**-**	–	**326,830**	365,354
Result								
Segment result	**87,422**	30,398	**48,406**	108,286	**-**	–	**135,828**	138,684
Other revenue and other net income	**3,615**	5,434	**-**	–	**3,325**	1,620	**6,940**	7,054
Net change in fair value of investment properties	**5,849**	1,826	**-**	–	**-**	–	**5,849**	1,826
Written down of stock of properties	**-**	–	**(31,970)**	–	**-**	–	**(31,970)**	–
Change in fair value of derivative financial instruments	**-**	–	**-**	–	**(13,063)**	(39,085)	**(13,063)**	(39,085)
Share of profit on joint venture	**-**	–	**-**	–	**8,905**	–	**8,905**	–
Unallocated corporate expense					**(31,568)**	(54,652)	**(31,568)**	(54,652)
Profit from operations							**80,921**	53,827
Finance costs	**(19,240)**	(23,468)	**-**	–	**(91,300)**	(113,676)	**(110,540)**	(137,144)
Loss before taxation							**(29,619)**	(83,317)
Income tax							**(30,117)**	(9,296)
Loss for the period							**(59,736)**	(92,613)

3. Segment Reporting *(Continued)*

Segment assets and liabilities

An analysis of the Group's assets and liabilities by reportable segment as at 30 June 2018 and 31 December 2017:

	Agricultural produce exchange market operation		Property sales		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Assets						
Segment assets	**3,868,475**	4,857,923	**1,831,678**	886,488	**5,700,153**	5,744,411
Unallocated corporate assets					**217,252**	367,065
Consolidated total assets					**5,917,405**	6,111,476
Liabilities						
Segment liabilities	**1,584,027**	1,643,907	**330,771**	286,828	**1,914,798**	1,930,735
Unallocated corporate liabilities					**2,155,669**	2,223,138
Consolidated total liabilities					**4,070,467**	4,153,873

4. Finance Costs

	For the six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings wholly repayable within five years	**19,099**	31,822
Interest on bank and other borrowings wholly repayable over five years	**148**	290
Interest on bonds	**79,543**	93,282
Interest on promissory notes	**11,750**	11,750
	110,540	137,144

5. Loss Before Taxation

	For the six months ended 30 June 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Loss before taxation has been arrived at after charging the following items:		
Depreciation and amortisation	**10,352**	9,857
Change in fair value of derivative financial instruments	**13,063**	39,085
Loss on disposal of property, plant and equipment	**150**	124

6. Income Tax

	For the six months ended 30 June 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Current tax		
– PRC enterprise income tax	**28,186**	5,351
Deferred tax		
– Origination and reversal of temporary differences	**1,931**	3,945
	30,117	9,296

No provision for Hong Kong Profits Tax has been made in the Interim Financial Statements as the Company and its subsidiaries had no assessable profits in both periods. PRC Enterprise Income Tax is computed to the relevant legislation interpretations and practices in respect thereof during the period. PRC Enterprise Income Tax rate is 25% (six months ended 30 June 2017: 25%).

7. Dividends

The Directors do not propose the payment of any interim dividend in respect of the period under review (six months ended 30 June 2017: Nil).

8. Loss Per Share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately HK$87,234,000 (six months ended 30 June 2017: approximately HK$95,805,000) and weighted average number of approximately 9,953,068,000 ordinary shares (period from 1 January 2017 to 30 June 2017: approximately 1,390,479,996). The diluted loss per share for the six months ended 30 June 2018 and 2017 were the same as the basis loss per share as there were no diluted potential ordinary shares in issue during the six months ended 30 June 2018 and 2017.

9. Movement in Property, Plant and Equipment

During the period under review, the Group's acquired property, plant and equipment at cost of approximately HK$5,970,000 (six months ended 30 June 2017: approximately HK$3,663,000).

10. Investment Properties

During the period under review, the Group's addition of investment properties at cost and exchange realignment of approximately HK$55,681,000 and HK$60,142,000 (six months ended 30 June 2017: approximately HK$5,393,000 and HK$126,190,000). The Group's investment properties were fair valued by valuers at 30 June 2018.

During the period under review, the Group had approximately HK$995,557,000 investment properties transferred to stock of properties (six months ended 30 June 2017: Nil).

During the period under review, investment properties with carrying amount of approximately HK$1,628,204,000 (31 December 2017: approximately HK$1,824,077,000) were pledged to banks for the Group's borrowings.

The investment properties were classified as Level 3 under the fair value hierarchy (31 December 2017: Level 3).

11. Intangible Assets

	Operating right HK$'000
Cost	
As at 1 January 2018 and 30 June 2018 (Unaudited)	43,768
Accumulated amortisation and impairment loss	
As at 1 January 2018	31,646
Amortisation expenses during the period	3,030
As at 30 June 2018 (Unaudited)	34,676
Carrying amount	
As at 30 June 2018 (Unaudited)	**9,092**
As at 31 December 2017 (Audited)	12,122

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 1.5 years and less impairment loss.

12. Trade and Other Receivables

The Group maintains a defined and restricted credit policy to assess the credit quality of each counterparty or tenant. The collection is closely monitored to minimise any credit risk associated with these trade receivables. The trade receivables mainly consist rental receivables. Included in trade and other receivables are trade receivables of approximately HK$7,872,000 (31 December 2017: approximately HK$6,892,000) and their aged analysis at each reporting period is as follow:

	As at 30 June 2018 HK$'000 (Unaudited)	As at 31 December 2017 HK$'000 (Audited)
Less than 90 days	**1,601**	3,321
More than 90 days but less than 180 days	**541**	281
More than 180 days	**5,730**	3,290
Total trade receivables	**7,872**	6,892
Deposit for land acquisition	**58,736**	58,299
Other deposits	**12,077**	21,806
Prepayments	**67,232**	36,882
Other receivables	**79,000**	61,263
	224,917	185,142

13. Deposits and Other Payables

	As at 30 June 2018 HK$'000 (Unaudited)	As at 31 December 2017 HK$'000 (Audited)
Accrued charges	**31,013**	32,892
Construction payables	**69,923**	100,852
Deposit received	**81,693**	66,859
Interest payables	**242,971**	233,815
Other tax payables	**60,421**	61,185
Other payables	**267,531**	242,350
	753,552	737,953

14. Bank and Other Borrowings

	As at 30 June 2018 HK$'000 (Unaudited)	As at 31 December 2017 HK$'000 (Audited)
Secured bank borrowings	**543,096**	672,239
Unsecured other borrowings	**–**	24,015
	543,096	696,254
Carrying amount repayable:		
Within one year	**275,951**	339,231
More than one year, but within two years	**172,261**	230,295
More than two years, but within five years	**88,961**	114,721
More than five years	**5,923**	12,007
	543,096	696,254
Less: amounts due within one year shown under current liabilities	**(275,951)**	(339,231)
	267,145	357,023

(a) Included in the above balances are bank borrowings of variable-rate of approximately HK$425,293,000 (31 December 2017: approximately HK$531,206,000) 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% (31 December 2017: approximately 4.9% to 6.7% per annum) per annum. Interest is repriced every 30 days. Bank borrowings of fixed-rate of approximately HK$117,803,000 (31 December 2017: approximately HK$141,033,000) carry interest fixed from approximately 5.0% to 7.8% (31 December 2017: approximately 5.0% to 7.8% per annum) per annum. As at 31 December 2017, the other borrowings of approximately HK$24,015,000 were obtained from one party and carry interest fixed from approximately 10% per annum.

14. Bank and Other Borrowings *(Continued)*

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

	As at 30 June 2018 Per annum	As at 31 December 2017 Per annum
Effective interest rate:		
Fixed-rate borrowings	**5%-7.8%**	5%-10%
Variable-rate borrowings	**4.9%-6.7%**	4.9%-6.7%

(c) The secured bank borrowings are secured by investment properties and stock of properties of the Company with a carrying amount of approximately HK$2,211,874,000 (31 December 2017: approximately HK$2,344,805,000).

15. Share Capital

	As at 30 June 2018		As at 31 December 2017	
	Number of shares	**Nominal value HK$'000**	Number of shares	Nominal value HK$'000
Authorised:				
Ordinary shares of HK$0.01 each	**30,000,000,000**	**300,000**	30,000,000,000	300,000
Ordinary shares, issued and fully paid:				
At 1 January	**9,953,067,822**	**99,531**	1,163,344,637	11,633
Issue of shares upon rights issue	**–**	**–**	8,294,223,185	82,943
Conversion of convertible bonds	**–**	**–**	495,500,000	4,955
At 30 June 2018 (Unaudited) and 31 December 2017 (Audited)	**9,953,067,822**	**99,531**	9,953,067,822	99,531

16. Fair Value Measurement

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

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

i) the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and

ii) the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

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

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable as at 30 June 2018 and 31 December 2017.

- 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).

16. Fair Value Measurement *(Continued)*

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets				
At 30 June 2018 (Unaudited)				
Financial assets at fair value through profit or loss				
– Equity securities listed in Hong Kong	**140**	**–**	**–**	**140**
Derivative financial instruments				
– Redemption option derivative component	**–**	**–**	**6,732**	**6,732**
At 31 December 2017 (Audited)				
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

17. Commitments

(a) Capital commitments outstanding at 30 June 2018 not provided for in the Interim Financial Statements were as follows:

	As at 30 June 2018 HK$'000 (Unaudited)	As at 31 December 2017 HK$'000 (Audited)
Capital expenditure authorised and contracted for in respect of:		
– acquisition of investment properties	**247,101**	260,148

17. Commitments *(Continued)*

(b) At 30 June 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 30 June 2018 HK$'000 (Unaudited)	As at 31 December 2017 HK$'000 (Audited)
Within one year	**3,369**	1,520
After one year but within five years	**242**	760
	3,611	2,280

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

18. Litigation

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

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.

   (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

18. Litigation *(Continued)*

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

1. *(Continued)*

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

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

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

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

3. On 18 June 2014, the Company received the judgment (the "**Hubei Court Judgment**") from the Hubei Court in relation to PRC Action No. 1. In the Hubei Court Judgment, the Hubei Court dismissed the claims of Ms. Wang and Tian Jiu, and they were ordered to bear the legal costs of the matter.

4. On 4 July 2014, the Company received the notice of appeal to the Supreme People's Court of the PRC (the "**Supreme People's Court**") from Ms. Wang and Tian Jiu regarding PRC Action No. 1 (the "**Appeal**"). In the Appeal, Ms. Wang and Tian Jiu sought an order from the Supreme People's Court that the Contended Agreement was void.

18. Litigation *(Continued)*

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

5. On 13 January 2015, the Company received the judgment dated 31 December 2014 handed down from the Supreme People's Court in relation to the Appeal (the "**Beijing Judgment**"). In the Beijing Judgment, the Supreme People's Court ordered that (a) the Hubei Court Judgment be revoked; (b) the Contended Agreement was void; and (c) acknowledged that the HK$1,156 million sale and purchase agreement ("**SPA**") shall be the actual agreement being performed by the Company, Ms. Wang and Tian Jiu.

   As advised by the PRC legal adviser of the Company:

   (a) The Supreme People's Court only ordered the Contended Agreement void, but it did not make any ruling regarding the Acquisition itself, and/or the approval of the Acquisition issued by MOFCOM in November 2007.

   (b) The Beijing Judgment will not directly lead to any immediate change of ownership of Baisazhou Agricultural. The Company continues to be the legal owner of Baisazhou Agricultural until and unless the revocation of:

      (i) the approval of the Acquisition from MOFCOM; and

      (ii) the registration of the transfer of shareholding by the Hubei AIC.

6. On 23 June 2015, the Company submitted an application to the Supreme People's Court for a retrial, requesting that the Beijing Judgment be set aside.

7. On 21 July 2015, the Company received the written Notice of Acceptance of the retrial application from the Supreme People's Court.

8. On 22 December 2015, the Supreme People's Court dismissed the Company's petition (the "**December 2015 Judgment**"). The Company received the December 2015 Judgment on 7 January 2016.

9. The Company has been seeking legal advice as to the possible impacts of the Beijing Judgment on the Group, if any, in view of the development as set out in Paragraph 6 of Section (D) below.

18. Litigation *(Continued)*

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

10. If event 5(b)(i) and/or 5(b)(ii) outlined above do happen, possible impacts on the Group may include, but are not limited to, the following:

    (a) Baisazhou Agricultural ceasing to be a subsidiary of the Company. For the six months ended 30 June 2018, Baisazhou Agricultural contributed approximately the following to the Group: (i) approximately HK$98 million (approximately 30% of the Group) in revenue; (ii) approximately HK$73 million (approximately 122% increase in the loss attributable to owners of the Company of the Group) in profit attributable to owners of the Company; (iii) approximately HK$1,581 million (approximately 27% of the Group) in assets; (iv) approximately HK$569 million (approximately 14% of the Group) in liabilities; and (v) approximately HK$1,012 million (approximately 55% of the Group) in total equity attributable to owners of the Company;

    (b) the Company cancelling the provision for payment of the two outstanding instruments purportedly described as promissory notes in the respective sale and purchase agreement between the Company and Ms. Wang and Tian Jiu. As at 30 June 2018, the instruments are recorded at book value of approximately HK$376 million, together with interest payable in the aggregate amount of approximately HK$225 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.

18. Litigation *(Continued)*

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

1. On 28 January 2011, the Company and Baisazhou Agricultural commenced court proceedings at the Hubei Court against, inter alia, Ms. Wang and Tian Jiu for the return of assets and operating profits of Baisazhou Agricultural which were unlawfully misappropriated etc.

2. On 16 October 2014, the Company applied to the Hubei Court to withdraw its claim in the proceedings. The Company's application was granted on 22 October 2014. Baisazhou Agricultural remains as plaintiff of the proceedings.

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

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

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

1. On or about 24 October 2011, the Company issued a Writ of Summons in the Hong Kong Court of First Instance (the "**Court**") against Ms. Wang and Tian Jiu. The Company (as purchaser) sought damages from Ms. Wang and Tian Jiu (as vendors) for their breach of various provisions of the SPA for the Acquisition.

2. On 5 October 2012, the Company obtained a court order from the Court to the effect that undertakings (the "**Undertakings**") were given by Ms. Wang and Tian Jiu not to (i) indorse, assign, transfer or negotiate the two instruments (purportedly described as promissory notes in the SPA) (the "**Instruments**"); and (ii) enforce payment by presentation of the Instruments until the final determination of the court action or further court order. Pursuant to the Undertakings, the Instruments will no longer fall due for payment by the Company on 5 December 2012.

3. On 9 June 2017, upon the parties' joint application to the Court, the Court varied the Undertakings to the effect that the Undertakings shall stand save that Ms. Wang and Tian Jiu can make a counterclaim under the present action as per the draft provided by Ms. Wang and Tian Jiu.

4. The trial was fixed to be heard in February 2019 for an estimated length of 20 days. In the meantime, a pre-trial review was fixed to be heard on 30 October 2018.

18. Litigation *(Continued)*

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

1. On 4 May 2015 and 5 May 2015, Ms. Wang and Tian Jiu had jointly commenced two separate legal proceedings against MOFCOM alleging that MOFCOM failed to discharge its statutory duties for handling their application submitted in January 2015 for revoking the certificate of approval and letter of approval in relation to the Contended Agreement (the "**Application**"). The cases have been accepted by the Beijing Second Intermediate People's Court (the "**Beijing Court**").

2. On 20 May 2015, MOFCOM had filed its defence and each of the Company and Baisazhou Agricultural has then made an application to join the cases as third party.

3. On 25 May 2015, the Company's application has been accepted by the Beijing Court.

4. On 8 January 2016, the Company received a judgment dated 31 December 2015 issued by the Beijing Court, by which the Court demanded MOFCOM to handle the Application again within 30 days.

5. On 15 February 2016, an inquiry was held by MOFCOM where the relevant parties to the legal proceedings were invited to attend and make submissions.

6. On 23 May 2016, the Company received a decision issued by MOFCOM dated 19 May 2016 (the "**MOFCOM Decision**") to the effect, inter alia, that its approval issued in November 2007 in relation to the Contended Agreement shall not be revoked and shall remain to be in force.

7. According to a writ dated 3 August 2016, Ms. Wang and Tian Jiu requested the Beijing Court to revoke the MOFCOM Decision and to order MOFCOM to make a decision to revoke the approval. According to a notice issued by the Beijing Court together with the writ which was served on the Company, each of the Company and Baisazhou Agricultural has been added as 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.

18. Litigation *(Continued)*

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

1. On 22 May 2015, in view of the Beijing Judgment (as disclosed in 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.

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.

18. Litigation *(Continued)*

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

11. On 26 April 2017, Ms. Wang and Tian Jiu applied to the Hubei Court for a freezing order in respect of the Company's 70% interest in Baisazhou Agricultural. The Hubei Court refused the application by Ms. Wang and Tian Jiu on that occasion.

12. On 10 May 2017, Ms. Wang and Tian Jiu applied to the Hubei Court again for a freezing order in respect of the Company's 70% interest in Baisazhou Agricultural. According to the order of the Hubei Court dated 26 May 2017 (the "**26 May Order**"), the Hubei Court granted the freezing order as against the Company's 70% interest in Baisazhou Agricultural.

13. On 26 May 2017, Ms. Wang and Tian Jiu applied to add a counterclaim for return of the Company's 90% interest in Baisazhou Agricultural (70% for Ms. Wang and 20% for Tian Jiu).

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.

18. 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.

18. Litigation *(Continued)*

(H) Writ issued by Qinzhou Hongjin Agricultural and By-Product Exchange Market Company Limited 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 Qingzhou 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.

(I) Writ issued by Jiangsu Tiancheng Construction Group Company Limited against Huai'an Hongjin Agricultural and By-Product Exchange Market Company Limited

1. On 5 September 2017, Huai'an Hongjin Agricultural and By-Product Exchange Market Company Limited ("**Huai'an Hongjin**") received a writ issued by Jiangsu Tiancheng Construction Group Company Limited ("**Jiangsu Tiancheng**") against it claiming a sum of approximately RMB19,845,300 being the outstanding construction payment together with interest.

2. On 6 June 2018, the Qingjiangpu District People's Court made an order that payment be made by Huai'an Hongjin to Jiangsu Tiancheng in respect of the outstanding construction payment in the sum of RMB10,754,152.17 together with interest.

3. On 20 June 2018, Huai'an Hongjin appealed to Huai'an Intermediate People's Court. The case is now being heard at Huai'an Intermediate People's Court.

18. Litigation *(Continued)*

(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 (the "**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 Hongjin 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 30 June 2018, 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.

19. Material Related Party Transactions

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

(a) Transactions with key management personnel

Remuneration for key management personnel of the Group including amount paid to the six Company's directors and four highest paid employees (six months ended 30 June 2017: three).

	For the six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	**5,497**	5,756
Post-employment benefits	**67**	73
	5,564	5,829

(b) Finance cost

During the period ended 30 June 2018, the Group paid a bond interest expenses to a wholly-owned subsidiary of Easy One Financial Group Limited at the amount of approximately HK$5,412,000 (six months ended 30 June 2017: approximately HK$12,943,000).

20. Financial Guarantee

As at 30 June 2018, a wholly-owned subsidiary of the Company provided guarantees of approximately HK$213,000 to our customers in favour of a bank for the loans provided by the bank to the customers of our project (31 December 2017: approximately HK$7,576,000).

21. Comparative Figures

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

22. Approval of Interim Financial Statements

The Interim Financial Statements were approved and authorised to issue by the Board on 15 August 2018.