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 ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Mr. Ng Yat Cheung, *JP*
Mr. Lau King Lung
Mr. Wong Ping Yuen
(appointed on 30 November 2018)

AUDIT COMMITTEE

Mr. Wong Ping Yuen, *Chairman*
(appointed on 30 November 2018)
Mr. Ng Yat Cheung, *JP*
Mr. Lau King Lung

REMUNERATION COMMITTEE

Mr. Ng Yat Cheung, *JP*, *Chairman*
Mr. Lau King Lung
Mr. Wong Ping Yuen
(appointed on 30 November 2018)
Mr. Chan Chun Hong, Thomas

NOMINATION COMMITTEE

Mr. Lau King Lung, *Chairman*
Mr. Ng Yat Cheung, *JP*
Mr. Wong Ping Yuen
(appointed on 30 November 2018)
Mr. Chan Chun Hong, Thomas
Mr. Leung Sui Wah, Raymond

COMPANY SECRETARY

Mr. Cheung Chin Wa, Angus

CORPORATE INFORMATION

PRINCIPAL BANKERS

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

LEGAL ADVISERS

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

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

LISTING INFORMATION

Shares Listing

The Stock Exchange of Hong Kong Limited
Stock Code: 0149

Notes Listing

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

HOMEPAGE

http://www.cnagri-products.com

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "**Board**" or the "**Director(s)**") of China Agri-Products Exchange Limited (the "**Company**", together with its subsidiaries, collectively the "**Group**"), I am pleased to present to our shareholders the annual report for the year ended 31 December 2018. During the year under review, the Group recorded a turnover of approximately HK$779 million (2017: approximately HK$790 million). Operating expenses reduced by 22% which was benefited from cost control measures during the year. The Group's profit from operations before fair value changes and impairment improved from approximately HK$74 million in 2017 to approximately HK$127 million this year. Loss attributable to owners of the Company was approximately HK$213 million (2017: loss attributable to owners of the Company of approximately HK$341 million).

BUSINESS ENVIRONMENT

Year 2018 marked the 40th anniversary of economic reform and opening up of the People's Republic of China (the "**PRC**"). The State Council of PRC issued the Strategic Plan for Rural Revitalization (2018-2022), proposing to step up the construction of rural logistics infrastructure, encourage enterprises in trade and transportation industries to expand the network of facilities in rural areas. The government also encouraged the acceleration of rural logistics networks and construction of rural area-oriented distribution centers in areas where necessary conditions are satisfied, thus providing more favourable policy conditions for revitalizing rural industries and advancing agricultural modernization.

The "One Belt, One Road" strategic deployment policy has also effectively strengthened exchanges among enterprises in the Mainland and countries and regions along the route, further expanded domestic and international markets, promoted integration with wholesale markets and purchasers within the ASEAN region, and stimulated the trading of agricultural products. The Hong Kong-Zhuhai-Macau Bridge officially opened to traffic in October 2018, which would not only strengthen the links among Hong Kong, Macau and Zhuhai, but also greatly improve the flow of people, logistics and capital in the Pearl River Delta, thus linking up the Pearl River Delta with ASEAN countries, thereby promoting the growth of domestic and international sales of agricultural products, which would bring huge business opportunities to the agricultural produce exchange markets of the Group.

BUSINESS REVIEW

During the year, the Group continued to integrate external and internal resources, strengthen cost control and enhance operational efficiency, all of which currently have achieved initial success. The Group continued to implement a series of improvement projects in relation to supplier management, customer relations and product quality management to enhance the Group's corporate image. In addition, the Group actively implemented asset-light operation strategy and diversified businesses to increase revenue sources, enhance brand advantage and strengthen overall competitive edge. In response to the national "Internet Plus" e-commerce development policy, the Group comprehensively promoted the business strategy for further integration of networks and entities in 2018. Currently, we are managing a total of 11 agricultural produce exchange markets in the Mainland, covering Wuhan, Huangshi, Suizhou, Luoyang, Puyang, Kaifeng, Yulin, Qinzhou, Xuzhou, Huai'an and Panjin. During the year, the Group also cooperated with domestic e-commerce companies for the first time to pilot the delegated inspection and distribution business, which will promote the business of agricultural produce exchange markets, thus providing support to the construction and development of national agricultural trade.

CHAIRMAN'S STATEMENT

BUSINESS DEVELOPMENT

Asset Light Operation Model

The Group has diversified from land acquisition to land lease operational arrangements while introduce strategic joint venture partnership in an attempt to reduce the capital pressure during business expansion and strengthen the Group's cash flow, thereby increasing the operational efficiency and improving capital returns. The Group adopted the asset-light operation model for Suizhou Baisazhou Agricultural and By-Product Exchange Market ("**Suizhou Market**"), a project jointly operated by a joint venture which was established by the Group with an independent third party in March 2018. During the year, Suizhou Market has begun to contribute revenue to the Group and is expected to become increasingly mature under the guidance of the Group's strategy.

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

The Group actively identifies suitable business opportunities and leverages on its experience in the operation of agricultural produce exchange markets. In response to the government agricultural e-commerce policy, the Group has increased its revenue sources by the combination of e-commerce channels. During the year, the Group cooperated with e-commerce companies to provide "delegated purchase and inspection, subcontracting to point" services, and Wuhan Baisazhou Agricultural and By-Product Exchange Market ("**Wuhan Baisazhou Market**") was selected as the first pilot distribution business. The Group will closely monitor the development of new business and consider expanding its business to other markets.

Strong Electricity Monitoring Alert System

As a leading agricultural products logistics and warehouse operator in China, the Group actively upgraded the environmental safety standards of the projects. During the year, it improved the strong electricity monitoring alert system for various agricultural produce exchange markets, strengthened the fire protection capability, created a safe operating environment and increased the resilience and core competitiveness of the Group.

CORPORATE STRATEGY

The Group has successfully built a nationwide chain of wholesale markets and a network of modern agricultural produce logistics centre network, linking the southern and northern regions and across the eastern and south-western parts of the PRC. Looking ahead, the Group will continue to expand its business development in the agricultural produce exchange markets and optimise the distribution of assets and resources of the Group through asset light operation strategy, thus enhancing operational efficiency and flexibility and seizing huge business opportunities brought by the favorable policies for the agricultural produce exchange markets.

In response to the focus of the PRC government's "Three Rural Issues" and rural revitalization strategy, the Group is planning to conduct the distribution business and the bulk trading business, to further draw on the successful experience and competitive advantages in the agricultural produce exchange markets of the Group, and promote the upgrading and transformation of agricultural products markets in various areas. With the support of the national "One Belt, One Road" policy and related measures, the Group actively seeks opportunities to line up wholesale markets or buyers within the ASEAN region, thereby increasing the domestic and overseas sales of agricultural products, and enhancing the branding, positioning and speciality of Chinese agricultural products in the international market.

In addition, the Group is also planning to comprehensively upgrade its operating system to help refine its business analysis and management, closely monitor its operational data and enhance cost control.

In conclusion, in 2019, the Group will continue to actively expand and optimize its business development in response to the government policies, while prudently managing its capital and assets and creating a sustainable business environment. Leveraging on the Group's successful track record and market potential, the management believes that the agricultural product market business will bring stable growth in return to the Group in the coming year and continue to promote the Group's overall branding within Greater China for maximising the benefits to our shareholders.

SOCIAL RESPONSIBILITY

As a socially responsible corporation, the Group is committed to promoting sustainable business development. In 2018, the Company participated in the international large-scale environmental protection action "Earth Hour" organised by the World Wide Fund for Nature, to support the reduction of energy consumption to alleviate the impact of climate change, and the "Skip Lunch Day" and "Dress Casual Day " organised by The Community Chest of Hong Kong to bring hope and support to people in need in the community. In its operations in the PRC, the Group has adopted an active environmental protection strategy to ensure that our construction projects and business operations comply with environmental protection laws and regulations of the PRC, while providing support to various education aid and poverty alleviation activities.

Please refer to the environmental, social and governance report in this annual report for details of the Group's environmental protection, social and governance related work in 2018.

APPRECIATION

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

Chan Chun Hong, Thomas
Chairman and Chief Executive Officer

Hong Kong, 14 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded a turnover of approximately HK$779 million, representing a decrease of approximately 1% as compared to approximately HK$790 million of last financial year mainly due to the decrease in property sales recognition. The Group recorded a gross profit and a segment result of approximately HK$391 million and approximately HK$199 million, respectively (2017: approximately HK$341 million and approximately HK$179 million, respectively), representing an increase of approximately 15% and an increase of approximately 11%, respectively, as compared to the last financial year. The increase in gross profit and segment result was mainly due to increase in rental income and implementation of effective cost saving policies.

SUMMARY OF FINANCIAL RESULTS

Turnover, gross profit and segment result

For the year ended 31 December 2018, the Group recorded a turnover of approximately HK$779 million, representing a decrease of approximately HK$11 million as compared to the last financial year. The below table summarises the key financial performance of the Group:

HK$ million and approximate %	For the year ended 31 December 2018 Agricultural Produce Exchange Market Operation	Property Sales	Total	For the year ended 31 December 2017 Agricultural Produce Exchange Market Operation	Property Sales	Total
Turnover	**379**	**400**	**779**	341	449	790
Gross Profit	**278**	**113**	**391**	238	103	341
Segment Result	**126**	**73**	**199**	102	77	179
Gross Profit to Turnover	**73%**	**28%**	**50%**	70%	23%	43%
Segment Result to Turnover	**33%**	**18%**	**26%**	30%	17%	23%

The Group recorded a turnover of approximately HK$779 million, representing a decrease of approximately 1% as compared to approximately HK$790 million of last financial year mainly due to the decrease in property sales recognition. The Group recorded a gross profit and a segment result of approximately HK$391 million and approximately HK$199 million, respectively (2017: approximately HK$341 million and approximately HK$179 million, respectively), representing an increase of approximately 15% and an increase of approximately 11%, respectively, as compared to the last financial year. The increase in gross profit and segment result was mainly due to increase in rental income and implementation of effective cost saving policies.

Other revenue and other net income

The Group recorded other revenue and other net income of approximately HK$21 million (2017: approximately HK$15 million). The increase was mainly due to increase in interest income.

General and administrative expenses, selling expenses and finance costs

General and administrative expenses were approximately HK$235 million (2017: approximately HK$239 million). The decrease was mainly due to the implementation of cost saving policies during the year under review. Selling expenses were approximately HK$50 million (2017: approximately HK$44 million). The increase in selling expenses was mainly due to the increase in the sales and promotion activities in 2018. Finance costs were approximately HK$212 million (2017: approximately HK$272 million) and such decrease was mainly due to the early repayments of debts.

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

The net gain in fair value of investment properties was approximately HK$5 million (2017: net gain of approximately HK$52 million). The decrease in the net gain was mainly due to decrease in fair value of Kaifeng Hongjin Agricultural and By-Product Exchange Market ("**Kaifeng Market**") and Huai'an Hongjin Agricultural and By-Product Exchange Market ("**Huai'an Market**"). Stock of properties value was written down for approximately HK$67 million (2017: approximately HK$83 million) mainly due to written down of stock of properties of Kaifeng Market, Huai'an Market and Panjin Hongjin Agricultural and By-Product Exchange Market ("**Panjin Market**").

Change in fair value of derivative financial instruments

During the year under review, net loss in fair value of derivative financial instruments was approximately HK$18 million (2017: approximately HK$77 million) due to the drop of share price of the Company during the year.

Loss attributable to owners of the Company

The loss attributable to owners of the Company for the year under review was approximately HK$213 million as compared to the loss of approximately HK$341 million in the last financial year. Profit from operations before fair value changes and impairment, interest and tax was approximately HK$127 million and the profit from operations was approximately HK$98 million (2017: profit of approximately HK$74 million and loss of approximately HK$30 million, respectively) for the year under review. The decrease in loss attributable to owners of the Company was mainly due to (i) an increase in gain from disposal of subsidiaries holding a parcel of land; (ii) a decrease in finance costs by early repayment of debts during the year under review; and (iii) a decrease in loss in fair value of derivative financial instruments arising from convertible notes issued in 2016, as compared to the financial year ended 31 December 2017.

DIVIDENDS

The Directors do not recommend any payment of final dividend for the year ended 31 December 2018 (2017: Nil). No interim dividend for 2018 was paid to the shareholders of the Company during the year under review (2017: Nil).

REVIEW OF OPERATIONS

During the year under review, the Group was principally engaged in management and sales of properties in agricultural produce exchange markets in the PRC. In order to cope with future growth and provide more comprehensive services to our customers, the Group strives for diversification of income streams in order to align its corporate mission and goals with the aim to delivering a long term benefit to the shareholders of the Company. From traditional operation of our wholly-owned agricultural produce markets to cooperation projects with local partners, the Group took a further step to adopt the light assets model. With the benefit of our reputation in the industry, we had started the provision of management service in recent year. In 2018, we made small amount of investment and provided management service to a local partner in Suizhou, the PRC, to operate an agricultural market under our brand name. During the year under review, the Group further extended its scope of business to provision of food and agricultural by-products merchandising services to our customers. During the year under review, both of the operating performance and market ranking of our markets remarked steady progress.

WUHAN BAISAZHOU
Market

Agricultural Produce Markets

Hubei Province

1. *Wuhan Baisazhou Market*

Located in the provincial capital of Hubei Province, the PRC, 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 2018, Wuhan Baisazhou Market was awarded top 10 of agricultural produce exchange market by China Agricultural Wholesale Market Association. The award was a sign to the market contribution being made by the Group's effort and expertise as an agricultural produce exchange market operator in the PRC.

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

HUANGSHI
Market

2. *Huangshi Market*

Following the completion of acquisition of Huangshi Hongjin Agricultural and By-Product Exchange Market ("**Huangshi Market**") in January 2015, Huangshi Market had become one of the Group's joint venture projects in Hubei Province, the PRC. The contracted operating space of Huangshi Market was approximately 23,000 square metres. Huangshi city is a county level city in Hubei and around 100 kilometres away from Wuhan Baisazhou Market. Huangshi Market, as a second-tier agricultural produce exchange market, created synergy effect with Wuhan Baisazhou Market by increasing vegetables and by-products trading. During the year under review, the operating performance of Huangshi Market was satisfactory, bringing positive operating cashflow to the Group. During the year under review, the operating turnover of Huangshi Market was approximately HK$16 million and remained stable as compared to the last financial year.

SUIZHOU
Market

3. 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 Market, which is the third project of the Group in Hubei Province, the PRC, which occupied approximately 240,000 square metres. Phase one of Suizhou Market focused on vegetables and fruits transactions. The Group pursued asset light business model by taking up the contract management rights to operate this new market in Hubei Province, the PRC. Suizhou Market was in its early stage of development and was expected to grow gradually.

LUOYANG
Market

Henan Province

4. ***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 a 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 had gradually improved, while both occupancy rate and vehicles traffic were satisfactory. During the year under review, Luoyang Market had brought positive contribution to the Group. In 2018, Luoyang Market was awarded "The Most Influential Market" by the Market Development Committee of the Marketing Association of the PRC and the "Model Market of Modern and Reliability" by the Industrial and Commercial Bureau of Luoyang City, the PRC. In 2018, the operation income of Luoyang Market changed from loss to profit.

PUYANG
Market

5. Puyang Market

Puyang Hongjin Agricultural and By-Product Exchange Market ("**Puyang Market**") is one of our joint venture projects in cooperation with a local partner in Henan Province, the PRC. During the year under review, the operating performance of Puyang Market improved and resulted in an increase of approximately 22% in turnover as compared to the last financial year.

KAIFENG
Market

6. *Kaifeng Market*

Kaifeng Market, with a gross floor construction area of approximately 120,000 square metres, was the third point of market operations for facilitating the Group to build an agricultural produce market network in Henan Province, the PRC. During the year under review, the Company had implemented various operating strategies to improve the market performance of Kaifeng Market.

YULIN
Market

Guangxi Zhuang Autonomous Region

7. *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, the PRC ("**Guangxi Region**") 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 godowns. Phase two development of Yulin Market became a new growth driver for the Group. In 2018, Yulin Market was awarded the "Food Safety Model Wholesale Market of Guangxi Region" by the Food and Medicine Supervision and Management Authority, the Guangxi Region. As an energetic agricultural produce exchange market, Yulin Market's continuously remarkable performance proved it having become one of the key agricultural produce exchange markets in the Guangxi Region.

Yulin Market's operation performance was encouraging, achieving a revenue growth of approximately 27% for the year under review as compared to the last financial year. One of the main reasons for the revenue growth of the year was the property sales recognition during the year under review increased to approximately HK$394 million from approximately HK$298 million in the last financial year.

QINZHOU
Market

8. *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 year under review, the Group focused on enhancing the market's operation performance and it resulted in an increase of approximately 18% in operation turnover as compared to the last financial year.

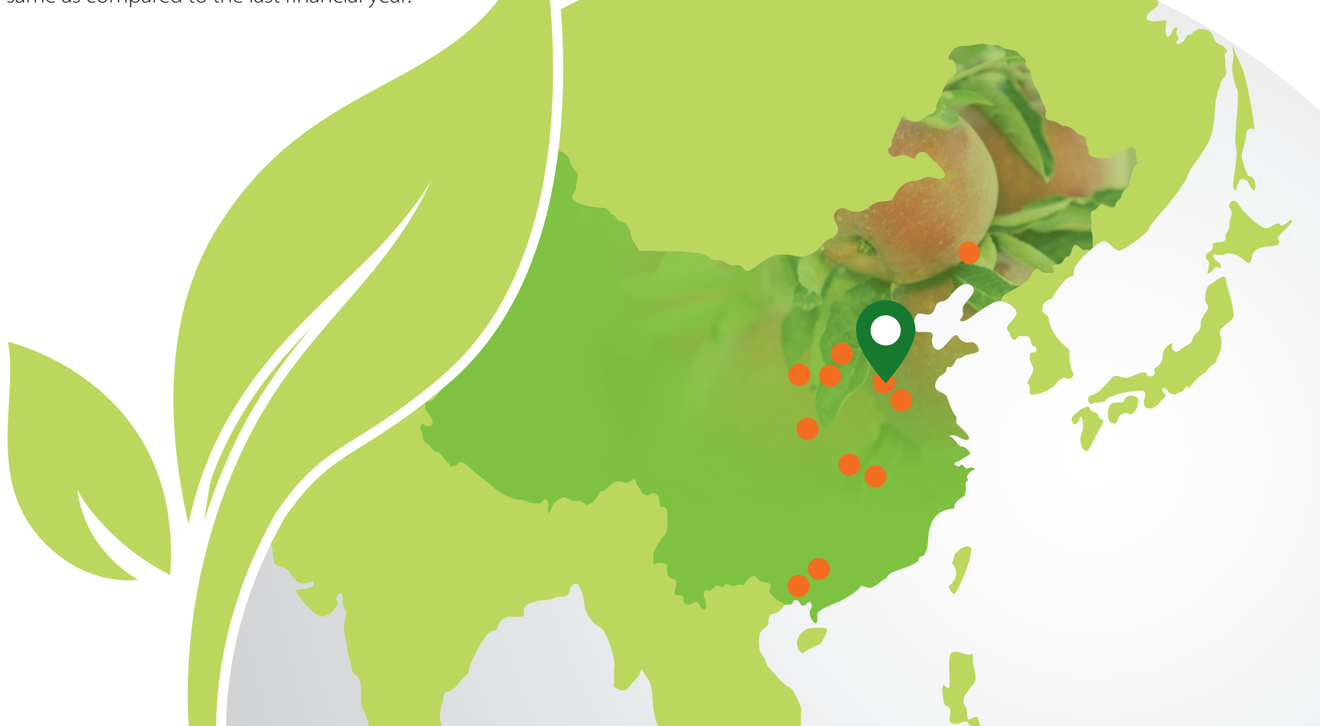
XUZHOU
Market

Jiangsu Province

9. 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 turnover of Xuzhou Market during the year under review was approximately HK$46 million and was approximately the same as compared to the last financial year.



HUAI'AN
Market

10. Huai'an Market

Huai'an Market, with contracted operating area of approximately 100,000 square metres, is located at Huai'an City of Jiangsu Province, the PRC. Phase one of Huai'an Market had been in operation since October 2015 and it was expected that the performance of Huai'an Market will gradually improve after the market has become more mature. During the year under review, the Company is under a legal dispute with the partner of the joint venture founded in September 2017, the details of which will be disclosed in note 36 to the consolidated financial statements in this annual report.

PANJIN
Market

Liaoning Province

11. Panjin Market

Phase one of Panjin Market, with a construction area of around 50,000 square metres, is the first attempt of the Group's investment in Liaoning Province, the PRC. Panjin Market focused on the trading of river crabs. During the year under review, the management of the Company expanded the business scope by holding regular market fairs in Panjin Market to improve its performance.

Food and agricultural by-products merchandising

As more and more projects had become mature with stable operation, the Group saw robust demand for food and agricultural by-products merchandising services in our markets. Therefore, the Group strategically extended its footprints to the business of food and agricultural by-products merchandising during the year under review. Leveraging on the Company's advantages in market penetration, products knowledge, price, quality sensitivity and suppliers' network, the Group launched its first pilot site in Wuhan Baisazhou Market. This new business was gradually improving. The management would closely monitor the performance of this new business and would launch this new service to other markets when the business model becomes mature.

E-commerce development

With the robust mobile network and widespread use of intelligent mobile devices in the PRC, the Group allocated resources to e-commerce development linking online and offline customers in our agricultural exchange markets. Our website and mobile phone applications formed a trading platform providing one-stop shopping experience to our customers. During the year under review, the management continued to slow down the e-commerce development and strengthened the existing resources of customer base and e-commerce business. The Group would also explore opportunities to cooperate with other business partners in this area.

Cyber risk and security

With information technology system and internet network playing a vital role in our operation, the Group has designated professionals to monitor and assess potential cyber risks. Both hardware and software are kept track with appropriate Company's policies. Potential cyber risks and network security are the key concerns of 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 the 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 effective policies and procedures are in place to avoid data fraud or theft 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 the PRC. Such risk may cause an adverse effect on agricultural production and affect the Company's turnovers from market operation and property sales.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, the Group had total cash and cash equivalents amounting to approximately HK$488 million (2017: approximately HK$514 million) whilst total assets and net assets were approximately HK$5,604 million (2017: approximately HK$6,111 million) and approximately HK$1,595 million (2017: approximately HK$1,958 million), respectively. The Group's gearing ratio as at 31 December 2018 was approximately 1.0 (2017: approximately 1.0), being a ratio of total bank and other borrowings, bond and promissory notes of approximately HK$2,085 million (2017: approximately HK$2,553 million), net of cash and cash equivalents of approximately HK$488 million (2017: approximately HK$514 million) to shareholders' funds of approximately HK$1,595 million (2017: approximately HK$1,958 million).

As at 31 December 2018, the ratio of total interest-bearing debts of approximately HK$2,085 million (2017: approximately HK$2,553 million) to total assets of approximately HK$5,604 million (2017: approximately HK$6,111 million) was approximately 37% (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 year under review, no Convertible Notes were converted into Shares by the Convertible Notes' holders. As at 31 December 2018, Convertible Notes with the outstanding principal amount of HK$264.8 million was in issue.

CAPITAL COMMITMENTS, PLEDGES AND CONTINGENT LIABILITIES

As at 31 December 2018, outstanding capital commitments, contracted but not provided for, amounted to approximately HK$214 million (2017: approximately HK$260 million) in relation to the purchase of property, plant and equipment, construction contracts and operating lease agreements. As at 31 December 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 project (2017: approximately HK$8 million).

As at 31 December 2018, certain investment properties and stock of properties with carrying amount of approximately HK$1,669 million (2017: approximately HK$2,345 million for land use right and properties) were pledged to secure certain bank borrowings.

The Group did not have any outstanding foreign exchange contracts, interest or currency swaps or other financial derivatives as at 31 December 2018. The revenue, operating costs and bank deposits of the Group were mainly denominated in Renminbi ("**RMB**") and Hong Kong dollars. The activities of the Group are exposed to foreign currency risks mainly arising from its operations in mainland China and certain bank deposits denominated in RMB. Currently, the Group does not have a foreign currency hedging policy. During the year under review, due to the currency fluctuation of RMB against Hong Kong dollars, the Group had been considering, from time to time, alternative risk hedging tools to mitigate RMB currency exchange risk.

DEBT PROFILES AND FINANCIAL PLANNING

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

	2018		2017	
	Carrying amount	**Approximate effective interest rate**	Carrying amount	Approximate effective interest rate
	HK$ million	***(per annum)***	*HK$ million*	*(per annum)*
Bond Issuance	**1,026**	**11%**	1,255	11%
Convertible Notes	**235**	**12%**	226	12%
Financial Institution Borrowings	**448**	**6%**	672	6%
Non-Financial Institution Borrowings	**0**	**0%**	24	10%
Promissory Notes	**376**	**5%**	376	5%
Total	**2,085**		2,553	

Note:

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

As at 31 December 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 January 2019 to November 2023; and the holders of the promissory notes have given an undertaking not to indorse, assign, transfer or negotiate the promissory notes and enforce payment by presentation of the promissory notes until the final determination of a court action or further court order. Under the said undertaking, the promissory notes will no longer fall due for payment by the Company on 5 December 2012. Details of the undertaking and the court case will be disclosed in note 36 to the consolidated financial statements in this annual report. In order to meet interest-bearing debts and business capital expenditure, the Group is, from time to time, considering various financing alternatives, as and when appropriate, including equity and debt financing including but not limited to new share placing, rights issue of new shares, financial institution borrowings, non-financial institution borrowings, bonds issuance, convertible notes, other debt financial instruments, disposal of investment properties and sales of stock of properties.

TREASURY POLICY

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

CONTRACTUAL ARRANGEMENT OF E-COMMERCE BUSINESS

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

MATERIAL UNCERTAINTY RELATING TO GOING CONCERN

Assumption of going concern in the preparation of consolidated financial statements

The Company has adopted the going concern basis in the preparation of consolidated financial statements and implemented the following measures in order to improve the working capital and liquidity and cashflow of the Group. Firstly, the Group is taking measures to tighten cost control over various cost and expenses and sale of property with an aim to improve cash flow operations. Secondly, the Group is negotiating with various bankers to secure necessary facilities to meet the Group's working capital and financial requirements in the near future. Thirdly, the Company obtained a court order from the Hong Kong Court of First Instance to the effect that undertakings (the "**Undertakings**") were given by Ms. Wang Xiu Qun ("**Ms. Wang**") and Wuhan Tian Jiu Industrial and Commercial Development Co., Ltd ("**Tian Jiu**") not to indorse, assign, transfer or negotiate the two instruments (purportedly described as promissory notes in the sale and purchase agreement) (the "**Instruments**"); and 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. In light of the various measures and arrangements, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to remain a commercially viable concern. Accordingly, the management has prepared the consolidated financial statements on a going concern basis.

Material valuation method of investment properties and review of audit committee

The investment properties of the Group were stated at fair value as at 31 December 2018. The fair value was arrived at based on the valuations carried out by an independent firm of qualified professional valuers. Professional valuers have professional staff members of Hong Kong Institute of Surveyors with experience in the location of the properties being valued. The valuations conform to the Valuation Standard of Hong Kong Institute of Surveyors. Professional valuers valued the properties on the basis of capitalisation of the net income derived from properties rental. Direct comparison method is adopted based on the principle of substitution, where comparison is made based on prices realized on actual sales and/or asking prices of comparable properties. Comparable properties of similar size, scale, 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 31 December 2018, the Group operated 11 agricultural products exchange markets across 5 provinces in the PRC. In view of the ever-changing business environment in the PRC, the followings are the principal risks, challenges and uncertainties faced by the Group, including (1) fluctuation in the exchange rate of RMB against Hong Kong dollars, which affects the translation of the PRC assets and liabilities from RMB to Hong Kong dollars in the Group's financial reporting; (2) difficulty in obtaining adequate financing, including equity and debt financing, to support our agri-products exchange markets that are capital intensive; (3) preserving or enhancing our competitive position in the agri-products exchange markets industry; (4) maintaining or enhancing the level of occupancy at our agri-products exchange markets; (5) obtaining all necessary licenses and permits for the development, construction, operations and acquisition of agri-products exchange markets; and (6) the effect of changes and amendments in the national and local laws and regulations, especially the laws and regulations relating to agri-products exchange markets, on the Group's operations and development.

DEPENDENCE OF EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

Repurchase and cancellation of notes

During the period from January to March 2018, the Company completed the purchase of and subsequently cancelled part of the outstanding 1 per cent notes due 2024 (the "**Listed Notes**") in the aggregate principal amount of HK$110 million. As at 31 December 2018, the Listed Notes in the principal amount of HK$290 million remained outstanding.

Disposal of subsidiaries holding a parcel of land in Yulin city

On 23 August 2018, an indirect wholly-owned subsidiary of the Company entered into a sale and purchase agreement with an independent third party to sell the entire issued share capital of an indirect wholly-owned subsidiary of the Company at the consideration of RMB78 million (equivalent to approximately HK$88 million). This subsidiary indirectly held a parcel of land with a total site planned area of 73,333.51 square metres in Yulin City, the PRC. The disposal was completed on 10 October 2018, in which the Group recorded a gain of approximately HK$40 million arising from the disposal. The net proceeds (after deducting other expenses in relation thereto and the relevant tax) arising from such disposal were approximately RMB72.7 million (equivalent to approximately HK$82.4 million), in which approximately HK$70 million was utilized for repayment of indebtedness and related interest and approximately HK$12.4 million was utilized for general working capital.

Use of proceeds of rights issue announced in 2017

On 4 October 2017, the Company announced a 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 of approximately HK$697 million were utilized as intended, in which (i) approximately HK$110 million was utilized for offsetting of outstanding principal amounts of the bonds issued by the Company to a subsidiary of Easy One Financial Group Limited ("**EOG**") as intended; (ii) approximately HK$37 million was utilized for offsetting of outstanding principal amounts of the convertible notes held by a subsidiary of EOG as intended; (iii) approximately HK$100 million was utilized for repayment of outstanding principal amounts on loans of the Group due to a subsidiary of Wang On Group Limited ("**WOG**") as intended; (iv) approximately HK$205 million was utilized for repayment of outstanding interests accrued on the bonds, loans and convertible notes held by/owed to the subsidiaries of EOG, Wai Yuen Tong Medicine Holdings Limited and WOG as intended; (v) approximately HK$235 million was utilized for repayment of outstanding indebtedness of the Group owed to independent third parties as intended and; (vi) approximately HK$10 million was utilized for the general working capital of the Group as intended.

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, 11 May 2017 and 27 December 2018 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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, 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. The Company received the judgment of the Beijing High People's Court dated 20 December 2018 (the "**20 December Judgment**") on 24 December 2018. By the 20 December Judgment, the Beijing High People's Court dismissed the appeal of Ms. Wang and Tian Jiu and upheld the ruling of the Beijing Second Intermediate People's Court as set out in the 31 March Judgment. In other words, the Approval shall not be revoked and remain to be in force, and the Company continues to be the legal and beneficial owner of Baisazhou Agricultural under the PRC Laws.

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 Contended Agreements 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 36 to the consolidated financial statements in this annual report.

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2018, the Group had 1,229 employees (2017: 1,355), approximately 98% of whom were located in the PRC. The Group's remuneration policy was reviewed periodically by the remuneration committee of the Company and the Board's remuneration is determined by reference to market terms, company performance, and individual qualifications and performance. The Group aimed to recruit, retain and develop competent individuals who were committed to the Group's long-term success and growth. Remunerations and other benefits of the employees were reviewed annually in response to both market conditions and trends, and were based on qualifications, experience, responsibilities and performance. The Company has adopted a share option scheme on 3 May 2012 for the primary purpose of providing incentive to selected eligible persons to take up options for their contribution to the Group. During the year under review, no share option had been granted.

PROSPECTS

During the year under review, the economy in the PRC generally maintained a stable growth path while showing positive signs of development. Looking ahead to 2019, the Group will continue to build a nationwide agricultural produce exchange network by leveraging on its leading position in the industry, readily replicable business model, well-advanced management system, information technology infrastructure and quality customer services.

Once again, agricultural issue is the PRC central government's first priority policy for the next consecutive years. In 2019, the Central Committee of Communist Party of China and the State Council of PRC released the "Number 1 Policy of 2019". The document promises to promote investments in agricultural produce markets, expand agricultural produce network, build logistic infrastructure and storage facilities of agriculture and improve regional cold storage infrastructure. On the other hand, it is expected that the "One Belt, One Road" policy will drive the overall growth of the PRC economy and provide a sustainable way for the PRC's continuing development.

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

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Executive Directors

Mr. CHAN Chun Hong, Thomas, aged 55, joined the Group as an executive director of the Group in February 2009 and is the chairman, the chief executive officer and an authorised representative of the Company. Mr. Chan is the chairman of the executive committee and a member of each of the remuneration committee and the nomination committee of the Company. He has extensive experience in strategic planning and day-to-day operation management. Mr. Chan is an executive director of Wang On Group Limited, Wai Yuen Tong Medicine Holdings Limited and Easy One Financial Group Limited, and the non-executive chairman of Wang On Properties Limited, all of which are companies listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Mr. Chan graduated from the Hong Kong Polytechnic University with a degree in Accountancy and is a fellow member of The Association of Chartered Certified Accountants and an associate member of The Hong Kong Institute of Certified Public Accountants.

Mr. LEUNG Sui Wah, Raymond, aged 51, joined the Group as an executive director of the Group and the chief financial officer in June 2010. Mr. Leung was appointed as an authorised representative of the Company in February 2012. He is a member of each of the executive committee and the nomination committee of the Company, and the chief executive officer of Hongjin Agri-Products Wholesale Market Group Limited, a wholly-owned subsidiary of the Company, responsible for overseeing the agricultural produce exchange market operation of the Group in the PRC. Mr. Leung had over 26 years of experience in business operation, business development, corporate governance, mergers and acquisitions in Hong Kong and the PRC. He is a council member of the Chinese Agri-products Marketing Association, which is the national leading association of the agricultural wholesale markets in the PRC. He holds a Master Degree in Business Administration and Master of Arts from The University of Hong Kong and City University of Hong Kong, respectively. He is a fellow member of The Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants, The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He is also a full member of Chartered Institute of Procurement and Supply and Certified Information Security Manager of Information Systems Audit and Control Association.

Mr. YAU Yuk Shing, aged 54, joined the Group in April 2012 and was appointed as an executive director of the Group in December 2012. Mr. Yau is a member of the executive committee of the Company. He has more than 24-year management experience in property development, engineering and construction businesses. Prior to joining the Group, Mr. Yau worked for certain companies with a wide spread of experience in real estate industry and project management.

Independent Non-executive Directors

Mr. NG Yat Cheung, *JP*, aged 63, joined the Company as an independent non-executive Director in February 2009. He is a member of each of the audit committee, the remuneration committee and the nomination committee of the Company. On 16 March 2012, Mr. Ng was also appointed as the chairman of the remuneration committee of the Company. He holds an associate degree in arts in business data processing from Chabot College in the United States. He holds offices as a director with a number of private companies which are principally engaged in technology, property development, insurance, finance and property holding. Mr. Ng is an independent non-executive director of Tao Heung Holdings Limited, a company listed on the main board of the Stock Exchange and was an independent non-executive director of VSTECS Holdings Limited (formerly known as VST Holdings Limited) (resigned in May 2016), a company listed on the main board of the Stock Exchange and EJE (Hong Kong) Holdings Limited (formerly known as Jia Meng Holdings Limited) (resigned in August 2015), a company listed on the Growth Enterprise Market of the Stock Exchange.

Mr. LAU King Lung, aged 72, joined the Company as an independent non-executive Director in May 2013. He is the chairman of the nomination committee and a member of each of the audit committee and the remuneration committee of the Company. Mr. Lau has over 40 years' experience in planning, design and contracting of civil engineering and building works in Hong Kong or the PRC. Mr. Lau is a chartered engineer with his profession registration both in the United Kingdom and Hong Kong. He remains a retirement member of The Hong Kong Institution of Engineers after his retirement. He participated in the design of the initial systems of the Mass Transit Railway in Hong Kong after his graduation from civil engineering department of Imperial College, University of London for 6 years with Freeman Fox and Partners, London.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Mr. WONG Ping Yuen, aged 44, joined the Company as an independent non-executive Director in November 2018. He is the chairman of the audit committee and a member of each of the remuneration committee and the nomination committee of the Company. Mr. Wong has been a certified public accountant of The Hong Kong Institute of Certified Public Accountants since 2001, and obtained a Master Degree of Business Administration from the University of Adelaide in August 2005. Mr. Wong was appointed as a partner of ITA & Co. in 2009 and has changed to the sole-proprietor of ITA & Co. since 2015. He has been a partner of SRF Partners & Co. since 2014.

SENIOR MANAGEMENT

Mr. CHIER Ping Cheung, aged 57, joined the Group in September 2012. He is the chief operating officer (Team One) of the Group and a director of seven subsidiaries of the Group, namely Wuhan Baisazhou Agricultural By-Products Grand Market Company Limited, Xuzhou Yuan Yang Trading Development Company Limited, Huai'an Hongjin Mingyuan Agricultural By-Products Logistics Company Limited, Yulin Hongjin Agricultural By-Products Wholesale Market Limited, Huangshi Hongjin Agricultural By-Products Wholesale Market Limited, Yulin Hongjin Logistics Development Limited and Suizhou Baisazhou Agricultural By-Products Logistics Park Limited. He is responsible for project operation and management in the PRC. Mr. Chier has over 25 years of experience in accounting in Hong Kong and the PRC.

Mr. LEUNG Wai Hong, aged 39, joined the Group in January 2015. He is the chief operating officer (Team Two) of the Group and an executive director of Henan Hongjin Gudeng Entrepreneurship Incubator Limited and a director of Luoyang Hongjin Agricultural By-Products Wholesale Market Limited, both are subsidiaries of the Group. He is responsible for operation and management of the Group's projects in Kaifeng city, Puyang city, Luoyang city and Panjin city in the PRC. Mr. Leung holds a Bachelor Degree in Accounting from The Chinese University of Hong Kong. He is a member of The Association of Chartered Certified Accountants and has over 15 years of experience in accounting in Hong Kong and the PRC.

Mr. WONG Ka Kit, aged 46, joined the Group in August 2009. He is the chief operating officer (Team Three) of the Group and a director of Yulin Hongjin Agricultural By-Products Wholesale Market Limited in Guangxi Region, a subsidiary of the Group. He is responsible for the business operations and sales in Guangxi Region. Mr. Wong holds a Master Degree in Business Administration from Hong Kong Baptist University and a Bachelor (Hons) Degree in Accountancy from The Hong Kong Polytechnic University. He is a member of The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants, and was a member of the 4th Guangxi Yulin Committee of the Chinese People's Political Consultative Conference. Prior to joining the Group, Mr. Wong has over 10 years of experience in general management and finance in Hong Kong and the PRC.

Mr. YUNG Chi Hung, Quincy, aged 50, joined the Group in May 2018. He is the financial controller of the Group responsible for finance and accounting matters. Mr. Yung holds a Master Degree in Business Administration and a Bachelor Degree in Business Administration from the Chinese University of Hong Kong and the University of Wisconsin-Madison, USA respectively. He is a member of the American Institute of Certified Public Accountants. Mr. Yung has over 20 years of experience in finance and accounting matters in Hong Kong and the PRC.

Mr. LEUNG Wai Kai, Ray, aged 44, joined the Group in April 2013. He is the general manager of Human Resources Department of the Group and is responsible for human resources management and talent development. Mr. Leung holds a Bachelor Degree of Business Administration in Human Resources Management from Hong Kong Baptist University and he is a qualified Human Resources Professional in the PRC. Mr. Leung has over 22 years of experience in human resources both in Hong Kong and the PRC.

Mr. CHEUNG Chin Wa, Angus, aged 41, joined the Company as company secretary in May 2012. He is also a director of a subsidiary of the Group namely Pu Yang Hongjin Agricultural By-Products Wholesale Marketplace Limited. Mr. Cheung is a fellow member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators, and a Chartered Governance Professional. He holds a Master Degree of Professional Accounting, a Master Degree of Corporate Governance, a Bachelor Degree of Laws and a Bachelor Degree of Arts in Translation. Prior to joining the Group, Mr. Cheung held company secretary or senior company secretarial positions in several Hong Kong listed companies.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

Company Profile

The Group is engaged in operation and management of agricultural produce wholesale markets and has successfully combined food safety monitoring and provision of distribution and logistics services into a one-stop agricultural produce exchange platform.

In 2018, the Group managed 11 agricultural produce exchange markets, including a newly opened market in Suizhou city, the PRC. The other 10 exchange markets are strategically located in major cities in the PRC, namely, Wuhan city, Yulin city, Luoyang city, Xuzhou city, Puyang city, Kaifeng city, Qinzhou city, Huangshi city, Huai'an city and Panjin city.

Over the years, the Group has successfully established a modern nationwide network of agricultural logistics centers. The "Hongjin" brand under the Group has gained market reputation as "China's Agricultural Trade Construction Model".

About this Report

This is the third Environmental, Social and Governance ("**ESG**") Report of the Group, setting out our efforts of creating sustainability values to our stakeholders during the year ended 31 December 2018.

The Board acknowledges its responsibility to ensure the integrity of this report and to the best of its knowledge, this report addresses all relevant material issues and fairly presents the ESG performance of the Group.

The Chinese version of this report is available on the websites of the Stock Exchange and the Company. In case of any conflicts between the two versions, the English version shall prevail.

Reporting Standard and Scope

This report has been prepared in compliance with Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange (the " **Listing Rules**").

This report discloses ESG performance of the Group's 11 agricultural produce exchange markets in the PRC and two of its offices in Shenzhen and Hong Kong. Since the Group's two offices have minimal environmental impacts, the Group focuses on its agricultural produce exchange markets when disclosing its environmental performance.

Feedback

The report aims to be plain, clear and easy-to-read. We take into consideration interests of our stakeholders to the greatest extent possible in compilation of this report. We welcome your thoughts and feedback regarding what you would like to be incorporated in our future reports. Please contact us at:

CHINA AGRI-PRODUCTS EXCHANGE LIMITED
Address: Suite 3202, 32/F., Skyline Tower, 39 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong
Tel: (852) 2312 8329
Fax: (852) 2312 8148
E-mail: pr@cnagri-products.com
Website: http://cnagri-products.com/html/contact_contact.php

LETTER TO STAKEHOLDERS

Dear Valued Stakeholders,

On behalf of the Board, I am pleased to present our third ESG Report. The Board has undertaken to get involved in sustainability governance and lead the Group towards better ESG risk management and value creation.

We value our relationship with our stakeholders and we understand that stakeholder engagement is essential for the Group to appreciate and respond to stakeholders' key concerns, which in turn helps us identify risks and opportunities related to ESG matters. We maintain regular communications through various channels with our stakeholders including investors, employees, customers, suppliers and the community.

The Group attaches great importance to its responsibility for environmental management, realizing that climate change can cause adverse effects to agricultural production, and hence to the Group's business operations. Internal policies such as Major Events Management Manual are in place to monitor the Group's environmental performance and achieve effective environmental management.

In recent years, the Group has been developing e-commerce with a robust mobile network, linking online and offline customers together in agricultural exchange markets. Cyber risks and the security of our data and systems are thus material to our operations. We have established policies to monitor, regulate and update both hardware and software of our systems, to safeguard our data and avoid data fraud risk.

Looking ahead, the Group will continue to advance towards sustainable development by engaging with its stakeholders, incorporating ESG matters into its business strategy and striving for better ESG performance. We are committed to creating value for our customers, shareholders and the society through the growth of our Group as well as making progress in pursuing sustainability of the Group.

On behalf of the Board and management, I would like to thank all our stakeholders for their continued support. We look forward to your continued engagement throughout our sustainability journey.

By Order of the Board
Chan Chun Hong, Thomas
Chairman and Chief Executive Officer
Hong Kong, 14 March 2019

STAKEHOLDER ENGAGEMENT

Stakeholder engagement is essential for the Group to understand its stakeholders' concerns and emerging priorities of ESG issues. This also gives us opportunities to identify and manage ESG risks.

We are committed to on-going engagement with our stakeholders including investors, employees, customers and the community through the channels below.

Stakeholders	Issues	Engagement Channels
Customers	• Data privacy • Customer satisfaction	• Company website • Feedback from frontline employees
Employees	• Training and development • Occupational Health and Safety • Remuneration	• Complaints system • Staff meetings
Community	• Contribution to the community • Environmental protection	• Support charity organizations
Government	• Legitimacy of service and business ethics • Employee protection • Tax compliance	• Compliance with applicable laws and regulations
Investors	• Corporate governance • Business operations • Information disclosure	• Annual reports and interim reports • Press releases

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

THE ENVIRONMENT

Environmental Management

As our operations continue to expand, we are redoubling our efforts for environmental protection and continually improve the environment for the benefit of our customers, employees and the communities in areas affected by our activities.

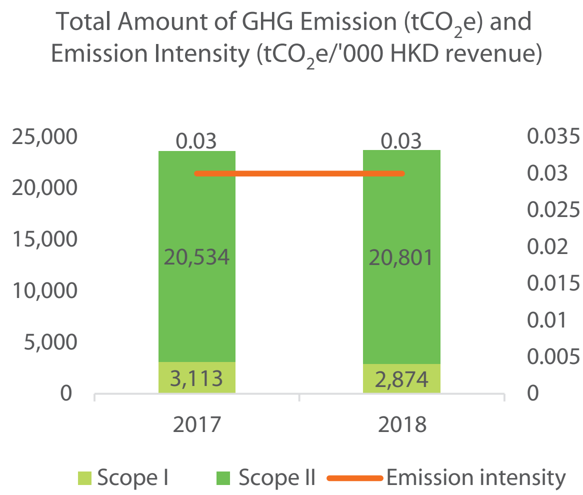
The Group follows its internal policies to monitor the Group's environmental performance and achieve effective environmental management. A Major Events Management Manual (重大事項管理手冊) is in place to respond to and control emergency events including environmental accidents happening in areas where the Group has operations. The Manual specifies the responsible department and personnel in charge and a standard procedure to report and manage emergency events.

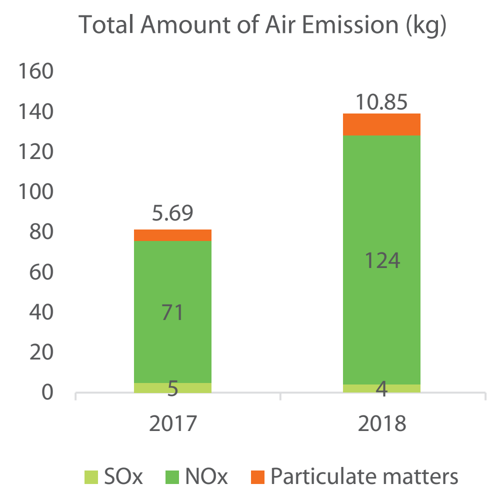
We ensure all our daily operations, including the 11 agricultural produce exchange markets, to comply with national and local environmental laws including but not limited to the Environmental Protection Law, Law of the PRC on the Prevention and Control of Air Pollution, Law of the PRC on the Prevention and Control of Water Pollution and Law of the PRC on the Prevention and Control of Environment Pollution Caused by Solid Wastes. There were no significant fines or non-monetary sanctions for non-compliance with environmental laws and regulations during the reporting period.

Emission Control

Greenhouse gas ("**GHG**") emissions from our operations are mainly due to electricity, fuel and refrigerant consumptions. Our total greenhouse gas emissions amounted to 23,675 tonnes of carbon dioxide equivalent ("**tCO_2e**"), of which, direct emissions (Scope 1) and indirect emissions (Scope 2) were 2,874 tCO_2e and 20,801 tCO_2e respectively. Emission intensity was computed as 0.03 tCO_2e per thousand Hong Kong Dollars revenue.

The main source of air emissions is consumption of diesel and petrol by vehicles. During the reporting period, the Group generated 4.22 kg of sulphur oxides ("**SOx**"), 124.09 kg of nitrogen oxides ("**NOx**") and 10.85 kg of particulate matters (PM). The increase in NOx emissions is primarily attributable to the newly disclosed data from Huai'an Market. The GHG emissions and air emissions in 2018 are shown below.





To assess our impact on the environment, we have commissioned independent environmental consultants to conduct Environmental Impact Assessments (EIA) before construction and operation. We strive to adopt environment-friendly measures as advised by the report, to reduce emission of air pollutants and generation of effluent and waste. For instance, we have signed the Carbon Reduction Charter to reduce emissions, which includes regular cleaning of the floor. We have also planted vegetation in some of our markets to improve the surrounding environment.

Our operations have complied with environmental laws and regulations in China, including but not limited to the Environment Protection Law of the PRC, and the Law of the PRC on the Prevention and Control of Air Pollution. For emissions, we have also complied with the national standard of the Atmospheric Pollutant Integrated Emission Standard and the Environmental Air Quality Standard.

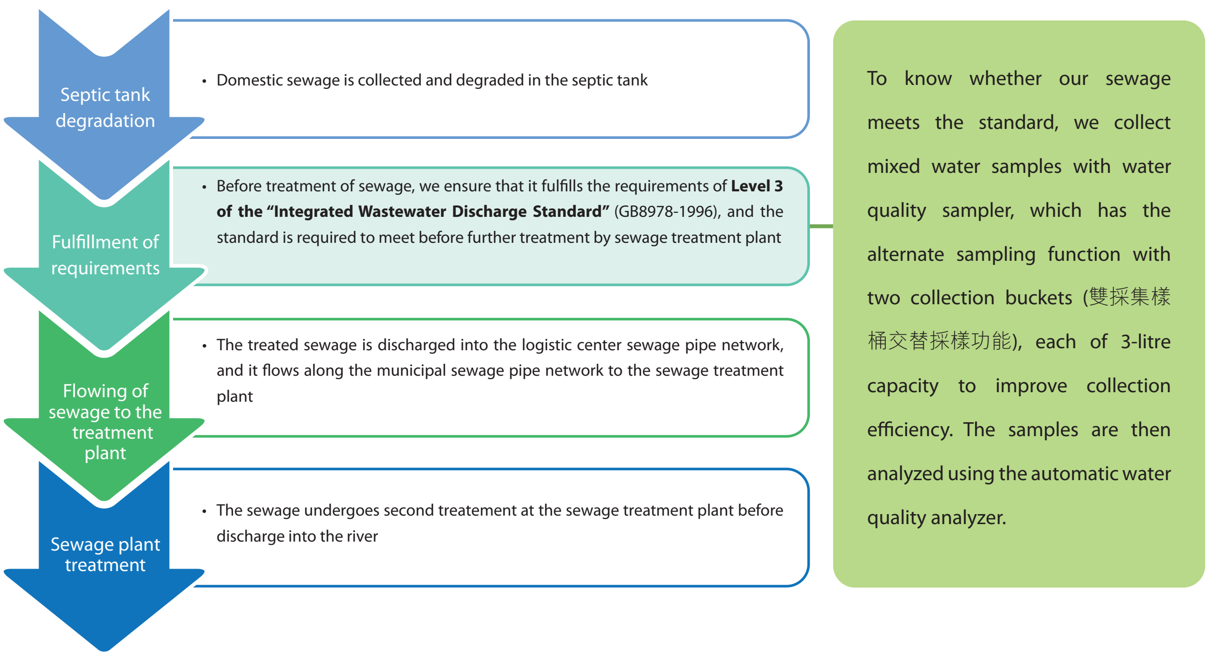
During the reporting period, the Group was not aware of any violation of relevant laws and regulations that have a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

Effluent and Waste

Effluents such as domestic sewage and floor flushing sewage are generated in our operations. For example, in Luoyang Market, we ensure that sewage is treated to meet the corresponding sewage standard before discharge, in accordance with the policy of the Luoyang Environmental Protection Bureau. Shown below is the sewage treatment procedure implemented under the Luoyang Hongjin Agricultural By-Product Wholesale Market Cleaning Plan (洛陽宏進農副產品批發市場保潔作業計劃):

Hygiene and waste management is also considered important in our operations. To maintain hygiene, Property Department of Suizhou Market has signed a contract with cleaning companies to cleanse the marker floor regularly on a daily basis. The hygienic condition of the market is also inspected regularly, to assess and improve the service quality of the cleaning companies, in order to provide a clean and hygienic environment to our tenants and customers. Besides, the market has its own waste containers for waste collection. Once the container is full, the contracted cleaning company removes the waste promptly. Moreover, food waste is collected together at designated waste collection points, and removed on a daily basis. During the year, we have not generated any hazardous waste, and the total amount of non-hazardous waste generated from our office and markets in 2018 is 60,260 tonnes.

Our operations have complied with environmental laws and regulations in China, including but not limited to the Law of the PRC on the Prevention and Control of Water Pollution, and the Law of the PRC on the Prevention and Control of Environmental Pollution Caused by Solid Wastes.

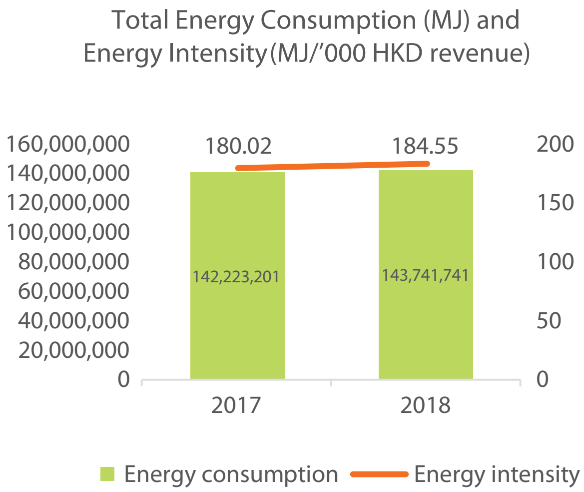


ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

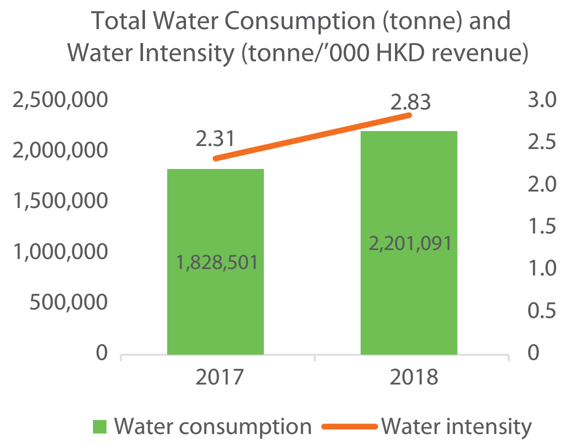
Resource Consumption

Electricity and water are the major resources consumed in our operations, mainly by the tenants in our market. There was newly disclosed data from Huai'an Market. Below shows the amount of energy consumed in operations of the markets in 2018:

Resources	Unit	2017	2018
Purchased Electricity	kWh	36,610,759	37,367,463
Petrol	Litres	325,045	268,662
Diesel	Litres	1,807	18,325
Refrigerant R-22	Tonnes	1.24	1.2
Liquid ammonia	Tonnes	2.5	2.55
Energy intensity	MJ/ '000 HKD revenue	180.02	184.55



During the reporting period, the Group did not have any issue in sourcing water that is fit for the purpose. Our Luoyang Market sources water from underground wells.



The total water consumption was 2,201,091 tonnes with an intensity of 2.83 tonnes per thousand Hong Kong Dollars revenue. In Luoyang Market, water consumption increased in 2018 and we have applied for a permit for 400,000 m^3 per year instead of 200,000 m^3 per year.

During the reporting period, the Group's impact on the environment from packaging materials consumption was minimal.

Resource Conservation

To save resources, the Group has also been taking conservation initiatives to reduce consumption of energy and water. The Group has complied with the Law of the PRC on Conserving Energy in its operations.

Energy Saving

Energy conservation is an important issue for us. During the reporting period, our Group has continuously implemented electricity conservation measures which focus on adoption of energy-saving devices, such as timer switches, LED lighting and solar-powered street lights. Following installation of LED lighting in Luoyang Market in 2018, we have planned to change and install solar-powered street lights tentatively in 2019, to further reduce consumption of electricity. Besides, as a result of our efforts to simplify the public lighting system, we have achieved reduction in electricity consumption of 5,600 kWh per month in Suizhou Market.

- Use timer switches for public electricity
- Simplify the public lighting system
- Change the public lighting from Halogen lamp to LED lighting
- Plan to install solar-powered street lights
- Use transformers equipped with capacitors to save energy

Water Saving

We have also implemented various measures to save water consumption. For example, in Suizhou Market, we have adjusted the frequency of automatic flush in public toilets and achieved a saving of 500 tonnes of water per month. Besides, we have adopted the water reuse purification system, which helps reuse the recycled water for flushing and induction faucet to save water resources. Furthermore, we have been engaging in water conservation education activities to promote water-saving measures.

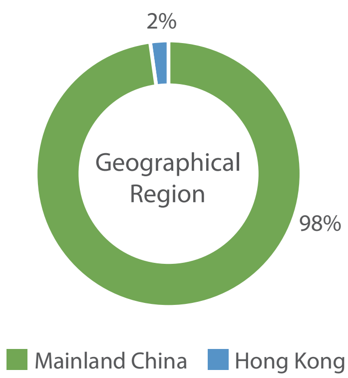
Emergency Management

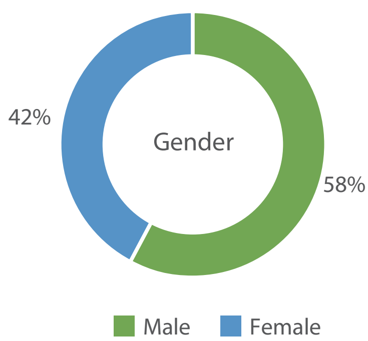
A set of emergency management guidelines is established in the Major Events Management Manual to handle emergency cases. For example, in response to potential environmental accidents affecting our operations, such as floods, we have designated specified department(s) and person(s)-in-charge to evaluate the impacts and report to the related department(s). We emphasize prevention, follow-up, and improvement of our current facilities to response to possible future accidents after an emergency case is handled. Our operations are in compliance with the Environmental Protection Law and the Emergency Response Law of the PRC.

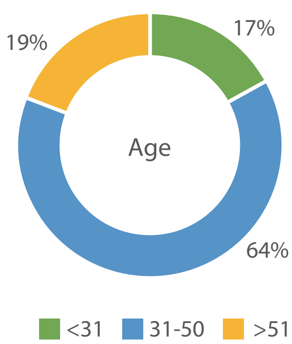
OUR PEOPLE

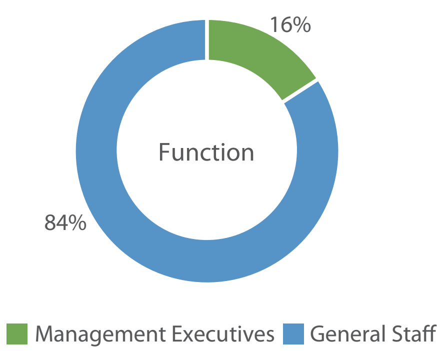
Employee Profile

As at the end of 2018, we had 1,229 full-time employees who were directly employed by us, with 1,203 in Mainland China and 26 in Hong Kong. The proportion of male and female employees is approximately 58% and approximately 42% respectively. Among all our employees, approximately 17% and approximately 64% are aged below 31 years and between 31 and 50 years respectively. In terms of job functions, approximately 16% are management executives while approximately 84% of them are general staff.

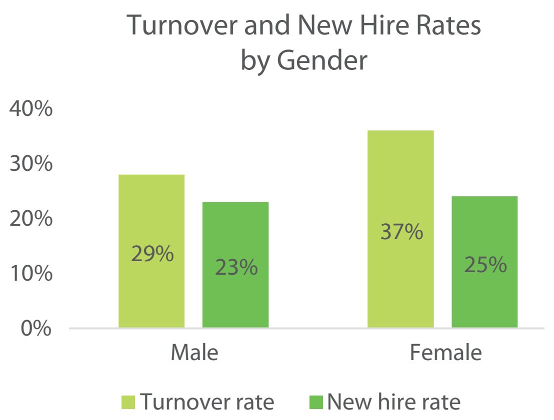


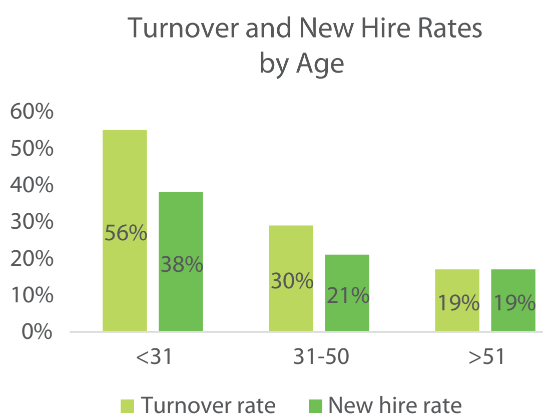






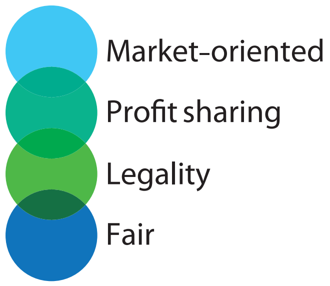
In 2018, the Group's overall employee turnover rate and new hire rate were approximately 32% and approximately 24% respectively. The distribution of turnover and new hire rates by gender and age are presented in the charts below:





Employees' Rights and Welfare

We always give the best we can to our employees. We have four principles based on which we decide employees' welfare.



Recruitment and Dismissal

The Group has a clear guideline for recruitment and employment process. Recruitment is always open to the public to make sure everyone has an equal opportunity to compete for the position.

According to Human Resources Management Manual, selection of candidates and interview process are executed by the Human Resources Department and the recruitment team. Employees' welfare, working environment and the Company's opportunities are explained to the candidates during the interview. As a means to prevent child labour, it is necessary for the recruited members to be over 18 years old.

We treasure all our employees and never want to see them leaving. Therefore, we have clear guidelines stating that the person to whom an employee reports directly and the Human Resources Department should have discussions at least once with the employee who wants to quit the job.

We do not advocate dismissals of employees. Employees are only dismissed if they still give unsatisfactory performance even after appropriate training or violate the Company's policy to a serious extent.

Appraisal and Promotion

In order to encourage our employees and increase their productivity, we have published a guideline which lists the criteria on which employees are to be appraised for deciding monetary bonus. Employees who perform well as representatives of the Company to the community, who are committed to the Company, who demonstrate a just attitude and those who have outstanding performance at work are eligible to be considered by the department head for the appraisal scheme.

Welfare and Benefits

The Group provides attractive remuneration packages to its employees in accordance with Human Resources Management Manual. The salary standard takes into account operation status, price level, employees' level, working performance and market average salary. Monetary compensation is also given to employees who work extra hours.

The Group offers suitable welfare to employees in order to alleviate their burden. We offer a subsidised eatery to baseline employees at each project location in the PRC. In some situations, we offer shuttle bus service for picking up and sending off our employees. We also organize activities for employees to participate in traditional festivals. At the same time, according to the legislation, we have purchased social insurance and labour insurance for our employees.

Working Hours and Rest Period

Employees work 40 hours per week according to a shift schedule based on the region's standards. Approval by the management office is required when the position requires less or more working hours. We do not encourage employees to work over time.

We strive to ensure our employees have a good work-life balance and therefore we have policies to ensure they have enough rest time. Employees are off-duty on statutory holidays and every employee enjoys annual leave. During periods of sickness, marriage, demise of a direct relative or partner's relative, injury or professional training, employees are allowed to take leave. The exact number of days of leave depends on the situation in each individual case.

During the reporting period, the Group was not aware of any violation of relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and benefits and welfare.

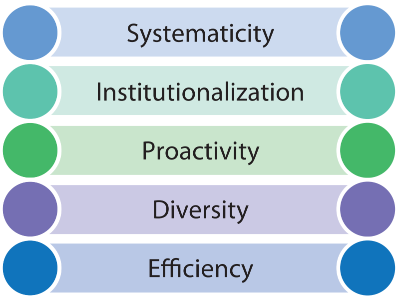
Labor Standards and Equality

The Group strives to provide a diverse and fair working environment to its employees. We prohibit discrimination on grounds of race, gender, age or religion. We are also committed to protecting human rights and labor rights, eliminating any form of forced labor and banning employment of child labor.

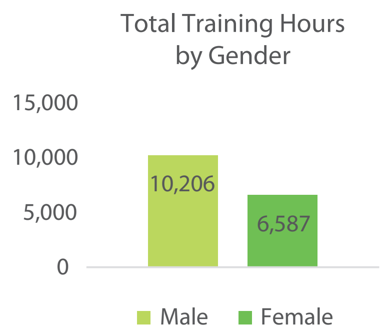
During the reporting period, the Group was not aware of any violation of relevant laws and regulations that have a significant impact on the Group relating to prevention of child or forced labor.

Training and Development

We provide different types of training to our employees in order to hone their skillsets, strengthen their social networks and facilitate understanding of the industry. The training department is responsible for designing training content based on employees' needs. The training is oriented around 5 principles.



There are 3 types of training in our group, commencement training, online training and professional qualifications training. The training can be in three different forms, which are internal training, external training and employees' self-training. There are assessments after each training in order to ensure the efficiency.



During the year, we organized training on how to use fire facilities, public safety and occupational health, introduction of the Group, critical thinking development and also training for management level about leadership development, communication and guidance to increase working efficiency. Our staff received 11,196 person-times of training in total.

Safe Working Environment

We do our utmost to make sure our employees work in a healthy and safe working environment. Our group's occupational health and safety ("**OHS**") policy complies with regulations including but not limited to the Fire Control Law of the PRC, Provisions on the Supervision and Administration of Fire Protection of Construction Projects, Production Safety Law of the PRC and Law of the PRC on the Prevention and Treatment of Occupational Diseases.

OHS Management

OHS issues handling is included in our Major Events Management Manual, to improve the process of responding to incidents and maintain efficient incident management related to OHS. Incident reporting procedure is set out and requires that 19 types of major incidents such as fire accidents and work injuries have to be reported and investigated and preventative and corrective actions should be implemented to eliminate or minimize the risk of harm and future occurrences. Besides, staff are rewarded for identifying workplace hazards and preventing accidents at work.

Workplace Safety

We strive constantly to improve employees' working environment. We offer flexible working hours in order to reduce the risk of heat strokes during hot weather. During the year, air conditioning system and thermal insulation were introduced in parts of offices to create a cool work environment for our employees. Personal protection equipment such as safety vest and waterproof boots are provided to the marketing staff for their safety. During the reporting period, the Group was not aware of any violation of relevant laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards. Also, there was no reported case regarding work-related fatalities or occupational illness during the year.

Safety Training

To ensure our employees are aware of occupational health and safety issues, we organize safety training for our employees. Safety training and assessment are arranged for new employees of the cold chain department (冷鏈部) and they are regarded as qualified to work only after passing the examination.

To ensure the employees have the ability to recognize fire hazards, prevent workplace fire and respond to fires, fire drills and firefighting equipment training are arranged. During the training sessions, employees acquire fire safety knowledge and skills. Occupational health seminars are also conducted to enhance employees' health and safety awareness and improve the appropriate measures. In 2018, the Group provided safety training for a total of 2,817 hours.

Firefighting equipment training in January 2018

Occupational health seminar in May 2018

Emergency Handling

We strive to create a hazard-free working environment for employees. We have provided guidelines to our offices stating how to prevent fire from happening and the appropriate response in case of a fire. We also ask our employees to memorize related emergency number in case any emergency happens.

In case of hazards like traffic accident, fire accident, water accident, food poisoning or occurrence of a contagious disease happens, there are specific reporting mechanisms to handle such incidents.

OPERATIONAL EXCELLENCE

Supply Chain Management

Supply chain management is an integral part of most businesses and is critical to business success and customer satisfaction. As a responsible corporation, the Group has formulated a fair supplier selection standard (供應商公平評選標準) to ensure the supplier selection process remains fair and transparent. We evaluate suppliers on various performance aspects including price, past experience and quality. Tenderers and suppliers are also required to sign a declaration form to confirm they do not have family relationships with any of our staff.

We have a particular project team that is responsible for important or large-scale tendering or procurement and monitoring the whole tendering process. In some special conditions, we assign specific staff to be responsible for some tendering or procurement to prevent conflicts of interests. To protect the interests of both sides, it is suggested that communications related to procurement be conducted in written form and records be kept in a proper way.

Product Responsibility

We have policies in place for ensuring the quality of our products. We have set screening centres with equipment to check the presence of excess chemicals in agricultural produce. These centres operate daily with a number of professional employees assigned there. Results of random testing are displayed in the market daily. Vegetables are put off market if any excess chemicals are found during the random checking.

During the reporting period, the Group was not aware of any violation of relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.

Anti-Corruption

Honesty and integrity are the cornerstones of a successful business. Our Group upholds high ethical standards in its operations and strictly follows the Criminal Law of the PRC, Anti-Unfair Competition Law of the PRC, urban and rural market trade management measures in China and the Prevention of Bribery Ordinance in Hong Kong.

We have formulated a Code of Integrity (廉潔守則) that applies to all employees and our anti-corruption commitment also applies to the tendering and procurement processes. The Code of Integrity clearly states that staff must not accept gifts, benefits or entertainment from customers or other business partners. Our employees are also required to report potential conflicts of interest.

A whistleblowing policy has also been devised to assist individual employees to disclose internally and at a high level, information which the individual believes shows malpractice or impropriety within the Group. The chairman of the Board evaluates every report received and makes all efforts to keep the individual employee's identity confidential. Identity of the reporting employee is never divulged without the employee's consent.

During the year, the Group was not aware of any violation of relevant laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering. The Group was not involved in any corruption cases.

COMMUNITY CARE

We strive to pursue reasonable profit and build lasting relationships with our business partners, investors, communities and government. In doing so, we channel resources to support the communities in both Hong Kong and the PRC. In 2018, the Group donated approximately HK$377,056 in total to community organizations in Hong Kong and the PRC, which is approximately 28% more than last year.

We also strongly encourage our employees to participate in charity events. For examples, our Hong Kong staff participated in the Skip Lunch Day and Dress Casual Day organized by the Community Chest of Hong Kong. They also volunteered to support the low-income family cooking activity organized by Kowloon Lok Sin Tong. In the PRC, we organized a number of poverty alleviation donation and gave staple foods to the needy in the communities to share our care and blessings.

Lok Sin Tong low-income family cooking activity in 2018

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2018, the Company has complied with the code provisions set out in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules, except for the following deviation:

Code provision A.2.1

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

The Company periodically reviewed its corporate governance practices to ensure it continues to meet the requirements of the CG Code during the year of 2018. The key corporate governance principles and practices of the Company are summarised in this report.

DIRECTORS' SECURITIES TRANSACTIONS

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

THE BOARD

Composition

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

Executive Directors:

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

Independent non-executive Directors:

Mr. Ng Yat Cheung
Mr. Lau King Lung
Mr. Wong Ping Yuen
(appointed on 30 November 2018)
Mr. Wong Hin Wing
(resigned on 30 November 2018)

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

Responsibilities

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

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

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

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

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

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

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

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

Board Meetings and General Meetings

During the year under review, four regular meetings of the Board and the annual general meeting (the "**2018 AGM**") were held and the attendance of each Director is set out as follows:

Directors	Attendance/Number of meetings Regular board meetings	2018 AGM
Executive Directors		
Mr. Chan Chun Hong, Thomas	4/4	1/1
Mr. Leung Sui Wah, Raymond	4/4	1/1
Mr. Yau Yuk Shing	2/4	0/1
Independent non-executive Directors		
Mr. Ng Yat Cheung	4/4	1/1
Mr. Lau King Lung	4/4	1/1
Mr. Wong Hin Wing (resigned on 30 November 2018)	3/3	1/1
Mr. Wong Ping Yuen (appointed on 30 November 2018)	1/1	N/A

Separate resolutions were proposed at the 2018 AGM on each substantive issue and the percentage of votes cast in favour of such resolutions as disclosed in the announcement of the Company dated 15 May 2018 are set out below:

	Resolutions proposed at the 2018 AGM	Percentage of Votes
1.	To receive and consider the audited consolidated financial statements and the reports of the directors and auditors of the Company for the year ended 31 December 2017	99.99%
2.(A)	To re-elect Mr. Leung Sui Wah, Raymond as an executive Director	99.99%
2.(B)	To re-elect Mr. Ng Yat Cheung as an independent non-executive Director	99.99%
2.(C)	To authorise the Board to fix the remuneration of the Directors	99.99%
3.	To re-appoint HLB Hodgson Impey Cheng Limited as auditors of the Company and authorise the Board to fix their remuneration	99.99%
4.	To approve the refreshment of the scheme mandate limit to grant share options under the share option scheme	99.99%
5.(A)	To approve the grant of the new repurchase mandate	99.99%
5.(B)	To approve the grant of the new issue mandate	99.99%
5.(C)	To approve the extension of the new issue mandate	99.99%

Accordingly, all resolutions put to the shareholders of the Company at the 2018 AGM were passed. The results of the voting by poll were published on the websites of the Company and the Stock Exchange.

ROLES OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Chan Chun Hong, Thomas, the chairman of the Board, also assumed the role of chief executive officer, which constitutes 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 operations of the Group which is of great value in enhancing the efficiency to cope with the dynamic business environment. The daily business operation of the Group is delegated to various experienced individuals under the supervision of Mr. Chan. Furthermore, the Board believes that a balance of power and authority is adequately ensured by the operations of the Board which 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 will continue to review such deviation to enhance the best interest of the Group as a whole.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

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

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

BOARD COMMITTEES

Remuneration Committee

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

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

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

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

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

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

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

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

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

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

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

Remuneration Committee Members	Attendance
Mr. Ng Yat Cheung	3/3
Mr. Lau King Lung	3/3
Mr. Wong Hin Wing (resigned on 30 November 2018)	1/1
Mr. Wong Ping Yuen (appointed on 30 November 2018)	1/1
Mr. Chan Chun Hong, Thomas	3/3

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

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

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

Nomination Committee

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Nomination Committee Members	Attendance
Mr. Lau King Lung	3/3
Mr. Ng Yat Cheung	3/3
Mr. Wong Hin Wing (resigned on 30 November 2018)	1/1
Mr. Wong Ping Yuen (appointed on 30 November 2018)	1/1
Mr. Chan Chun Hong, Thomas	3/3
Mr. Leung Sui Wah, Raymond	3/3

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

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

Nomination Policy

The Company has adopted a nomination policy which sets out the guidelines for the Nomination Committee to nominate suitable candidate(s) to the Board for it to consider and make recommendations to the shareholders of the Company for election or re-election as Director(s) at a general meeting of the Company or recommendations to the Board for appointment or re-election as Director(s).

1. *Selection Criteria*

1.1 In assessing the suitability of a proposed candidate, the Nomination Committee will consider the factors (as reference), including but not limited to reputation, integrity, accomplishment and relevant experience in relation to the principal businesses of the Company from time to time, commitment in respect of available time and relevant interest, diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

1.2 Retiring Directors are eligible for nomination by the Board to stand for re-election at a general meeting. For those serving as independent non-executive Directors for a period of 9 years (or above), the Nomination Committee will consider the independence of such Director for nomination by the Board to stand for election at a general meeting and state the reason in a circular to the shareholders for the re-election. For those serving as independent non-executive directors for 7 (or more) listed companies, the Nomination Committee will consider why they would still be able to devote sufficient time to the Board for nomination by the Board to stand for appointment or re-election at a general meeting and state the reason in a circular to the shareholders for election or re-election.

1.3 Candidate(s) is required to submit the necessary personal information pursuant to the applicable laws, rules and regulations, together with their written consent to be appointed as Director(s) and to the public disclosure of their personal data on any documents or the relevant websites for the purpose of or in relation to their standing for election as Director(s).

1.4 The Nomination Committee may request the candidate(s) to provide additional information and documents, if necessary.

2. *Nomination Procedures*

2.1 The secretary of the Nomination Committee shall call a meeting of the Nomination Committee and invite nominations of candidate(s) from a member of the Board, if any, for consideration by the Nomination Committee. The Nomination Committee may nominate candidate(s) without nomination by a member of the Board.

2.2 For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidate(s) to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation.

2.3 Information (including names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations) of the candidate(s) nominated by the Board to stand for election at a general meeting will be stated in a circular to be sent to the shareholders.

2.4 The shareholder can serve a notice to the Company Secretary to propose a resolution to elect a person as Director, without the Board's recommendation or the Nomination Committee's nomination pursuant to the applicable laws, rules and regulations. The particulars of the candidate(s) so proposed as required pursuant to the applicable laws, rules and regulations will be stated in a circular to be sent to the Shareholders.

2.5 A candidate is allowed to withdraw his candidature at any time before the general meeting by serving a notice in writing to the Company Secretary.

2.6 The Board shall have the final decision on all matters relating to its recommendation of candidate(s) to stand for election at any general meeting.

Audit Committee

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

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

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

Audit Committee Members	Attendance
Mr. Wong Hin Wing (resigned on 30 November 2018)	2/2
Mr. Wong Ping Yuen (appointed on 30 November 2018)	N/A
Mr. Ng Yat Cheung	2/2
Mr. Lau King Lung	2/2

During the year under review, the Audit Committee reviewed and discussed with the management and the auditors of the Company the accounting principles and practices adopted by the Company. In addition, the Audit Committee also reviewed, among other things, internal control measures and risk management with the senior management and professional advisors, and the adequacy of resources of the Group, the annual results for the year ended 31 December 2017 and the interim results for the six months ended 30 June 2018 with the senior management and/or the auditors of the Company. The Audit Committee satisfied the effectiveness of the Company's internal audit function.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparation and publication of the timely financial statements and ensure that they are prepared in accordance with the statutory requirements and applicable accounting standards. In preparing the financial statements for the year ended 31 December 2018, the Directors have adopted suitable accounting policies which are pertinent to the Group's operations and relevant to the financial statements and have presented an understandable assessment of the Group's position and prospects.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, and save as the matters as stated in note 2b to the consolidated financial statements and the financial information which indicated that the Group incurred a net loss of approximately HK$179 million and the current liabilities exceeded its current assets by approximately HK$671 million, they are not aware of any material uncertainties relating to the events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The Directors continue to explore any opportunities to enhance its financial position and the business development of the Group by way of refinancing, extension of borrowings and/or fund raising and deriving cash flow from operations and will keep the public informed of the latest development of the said PRC legal proceedings as and when appropriate.

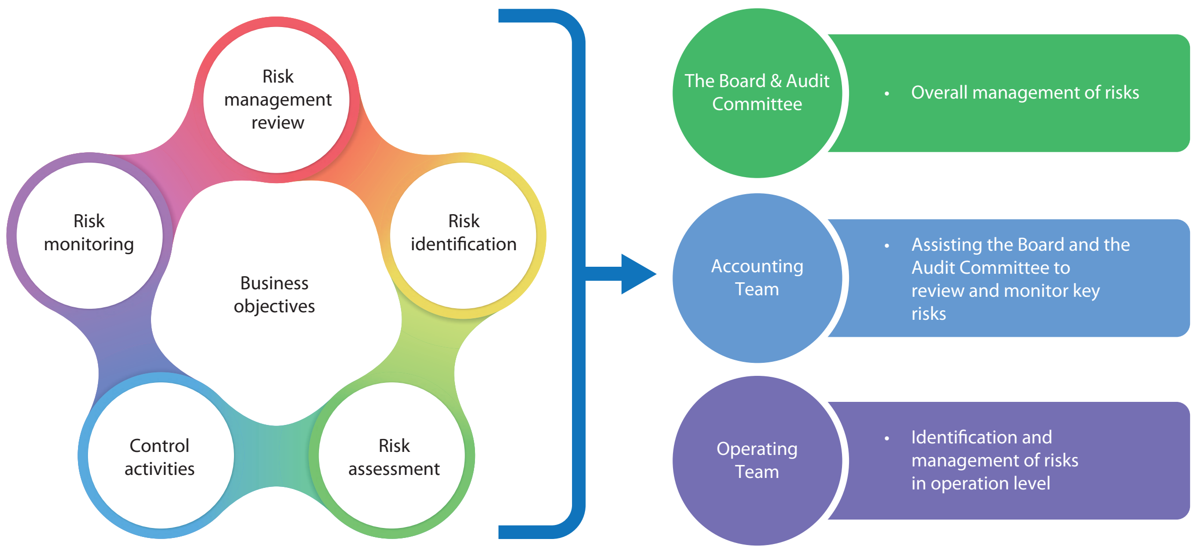
The statement of the auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the independent auditor's report.

RISK MANAGEMENT AND INTERNAL CONTROL

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

Risk management process

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



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

Internal audit function

In the fiscal year of 2018, the Company appointed external advisers to perform the ongoing monitoring of the systems of internal control of the Group and report their findings and recommendations to the Audit Committee and follow up the status of implementation of the recommendations to ensure all significant control activities are properly in place within the Group.

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

CORPORATE GOVERNANCE REPORT

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

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

Review on risk management and internal control systems

The Board has conducted an annual review of the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2018 and confirmed that the Group's risk management and internal control systems in respect of financial, operational, compliance, risk management and adequacy of resources are effective and adequate.

INSIDE INFORMATION POLICY

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

AUDITORS' REMUNERATION

During the year under review, the remuneration paid/payable to the Company's external auditors, HLB Hodgson Impey Cheng Limited, in respect of audit services and other services for the year ended 31 December 2018 is set out as follows which has been reviewed and approved by the Audit Committee based on the scopes of their works:

Services rendered	Fees paid/payable HK$'000
Audit services	2,200
Other services	280
Total	2,480

WHISTLEBLOWING POLICY

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

COMPANY SECRETARY

The company secretary is accountable to the Board for ensuring that Board procedures are followed and Board activities are efficiently and effectively conducted. These objectives are achieved through adherence to proper Board processes and timely preparation of and dissemination to the Directors comprehensive Board meeting agendas and papers. Minutes of all meetings of the Board and Board committees are prepared and maintained by the company secretary to record in sufficient details the matters considered and decisions reached by the Board or Board committees, including any concerns raised or dissenting views voiced by any Director. All draft and finalised minutes of the Board meetings and meetings of the Board committees are sent to Directors or Board committee members as appropriate for comments, approval and records. All records are available for inspection by any Director upon request.

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

Mr. Cheung is a fellow member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators, and a Chartered Governance Professional. He holds a Master Degree of Professional Accounting, a Master Degree of Corporate Governance, a Bachelor Degree of Laws and a Bachelor Degree of Arts in Translation. Prior to joining the Group, Mr. Cheung held company secretary or senior company secretarial positions in several Hong Kong listed companies. During the year ended 31 December 2018, Mr. Cheung has complied with Rule 3.29 of the Listing Rules and taken no less than 15 hours of relevant professional training.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

The Group is conscious of its role as an environmentally and socially responsible group of companies. It has made donations for community wellbeing from time to time and has environmental friendly policies in place. We support the communities and encourage our employees to participate in charitable events and environmental protection activities. Details of the environmental and social responsibility of the Group are disclosed in the Environmental, Social and Governance Report on pages 33 to 44 of this annual report.

SHAREHOLDERS' RIGHTS

Putting Forward Proposals at General Meetings

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

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

Convening of Special General Meeting

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

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

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

ENQUIRIES FROM SHAREHOLDERS

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

For corporate affairs:

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

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

For shareholding or entitlement affairs:

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

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

CONSTITUTIONAL DOCUMENT

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

CONCLUSION

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

REPORT OF THE DIRECTORS

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

The Directors present their annual report and audited consolidated financial statements of the Company and of the Group for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

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

Structured Contracts

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

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

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

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

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

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

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

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

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

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

The revenue, net loss and total asset value subject to the Contractual Arrangements amounted to approximately HK$20,000 and approximately HK$2.8 million for the year ended 31 December 2018 and approximately HK$1.5 million as of 31 December 2018, respectively.

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

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

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

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

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

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

Risk factors

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

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

Internal control measures

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

No material change in the Contractual Arrangements

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

No unwinding of the Contractual Arrangements

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2018 and the state of affairs of the Company and of the Group are set out in the consolidated financial statements on pages 70 to 173.

The Board adopted a dividend policy in order to promote greater dividend policy transparency. In deciding whether to recommend the payment of dividend to the shareholders of the Company, the Board will take into account of a number of factors, including but not limited to the Company's operation and financial performance, liquidity condition, capital requirements, future funding needs, contractual restrictions, availability of reserves and prevailing economic climate, subject to the applicable rules of Bermuda and the bye-laws of the Company. Based on these factors, the determination of dividend distribution, the amount and frequency, will be made at the discretion of the Board.

The Board did not recommend the payment of any final dividend for the year ended 31 December 2018 (2017: Nil). No interim dividend was paid to the shareholders of the Company during the year under review (2017: Nil).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 174.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year under review are set out in note 32 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2018, in the opinion of the Directors, the Company has no distributable reserves.

PROMISSORY NOTES AND SHARE CAPITAL

Details of the movements in the promissory notes and share capital of the Company are set out in notes 29 and 32, respectively, to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

INVESTMENT PROPERTIES

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

FINANCIAL ASSETS

Details of the movements in the financial assets of the Group during the year under review are set out in notes 23 and 30 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year under review, the Company completed the purchase of and cancelled the outstanding Listed 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 31 December 2018, the Listed Notes in the principal amount of HK$290,000,000 remained outstanding. For details, please refer to the announcements of the Company dated 29 January 2018 and 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 year under review.

DIRECTORS

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

Executive Directors

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

Independent non-executive Directors

Mr. Ng Yat Cheung
Mr. Lau King Lung
Mr. Wong Ping Yuen
(appointed on 30 November 2018)
Mr. Wong Hin Wing
(resigned on 30 November 2018)

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

In accordance with bye-law 102(B) of the bye-laws of the Company, Mr. Wong Ping Yuen who was appointed as an independent non-executive Director with effect from 30 November 2018 will hold office only until the forthcoming annual general meeting and will then be eligible for re-election.

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

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

CHANGE IN INFORMATION OF DIRECTOR

The change in the information of Director since the publication of the 2018 interim report are set out below pursuant to Rule 13.51B(1) of the Listing Rules:

Mr. Leung Sui Wah, Raymond was appointed as a council member of the Chinese Agri-products Marketing Association in December 2018.

DIRECTORS' SERVICE CONTRACTS

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

MANAGEMENT CONTRACTS

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

INDEMNITY OF DIRECTORS

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

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

As at 31 December 2018, none of the Directors, the chief executive of the Company, nor any of their respective associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or pursuant to the Model Code contained in the Listing Rules.

SHARE OPTION SCHEME

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

The number of Shares in respect of which options may be granted to any Participants in any 12-month period up to and including the date of grant shall not exceed 1% of the Shares in issue at any point in time, without prior approval from the shareholders of the Company. Options granted to substantial shareholders of the Company or independent non-executive Directors, or any of their respective associates, in excess of 0.1% of the Shares in issue and with an aggregate value in excess of HK$5,000,000 must be approved in advance by the shareholders of the Company. The Scheme became effective on 3 May 2012 and will remain in force for a period of 10 years. There is no specific requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised for a period of more than 10 years from the date of grant.

Subject to the approval of the shareholders of the Company at general meeting, the Board may refresh the limit at any time to 10% of the total number of Shares in issue as at the date of approval by the shareholders of the Company at general meeting. Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time. Other details of the Scheme are set out in note 34 to the consolidated financial statements.

Since the adoption of the Scheme and up to 31 December 2018, no option had been granted. As at the date of this annual report, the total number of Shares available for issue under the Scheme is 995,306,782, representing 10% of the existing issued share capital of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Option Scheme" as set out above and in note 34 to the consolidated financial statements, at no time during the year ended 31 December 2018 were rights to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company granted to any Director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

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

As at 31 December 2018, to the best knowledge of the Directors, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that the following shareholders (other than the Directors or the chief executive of the Company) had notified the Company of relevant interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

REPORT OF THE DIRECTORS

Long positions in the Shares

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

Notes:

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

(b) Pursuant to the disclosure of 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 Limited, which is directly wholly owned by Galaxy Sky Investments Limited (a direct wholly-owned subsidiary of Kingston Capital Asia Limited which is directly wholly owned by Kingston Financial Group Limited). Kingston Financial Group Limited was owned as to 42.9% by Active Dynamic Limited which is directly wholly owned by Chu Yuet Wah. In the circumstance, each of Chu Yuet Wah, Active Dynamic Limited, Galaxy Sky Investments Limited, Kingston Capital Asia Limited and Kingston Financial Group Limited were deemed to be interested in those 793,254,588 Shares under the SFO.

Save as disclosed above, as at 31 December 2018, there was no other person (other than the Directors or the chief executive of the Company) who had any interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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

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

CORPORATE GOVERNANCE

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 45 to 55 of this annual report.

CONTINUING CONNECTED TRANSACTIONS

Contractual Arrangements

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

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

The amount of financial assistance (including: capital injections) made by the Group to Shenzhen Gudeng was approximately RMB1,730,853 during the year ended 31 December 2018.

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

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

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

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

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

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

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

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

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

The transactions relating to the remuneration of the directors of the Group took place during the year under review as set out in note 39(a) to the consolidated financial statements under the heading of "Material Related Party Transactions" were the service contracts entered into between the directors of the Group which were exempt from any disclosure and shareholders' approval requirements under the Listing Rules. The remaining transactions which took place during the year under review as set out under the heading of "Material Related Party Transactions" did not constitute connected transactions under the Listing Rules.

AUDIT COMMITTEE

The Audit Committee was established in accordance with the requirements of the Listing Rules, for the purposes of, inter alia, reviewing and providing supervision over the Group's financial reporting processes and internal controls. The Audit Committee comprises all of the independent non-executive Directors, namely Mr. Wong Ping Yuen (chairman), Mr. Ng Yat Cheung and Mr. Lau King Lung. The Audit Committee has reviewed with the management and the Company's auditors the consolidated financial statements for the year ended 31 December 2018.

EMPLOYEE RELATIONS

All of the Group's subsidiaries are equal opportunity employers, with the selection and promotion of individuals based on suitability for the position offered. The salary and benefit levels of the Group's employees are kept at a competitive level and employees are rewarded on a performance related basis within the general framework of the Group's emolument policies.

The emolument policies of the employees of the Group and the Directors are reviewed by the Remuneration Committee on the basis of their merit, qualifications and competence. The Company has adopted the Scheme as an incentive to the Directors and eligible participants. Details of the Scheme are set out in the section headed "Share Option Scheme" of this annual report and note 34 to the consolidated financial statements.

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2018, the percentages of sales and purchases attributable to the Group's five largest customers and five largest suppliers, respectively, were both less than 5%.

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

DONATIONS

During the year under review, the Group made charitable donations of approximately HK$377,000 (2017: approximately HK$295,000).

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float of not less than 25% of the total issued share capital of the Company as required under the Listing Rules throughout the year ended 31 December 2018 and up to the date of this annual report.

AUDITORS

The financial statements for the year ended 31 December 2018 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting. A resolution for their re-appointment as auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

In the last three years preceding 31 December 2018, there has been no change in the auditors of the Company.

On behalf of the Board

Chan Chun Hong, Thomas
Chairman and Chief Executive Officer

14 March 2019

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

OPINION

We have audited the consolidated financial statements of China Agri-Products Exchange Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 70 to 173, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

INDEPENDENT AUDITORS' REPORT

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2(b) in the consolidated financial statements, which indicates that the Group incurred a net loss of approximately HK$179,319,000 during the year ended 31 December 2018 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$671,363,000. As stated in note 2(b), these events or conditions, along with other matters as set forth in note 2(b), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties Refer to Note 16 to the consolidated financial statements	
Management has estimated the fair value of the Group's investment properties to be approximately HK$3,165,921,000 as at 31 December 2018, with net gain in fair value for the year ended 31 December 2018 recorded in the consolidated statement of profit or loss and other comprehensive income of approximately HK$4,507,000. Independent external valuations were obtained in order to support management's estimates. The valuations are dependent on certain key assumptions that require significant management judgement, including market selling price, market rental and plot ratio of land use right.	Our procedures in relation to management's valuation of investment properties included: • Evaluation of the independent valuer's competence, capabilities and objectivity; • Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the property industry and using our valuation experts; and • Checking, on a sample basis, the accuracy and relevance of the input data used. We found the key assumptions were supported by the available evidence.

Key audit matter	How our audit addressed the key audit matter
Carrying value of stock of properties Refer to Note 20 to the consolidated financial statements	
The carrying values of stock of properties was approximately HK$1,597,574,000 as at 31 December 2018, with write-down of approximately HK$66,371,000 for the year ended 31 December 2018 recorded in the consolidated statement of profit or loss and other comprehensive income. The management estimated the net realisable values of the stock of properties by reference to sale proceeds received after the end of reporting period less selling expenses, which involve management estimation.	Our procedures in relation to management's determination of the carrying value of stock of properties included: • Assessing the appropriateness of the methodologies used by management for the assessments of the net realisable value of stock of properties; and • Comparing the management's estimates of selling prices for similar properties to market data. We found the carrying values of the stock of properties were supported by the available evidence.

OTHER INFORMATION

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

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

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

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

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

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT

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

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

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

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

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Wong Sze Wai, Basilia
Practicing Certificate Number: P05806

Hong Kong, 14 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Turnover	5	**778,857**	790,059
Cost of operation		**(387,962)**	(448,698)
Gross profit		**390,895**	341,361
Other revenue and other net income	6	**21,313**	14,886
General and administrative expenses		**(234,876)**	(238,735)
Selling expenses		**(50,356)**	(43,590)
Profit from operations before fair value changes and impairment		**126,976**	73,922
Net gain in fair value of investment properties		**4,507**	52,068
Change in fair value of derivative financial instruments		**(17,687)**	(77,396)
Written down of stock of properties		**(66,371)**	(83,361)
Share of profit on joint venture		**10,352**	5,262
Gain on disposal of subsidiaries	37	**39,846**	—
Profit/(loss) from operations		**97,623**	(29,505)
Finance costs	7(a)	**(211,702)**	(271,752)
Loss before taxation	7	**(114,079)**	(301,257)
Income tax	8	**(65,240)**	(36,314)
Loss for the year		**(179,319)**	(337,571)
Other comprehensive income/(loss), net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Release of exchange differences upon disposal of subsidiaries		**1,353**	—
Exchange differences on translating foreign operations		**(184,698)**	267,902
Other comprehensive income/(loss) for the year, net of income tax		**(183,345)**	267,902
Total comprehensive loss for the year, net of income tax		**(362,664)**	(69,669)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Profit/(loss) attributable to:			
Owners of the Company		**(212,596)**	(340,970)
Non-controlling interests		**33,277**	3,399
		(179,319)	(337,571)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**(378,013)**	(95,704)
Non-controlling interests		**15,349**	26,035
		(362,664)	(69,669)
Loss per share			
— Basic	13(a)	**HK$(0.02)**	HK$(0.18)
— Diluted	13(b)	**HK$(0.02)**	HK$(0.18)

The notes on pages 77 to 173 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	15	**52,768**	59,195
Investment properties	16	**3,165,921**	4,392,818
Intangible assets	17	**6,061**	12,122
		3,224,750	4,464,135
Current assets			
Stock of properties	20	**1,597,574**	886,488
Trade and other receivables	21	**250,431**	185,142
Loan receivables	22	**40,327**	38,424
Financial assets at fair value through profit or loss	23	**2,175**	23,460
Cash and cash equivalents	24	**488,415**	513,827
		2,378,922	1,647,341
Current liabilities			
Deposits and other payables	25	**776,193**	737,953
Deposits receipts in advance		**—**	377,603
Contract liabilities	26	**652,362**	—
Bonds	28	**844,055**	—
Bank and other borrowings	27	**328,036**	339,231
Promissory notes	29	**376,000**	376,000
Income tax payable	31(a)	**73,639**	52,908
		3,050,285	1,883,695
Net current liabilities		**(671,363)**	(236,354)
Total assets less current liabilities		**2,553,387**	4,227,781

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current liabilities			
Bonds	28	**182,192**	1,254,581
Bank and other borrowings	27	**120,003**	357,023
Convertible bonds	30	**234,747**	226,279
Deferred tax liabilities	31(b)	**421,081**	432,295
		958,023	2,270,178
Net assets		**1,595,364**	1,957,603
Capital and reserves			
Share capital	32(a)	**99,531**	99,531
Reserves	32(b)	**1,109,440**	1,488,780
Total equity attributable to owners of the Company		**1,208,971**	1,588,311
Non-controlling interests		**386,393**	369,292
Total equity		**1,595,364**	1,957,603

Approved and authorized for issue by the board of directors on 14 March 2019.

Chan Chun Hong, Thomas
Director

Leung Sui Wah, Raymond
Director

The notes on pages 77 to 173 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Shareholders' contribution HK$'000	Other reserve HK$'000	Exchange reserve HK$'000	Convertible bonds reserve HK$'000 (Note)	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2017	11,633	3,073,429	945	2,215,409	664	(15,021)	(279,672)	150,201	(4,351,972)	805,616	353,390	1,159,006
Exchange differences on translation into presentation currency	—	—	—	—	—	—	245,266	—	—	245,266	22,636	267,902
Other comprehensive income for the year	—	—	—	—	—	—	245,266	—	—	245,266	22,636	267,902
(Loss)/profit for the year	—	—	—	—	—	—	—	—	(340,970)	(340,970)	3,399	(337,571)
Total comprehensive income/(loss) for the year	—	—	—	—	—	—	245,266	—	(340,970)	(95,704)	26,035	(69,669)
Convertible bonds converted	4,955	230,767	—	—	—	—	—	(59,540)	—	176,182	—	176,182
Convertible bonds redeemed	—	—	—	—	—	—	—	(11,114)	11,114	—	—	—
Rights issue	82,943	646,949	—	—	—	—	—	—	—	729,892	—	729,892
Transaction cost relating to rights issue	—	(27,675)	—	—	—	—	—	—	—	(27,675)	—	(27,675)
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(10,133)	(10,133)
At 31 December 2017	99,531	3,923,470	945	2,215,409	664	(15,021)	(34,406)	79,547	(4,681,828)	1,588,311	369,292	1,957,603
At 31 December 2017	**99,531**	**3,923,470**	**945**	**2,215,409**	**664**	**(15,021)**	**(34,406)**	**79,547**	**(4,681,828)**	**1,588,311**	**369,292**	**1,957,603**
Impact on change in accounting policy	—	—	—	—	—	—	—	—	**(1,004)**	**(1,004)**	**(181)**	**(1,185)**
Restated balance as at 1 January 2018	**99,531**	**3,923,470**	**945**	**2,215,409**	**664**	**(15,021)**	**(34,406)**	**79,547**	**(4,682,832)**	**1,587,307**	**369,111**	**1,956,418**
Release of exchange differences upon disposal of subsidiaries	—	—	—	—	—	—	**1,353**	—	—	**1,353**	—	**1,353**
Exchange differences on translation into presentation currency	—	—	—	—	—	—	**(166,770)**	—	—	**(166,770)**	**(17,928)**	**(184,698)**
Other comprehensive loss for the year	—	—	—	—	—	—	**(165,417)**	—	—	**(165,417)**	**(17,928)**	**(183,345)**
(Loss)/profit for the year	—	—	—	—	—	—	—	—	**(212,596)**	**(212,596)**	**33,277**	**(179,319)**
Total comprehensive income/(loss) for the year	—	—	—	—	—	—	**(165,417)**	—	**(212,596)**	**(378,013)**	**15,349**	**(362,664)**
Transaction cost relating to rights issue	—	**(323)**	—	—	—	—	—	—	—	**(323)**	—	**(323)**
Acquisition of non-wholly owned subsidiaries	—	—	—	—	—	—	—	—	—	—	**1,933**	**1,933**
At 31 December 2018	**99,531**	**3,923,147**	**945**	**2,215,409**	**664**	**(15,021)**	**(199,823)**	**79,547**	**(4,895,428)**	**1,208,971**	**386,393**	**1,595,364**

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

The notes on pages 77 to 173 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Operating activities			
Loss for the year		**(179,319)**	(337,571)
Adjustments for:			
Income tax expenses recognised in statement of profit or loss and other comprehensive income		**65,240**	36,314
Depreciation and amortisation	7(c)	**19,869**	20,653
Impairment on trade and other receivables and loan receivables		**1,642**	7,968
Unrealised loss/(gain) on financial asset at fair value through profit or loss	7(c)	**213**	(211)
Change in fair value of derivative financial instruments	7(c)	**17,687**	77,396
Net gain in fair value on investment properties	16	**(4,507)**	(52,068)
Written down on stock of properties		**66,371**	83,361
Written off of investment properties	16	**1,991**	3,198
Loss on early redemption of convertible bonds		**—**	5,419
Loss on early redemption of bonds		**3,776**	1,561
Finance costs	7(a)	**211,702**	271,752
Bank and interest income	6	**(7,243)**	(4,481)
Gain on disposal of subsidiaries	37	**(39,846)**	—
Loss on disposal of property, plant and equipment	7(c)	**410**	194
Operating profit before changes in working capital		**157,986**	113,485
(Increase)/decrease in trade and other receivables		**(68,185)**	27,145
Increase in loan receivables		**(2,101)**	(8,003)
Decrease in stock of properties		**99,997**	103,772
Decrease in deposits receipts in advance		**—**	(278,733)
Increase in contract liabilities		**274,760**	—
Increase in deposits and other payables		**20,839**	20,392
Cash generated from/(used in) operations		**483,296**	(21,942)
Tax paid			
PRC enterprise income tax paid		**(32,212)**	(18,429)
Net cash generated from/(used in) operating activities		**451,084**	(40,371)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Investing activities			
Proceeds from disposal of property, plant and equipment		**347**	628
Proceeds from investment properties, net		**46,630**	158,600
Proceeds from disposal of financial assets at fair value through profit or loss		**3,385**	—
Proceeds from disposal of subsidiaries		**82,432**	—
Payments for purchases of property, plant and equipment, net	15	**(11,072)**	(9,352)
Bank interest received		**7,500**	4,716
Net cash generated from investing activities		**129,222**	154,592
Financing activities			
Proceeds from new bank borrowings		**151,440**	199,324
Proceeds from new other borrowings		**—**	54,015
Repayment of bank borrowings		**(340,873)**	(287,730)
Repayment of other borrowings		**(22,773)**	(193,424)
Repayment of bonds redemption settlement		**(256,337)**	(110,000)
Repayment of convertible bonds redemption settlement		**—**	(37,000)
Net proceeds from rights issue		**(323)**	702,217
Dividend paid to non-controlling interests		**—**	(10,133)
Net cash flow from acquisition of non-wholly owned subsidiaries		**1,933**	—
Interest paid		**(161,524)**	(217,311)
Net cash (used in)/generated from financing activities		**(628,457)**	99,958
Net (decrease)/increase in cash and cash equivalents		**(48,151)**	214,179
Cash and cash equivalents at 1 January	24	**513,827**	330,102
Effect of foreign exchange rate changes		**22,739**	(30,454)
Cash and cash equivalents at 31 December	24	**488,415**	513,827

The notes on pages 77 to 173 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of financial statements

(i) Going concern basis

The Group incurred a net loss of approximately HK$179,319,000 during the year ended 31 December 2018 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$671,363,000. In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group. The Directors adopted the going concern basis for the preparation of the consolidated financial statements and implemented the following measures in order to improve the working capital and liquidity and cash flow position of the Group.

(1) Attainment of profitable and positive cash flow operations

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

(2) Necessary facilities

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

Subsequent to the year ended 31 December 2018 and as of the data of this annual report, the Group repaid an aggregate principal amount of approximately HK$50 million of the Bonds 2019, the Group may negotiate with the bondholders for renewal if necessary.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(i) Going concern basis (Continued)

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

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

The Company obtained a court order from the Court to the effect that undertakings (the "**Undertakings**") were given by Ms. Wang and Tian Jiu not to indorse, assign, transfer or negotiate the Instruments and enforce payment by presentation of the Instruments until the final determination of the court action or further court order. Pursuant to the Undertakings, the Instruments will no longer fall due for payment by the Company. The Instruments are recorded at book value at approximately HK$376,000,000, and interest payable at approximately HK$236,738,000 included under other payables as at 31 December 2018.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(ii) Basis of measurement

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

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

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

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

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

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

(iii) Functional and presentation currency

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(iv) Use of estimates and judgements

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

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

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

(c) Basis of consolidation

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Basis of consolidation *(Continued)*

Allocation of total comprehensive income to non-controlling interests

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

(i) Business combinations

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Basis of consolidation *(Continued)*

(i) Business combinations (Continued)

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Basis of consolidation *(Continued)*

(ii) Goodwill

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

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

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

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

(d) Investment property

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Property, plant and equipment

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

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

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

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

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

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

— Furniture, equipment and motor vehicles 5 - 10 years

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

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

(f) Leasing

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

(i) The Group as lessor

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Leasing *(Continued)*

(ii) The Group as lessee

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

(g) Impairment of assets

(i) Impairment of receivables

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

— significant financial difficulty of the debtor;

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Impairment of assets *(Continued)*

(i) Impairment of receivables (Continued)

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

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

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

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

(ii) Impairment of other assets

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

— property, plant and equipment;

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

— goodwill.

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Impairment of assets *(Continued)*

(ii) Impairment of other assets (Continued)

— Calculation of recoverable amount

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

— Recognition of impairment losses

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

— Reversals of impairment losses

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

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

(iii) Interim financial reporting and impairment

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Stock of properties

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

(i) Trade and other receivables

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

(j) Financial instruments (before the adoption of HKFRS 9 on 1 January 2018)

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

(i) Financial assets

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments (before the adoption of HKFRS 9 on 1 January 2018) *(Continued)*

(ii) Financial liabilities and equities

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

Financial liabilities

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

Effective interest method

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

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

Financial guarantee contracts

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments (before the adoption of HKFRS 9 on 1 January 2018) *(Continued)*

(iii) Derecognition

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

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

(iv) Derivative financial instruments

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

Embedded derivatives

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

(k) Financial instruments (upon the adoption of HKFRS 9 on 1 January 2018)

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(i) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments (upon the adoption of HKFRS 9 on 1 January 2018) *(Continued)*

(i) Financial assets (Continued)

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss ("**FVTPL**").

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (iii) below); and

- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (iv) below).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments (upon the adoption of HKFRS 9 on 1 January 2018) *(Continued)*

(i) Financial assets (Continued)

Classification of financial assets (Continued)

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "other revenue and other net income - interest income" line item.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments (upon the adoption of HKFRS 9 on 1 January 2018) *(Continued)*

(i) Financial assets (Continued)

Classification of financial assets (Continued)

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI (see (i) to (iii) above) are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria (see (i) and (ii) above) are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically;

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss; and

- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("**ECL**") on financial assets which are subject to impairment (including trade and other receivables, loan receivables and bank balances). The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments (upon the adoption of HKFRS 9 on 1 January 2018) *(Continued)*

(i) Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, 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. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments (upon the adoption of HKFRS 9 on 1 January 2018) *(Continued)*

(i) Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(1) The financial instrument has a low risk of default,

(2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

(3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments (upon the adoption of HKFRS 9 on 1 January 2018) *(Continued)*

(i) Financial assets (Continued)

Impairment of financial assets (Continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event (see (ii) above);

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments (upon the adoption of HKFRS 9 on 1 January 2018) *(Continued)*

(i) Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

(ii) Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Compound instruments

The component parts of convertible notes issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible loan note, the balance recognised in equity will be transferred to accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments (upon the adoption of HKFRS 9 on 1 January 2018) *(Continued)*

(ii) Financial liabilities and equity (Continued)

Compound instruments (Continued)

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible loan notes using the effective interest method.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

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

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Interest-bearing borrowings

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

(m) Deposits and other payables

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

(n) Cash and cash equivalents

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

(o) Employee benefits

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

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

(ii) Share-based payments

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

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

(iii) Termination benefits

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Income tax

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Income tax *(Continued)*

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

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

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

  — the same taxable entity; or

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

(q) Provisions and contingent liabilities

(i) Contingent liabilities acquired in business combinations

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

(ii) Other provisions and contingent liabilities

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Revenue and other income recognition (before the adoption of HKFRS 15 on 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group's activities. Revenue is shown, net of discounts. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

(i) Rental income from operating leases

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

(ii) Revenue from properties sale

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

(iii) Revenue from property ancillary services

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

(iv) Commission income from agricultural exchange market

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

(v) Financial service income

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

(vi) Interest income

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

(vii) Government subsidies

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

(viii) Dividend income

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Revenue and other income recognition (upon the adoption of HKFRS 15 on 1 January 2018)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Revenue and other income recognition (upon the adoption of HKFRS 15 on 1 January 2018) *(Continued)*

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

(i) Rental income from operating leases

Rental income from properties leasing under operating leases is recognised on a straight-line basis over the lease terms.

(ii) Revenue from properties sale

For property development and sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

(iii) Revenue from property ancillary services

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

(iv) Commission income from agricultural exchange market

Commission income from agricultural exchange market are recognised when the services are rendered in accordance with the terms of the agreement signed.

(v) Financial services income

Income from financial services are recognised when the services are rendered.

(vi) Other income

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

Dividend income is recognised when the right to receive payment is established.

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Translation of foreign currencies

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

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

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

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

(u) Borrowing costs

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Related parties

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

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

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

(i) has control or joint control over the Groups;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group.

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

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers also related to the Group.

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Segment reporting

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

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

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

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

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

(x) Government grants

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

(y) Intangible assets

Intangible assets acquired separately

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

Derecognition of intangible assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Intangible assets *(Continued)*

Impairment of tangible and intangible assets other than goodwill

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

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

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

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

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

(z) Financial guarantee contracts

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(aa) Convertible bonds

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

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

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

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

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

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

The Group has applied, for the first time in the current year, the following new standard, amendments and interpretations of HKFRSs ("**new HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"):

HKFRS 2 (Amendments)	Classifications 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
HKFRS 28 (Amendments)	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
HKAS 40 (Amendments)	Transfers of investment property
HK (IFRIC) — Int 22	Foreign currency transactions and advance consideration

The above new HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

(a) Impact on the consolidated financial statements

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the application of new HKFRSs have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Consolidated statement of financial position (extract)	**31 December 2017**	**HKFRS 9**	**HKFRS 15**	**1 January 2018**
	HK$'000	HK$'000	HK$'000	HK$'000
Current assets				
Trade and other receivables	185,142	(998)	15,916	200,060
Loan receivables	38,424	(187)	—	38,237
Current liabilities				
Deposits receipts in advance	377,603	—	(377,603)	—
Contract liabilities	—	—	393,519	393,519
Net current liabilities	(236,354)	(1,185)	—	(237,539)
Total assets less current liabilities	4,227,781	(1,185)	—	4,226,596
Net assets	1,957,603	(1,185)	—	1,956,418
Capital and reserves				
Reserves	1,488,780	(1,004)	—	1,487,776
Non-controlling interests	369,292	(181)	—	369,111
Total equity	1,957,603	(1,185)	—	1,956,418

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

(b) HKFRS 9 Financial Instruments

Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments"

In the current period, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("**ECL**") for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

Under the transition methods chosen, the Group recognises the cumulative effect of the initial application of HKFRS 9 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been affected by HKFRS 9.

	At 31 December 2017	Impact on initial application of HKFRS 9	At 1 January 2018
	HK$'000	HK$'000	HK$'000
Trade and other receivables	185,142	(998)	184,144
Loan receivables	38,424	(187)	38,237
Reserves	1,488,780	(1,004)	1,487,776
Non-controlling interests	369,292	(181)	369,111

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

(b) HKFRS 9 Financial Instruments *(Continued)*

(i) Classification and measurement

HKFRS 9 categorise 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 IFRS 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.

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 significantly impacted by the initial application of HKFRS 9.

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

(b) HKFRS 9 Financial Instruments *(Continued)*

(ii) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. Except for those which had been determined as credit impaired under HKAS 39, the remaining balances are grouped based on internal credit rating and/or past due analysis. The Group has therefore estimated the expected loss rates for the trade receivables on the same basis.

Except for those which had been determined as credit impaired under HKAS 39, ECL for other financial assets at amortised cost, including deposit, other receivables, loan receivables and bank balances, are assessed on 12-month ECL ("**12m ECL**") basis as there had been no significant increase in credit risk since initial recognition.

All loss allowances including trade receivables and other financial assets at amortised cost as at 31 December 2017 reconciled to the opening loss allowances as at 1 January 2018 are as follows:

	Trade and other receivables	Loan receivables	Total
	HK$'000	HK$'000	HK$'000
At 31 December 2017 — HKAS 39	12,209	—	12,209
Amounts re-measured through opening accumulated losses	817	187	1,004
Amounts re-measured through opening non-controlling interests	181	—	181
At 1 January 2018	13,207	187	13,394

(c) HKFRS 15 Revenue from Contracts with Customers

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 transitional provisions in HKFRS 15, prior period comparative figures have not been restated. In summary, the following adjustments were made to the amounts recognised in the balance sheet at the date of initial application (1 January 2018):

	HKAS 18 carrying amount 31 December 2017	Reclassification	Remeasurement	HKFRS15 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)	—	—

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

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

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 included in deposits receipts in advance (approximately HK$377,603,000 as at 1 January 2018).

- At the date of initial application, consideration amount of approximately HK$15,916,000 was due arising from sale of properties contracts which are unconditional and hence such balance was recognised to other receivables and contract liabilities.

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 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 of a financing component, if significant. The Group has assessed that the financing component effect was insignificant.

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

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

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015-2017 Cycle[1]
HKFRS 3 (Amendments)	Definition of a Business[4]
HKFRS 9 (Amendments)	Clarification to HKFRS 9 Financial Instrument[1]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
HKFRS 16	Leases[1]
HKFRS 17	Insurance Contract[3]
HKAS 1 and HKAS 8 (Amendments)	Definition of Material[5]
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement[1]
HKAS 28 (Amendments)	Investments in associates and joint ventures[1]
HK (IFRIC) — Int 23	Uncertainty over income tax treatments[1]

1 Effective for annual periods beginning on or after 1 January 2019.

2 Effective for annual periods beginning on or after a date to be determined.

3 Effective for annual periods beginning on or after 1 January 2021.

4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

5 Effective for annual periods beginning on or after 1 January 2020.

The above new HKFRSs are effective for annual periods beginning on or after 1 January 2019 and have not been applied in preparing these consolidated financial statements. None of these is excepted to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

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

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Furthermore, extensive disclosures are required by HKFRS 16.

At 31 December 2018, the Group has non-cancellable operating lease commitments of approximately HK$30,312,000 as disclosed in note 38(b) to the financial statements. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained earnings without restating comparative information.

Except disclosed above, the directors of the Company do not anticipate that the application of other new and revised HKFRSs will have a material impact on the Group's financial performance and financial positions.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Key sources of estimation uncertainty

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

(i) Impairment of property, plant and equipment

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

(ii) Valuation of investment properties

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

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

(iii) Net realisable value of stock of properties

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

(iv) Provision of ECL for trade and other receivables and loan receivables

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's financial assets are disclosed in note 35(a).

4. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(v) Impairment of intangible assets

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

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

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

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

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

(vi) Income tax and deferred taxation

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

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

(vii) Fair value measurements and valuation processes

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

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

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 16 and 35 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

5. TURNOVER

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

	2018	2017
	HK$'000	HK$'000
Revenue from contracts with customers:		
Recognised at a point in time		
Revenue from property ancillary services	**84,688**	74,174
Commission income from agricultural produce exchange market	**94,827**	80,304
Revenue from property sales	**399,772**	449,203
Financial service income	**24**	789
Food and agricultural by-products merchandising	**4,410**	—
	583,721	604,470
Revenue from other sources:		
Property rental income	**195,136**	185,589
	778,857	790,059

6. OTHER REVENUE AND OTHER NET INCOME

	2018	2017
	HK$'000	HK$'000
Other revenue		
Bank and other interest income	**7,243**	4,481
PRC government subsidies (note 6(a))	**5,310**	8,165
Management fee income	**4,250**	—
Others	**4,510**	2,240
	21,313	14,886

(a) PRC government subsidies

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

7. LOSS BEFORE TAXATION

Loss before taxation is arrived after charging:

(a) Finance costs

	2018 HK$'000	2017 HK$'000
Interest on bank and other borrowings wholly repayable within five years	**34,085**	64,649
Interest on bank and other borrowings wholly repayable over five years	**—**	482
Interest on promissory notes	**23,500**	23,500
Interest on convertible bonds	**28,317**	36,422
Interest on bonds	**126,673**	146,699
Less: — Amounts classified as capitalised into stock of properties	**(873)**	—
	211,702	271,752

The weight average capitalisation rate on borrowing is 7.39% per annum (2017: Nil).

(b) Staff costs (including directors' emoluments)

	2018 HK$'000	2017 HK$'000
Contributions to defined contribution retirement plans	**251**	459
Salaries, wages and other benefits	**79,433**	107,746
	79,684	108,205

(c) Other items

	2018 HK$'000	2017 HK$'000
Depreciation and amortisation	**19,869**	20,653
Loss on disposal of property, plant and equipment	**410**	194
Auditors' remuneration		
— audit services	**2,200**	2,200
— other services	**280**	724
Operating lease charges: minimum lease payments		
— property rental	**1,574**	2,185
Loss on early redemption of convertible bonds	**—**	5,419
Loss on early redemption of bonds	**3,776**	1,561
Change in fair value of derivative financial instruments	**17,687**	77,396
Unrealised loss/(gain) on financial assets through profit or loss	**213**	(211)
Total unrealised loss on financial assets through profit or loss	**17,900**	77,185
Impairment loss on trade and other receivables and loan receivables	**1,642**	7,968
Cost of stock of properties	**286,301**	346,487

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

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

	2018 HK$'000	2017 HK$'000
Current tax		
PRC enterprise income tax	54,259	28,934
Deferred tax		
Origination and reversal of temporary difference (note 31(b))	10,981	7,380
	65,240	36,314

No provision for Hong Kong Profits Tax has been made as the Group had no estimated assessable profits arising in Hong Kong for the years ended 31 December 2018 and 2017. PRC Enterprise Income Tax is computed according to the relevant legislation interpretations and practices in respect thereof during the year. PRC Enterprise Income Tax rate is 25% (2017: 25%).

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

	2018		2017	
	HK$'000	%	HK$'000	%
Loss before taxation	(114,079)		(301,257)	
Notional tax on loss before taxation calculation at the rates applicable to losses in the jurisdictions concerned	(28,520)	(25.0)	(75,314)	(25.0)
Effect of different tax rates in other tax jurisdiction	13,179	11.6	27,219	9.0
Tax effect of non-deductible expenses and temporary difference	45,120	39.6	49,090	16.3
Tax effect of non-taxable income	(6,678)	(5.9)	(14,137)	(4.6)
Tax loss not recognised	42,139	36.9	49,456	16.4
Income tax expenses for the year	65,240	57.2	36,314	12.1

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For the year ended 31 December 2018

9. DIRECTORS' EMOLUMENTS

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

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contributions HK$'000	Total 2018 HK$'000
Executive directors:				
Chan Chun Hong, Thomas (Chairman and Chief Executive Officer)	**1,116**	**—**	**18**	**1,134**
Leung Sui Wah, Raymond	**2,205**	**—**	**18**	**2,223**
Yau Yuk Shing	**432**	**—**	**20**	**452**
Independent non-executive directors:				
Ng Yat Cheung	**149**	**—**	**—**	**149**
Lau King Lung	**149**	**—**	**—**	**149**
Wong Hin Wing (note 9(a))	**137**	**—**	**—**	**137**
Wong Ping Yuen (note 9(b))	**12**	**—**	**—**	**12**
	4,200	**—**	**56**	**4,256**

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

During the years ended 31 December 2018 and 2017, no emoluments were paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. No directors of the Company waived or agreed to waive any emoluments during the years ended 31 December 2018 and 2017.

Notes:

a) Director was resigned as an independent non-executive director on 30 November 2018.

b) Director was appointed as an independent non-executive director on 30 November 2018.

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2017: two) is a director whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the remaining four (2017: three) individuals are as follows:

	2018 HK$'000	2017 HK$'000
Salaries, wages and other benefits	5,330	4,897
Retirement schemes contributions	68	50
	5,398	4,947

The emoluments of four (2017: three) individuals with the highest emoluments are within the following bands:

	2018 Number of individuals	2017 Number of individuals
Nil to HK$1,000,000	—	—
HK$1,000,001 to HK$1,500,000	3	—
HK$1,500,001 to HK$2,000,000	1	3
	4	3

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

	2018 Number of individuals	2017 Number of individuals
Nil to HK$1,000,000	2	1
HK$1,000,001 to HK$1,500,000	3	3
HK$1,500,001 to HK$2,000,000	1	1
	6	5

The remuneration shown above represents remuneration received and receivable from the Group by these directors in their capacity as employees of the Group and/or in their capacity as the directors of the Company during the years ended 31 December 2018 and 2017.

During the years ended 31 December 2018 and 2017, no emoluments were paid by the Group to any of the highest paid individual and senior management as an inducement to join or upon joining the Group or as compensation for loss of office.

11. EMPLOYEE RETIREMENTS BENEFITS

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

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

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

12. DIVIDEND

The directors do not recommend the payment of any dividend in respect of the years ended 31 December 2018 and 2017 respectively.

13. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately HK$212,596,000 (2017: loss attributable to owners of the Company of approximately HK$340,970,000) and the weighted average number of 9,953,067,822 ordinary shares (2017: 1,903,573,798 ordinary shares in issue during the year). For the year ended 31 December 2017, the weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted with the effect of rights issue completed during the year ended 31 December 2017.

(b) Diluted loss per share

Diluted loss per share for the year ended 31 December 2018 and 2017 were the same as basic loss per share as the convertible bonds outstanding had an anti-dilutive effect on the basic loss per share.

14. SEGMENT REPORTING

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

Segment revenue and results

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

	Agricultural produce exchange market operation		Property sales		Unallocated		Consolidated	
	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000
Turnover								
External sales	379,085	340,856	399,772	449,203	–	–	778,857	790,059
Results								
Segment result	125,985	101,628	73,440	77,441	–	–	199,425	179,069
Other revenue and other income	14,561	10,986	–	–	6,752	3,900	21,313	14,886
Net gain in fair value of investment properties	4,507	52,068	–	–	–	–	4,507	52,068
Change in fair value of derivative financial instruments	–	–	–	–	(17,687)	(77,396)	(17,687)	(77,396)
Written down of stock of properties	–	–	(66,371)	(83,361)	–	–	(66,371)	(83,361)
Share of profit on joint venture	–	–	–	–	10,352	5,262	10,352	5,262
Gain on disposal of subsidiaries	–	–	–	–	39,846	–	39,846	–
Unallocated corporate expenses							(93,762)	(120,033)
Profit/(loss) from operations							97,623	(29,505)
Finance costs	(33,204)	(42,607)	–	–	(178,498)	(229,145)	(211,702)	(271,752)
Loss before taxation							(114,079)	(301,257)
Income tax							(65,240)	(36,314)
Loss for the year							(179,319)	(337,571)

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14. SEGMENT REPORTING *(Continued)*

Segment revenue and results *(Continued)*

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

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year (2017: Nil).

Segment assets and liabilities

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

	Agricultural produce exchange market operation		Property sales		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Assets						
Segment assets	**3,702,285**	4,857,923	**1,626,386**	886,488	**5,328,671**	5,744,411
Unallocated corporate assets					**275,001**	367,065
Consolidated total assets					**5,603,672**	6,111,476
Liabilities						
Segment liabilities	**1,563,833**	1,643,907	**455,921**	286,828	**2,019,754**	1,930,735
Unallocated corporate liabilities					**1,988,554**	2,223,138
Consolidated total liabilities					**4,008,308**	4,153,873

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

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

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

14. SEGMENT REPORTING *(Continued)*

Other segment information

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

	Agricultural produce exchange market operation		Property sales		Unallocated		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Capital expenditure — others (Note (i))	**64,287**	39,259	**—**	—	**2,706**	860	**66,993**	40,119
Net gain in fair value of investment properties	**4,507**	52,068	**—**	—	**—**	—	**4,507**	52,068
Change in fair value of derivative financial instruments	**—**	—	**—**	—	**(17,687)**	(77,396)	**(17,687)**	(77,396)
Written down of stock of properties	**—**	—	**(66,371)**	(83,361)	**—**	—	**(66,371)**	(83,361)
Unrealised (loss)/profit on financial assets at fair value through profit or loss	**—**	—	**—**	—	**(213)**	211	**(213)**	211
Depreciation and amortisation	**18,379**	18,141	**—**	—	**1,490**	2,512	**19,869**	20,653
Impairment on trade and other receivables and loan receivables	**1,631**	7,968	**—**	—	**11**	—	**1,642**	7,968
Loss on early redemption of convertible bonds	**—**	—	**—**	—	**—**	(5,419)	**—**	(5,419)
Loss on early redemption of bonds	**—**	—	**—**	—	**(3,776)**	(1,561)	**(3,776)**	(1,561)
Gain on disposal of subsidiaries	**—**	—	**—**	—	**39,846**	—	**39,846**	—

Note:

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

Information about major customers

For the year ended 31 December 2018 and 2017, no other single customers contributed 10% or more to the Group's revenue.

Geographical information

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

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Furniture, equipment and motor vehicles	Leasehold improvements	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Cost:				
1 January 2017	7,420	92,571	5,156	105,147
Exchange adjustments	560	7,235	390	8,185
Additions	—	9,352	—	9,352
Written off upon disposals	—	(2,852)	—	(2,852)
At 31 December 2017 and 1 January 2018	**7,980**	**106,306**	**5,546**	**119,832**
Exchange adjustments	**(413)**	**(5,629)**	**(384)**	**(6,426)**
Additions	**—**	**8,382**	**2,690**	**11,072**
Written off upon disposals	**—**	**(4,085)**	**—**	**(4,085)**
At 31 December 2018	**7,567**	**104,974**	**7,852**	**120,393**
Accumulated depreciation:				
1 January 2017	766	39,539	3,945	44,250
Exchange adjustments	67	3,449	309	3,825
Charge for the year	265	14,056	271	14,592
Written off upon disposals	—	(2,030)	—	(2,030)
At 31 December 2017 and 1 January 2018	**1,098**	**55,014**	**4,525**	**60,637**
Exchange adjustments	**(64)**	**(3,184)**	**(244)**	**(3,492)**
Charge for the year	**197**	**13,334**	**277**	**13,808**
Written off upon disposals	**—**	**(3,328)**	**—**	**(3,328)**
At 31 December 2018	**1,231**	**61,836**	**4,558**	**67,625**
Carrying amount:				
At 31 December 2018	**6,336**	**43,138**	**3,294**	**52,768**
At 31 December 2017	6,882	51,292	1,021	59,195

16. INVESTMENT PROPERTIES

	2018 HK$'000	2017 HK$'000
Completed investment properties	3,165,921	4,392,818
	3,165,921	4,392,818
At 1 January	4,392,818	4,211,566
Additions	55,921	30,767
Disposal	(102,552)	(189,367)
Written off	(1,991)	(3,198)
Transfer to stock of properties	(957,020)	—
Transfer to land prepayments	—	(22,263)
Fair value gain recognised in profit or loss	4,507	52,068
Exchange adjustments	(225,762)	313,245
At 31 December	3,165,921	4,392,818

(a) Valuation of investment properties

The investment properties amounted to approximately HK$3,165,921,000 of the Group were stated at fair value as at 31 December 2018. The fair value were arrived at based on the valuations carried out by an independent firm of qualified professional valuers, RHL Appraisal Limited ("**RHL**"), who have among their staff members of the Hong Kong Institute of Surveyors with recent experience in the location and category of the properties being valued. The valuations conform to the Valuation Standards 2017 Edition published by the Hong Kong Institute of Surveyors.

RHL have valued the properties on the basis of capitalisation of the net income derived from properties rental. In the course of their valuation, RHL have also made reference to the comparable market transactions as available. Discussions of valuation processes and results are held between the Group and valuers at least once every six months, in line with the Group's interim and annual reporting dates. As at 31 December 2018 and 2017, the fair values of the properties have been determined by RHL. At each financial year end, the Group (i) verifies all major inputs to the independent valuation report; (ii) assess property valuations movements when compared to the prior year valuation input; and (iii) holds discussions with the independent valuer.

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

Unless otherwise stated, the valuation assumptions of RHL assumed that:

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

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

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

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

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For the year ended 31 December 2018

16. INVESTMENT PROPERTIES *(Continued)*

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

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

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

The major key inputs applied in valuing the investment properties were market unit rental per each square meter per month (the "**s.q.m. per month**"). The ranges of s.q.m. per month of various locations were from RMB3.2 to RMB58.1 (2017: RMB7 to RMB55.8). A significant increase in the s.q.m. per month used would result in a significant increase in fair value, and vice versa.

The term yield and reversionary yield were one of the key inputs used in valuing the investment properties. The ranges of term yield was from 7.0% to 8.0% (2017: 7.0% to 8.0%) while the ranges of reversionary yield were from 7.5% to 8.5% (2017: 7.5% to 8.5%). A slight increase in the term yield and reversionary yield used would result in a significant decrease in fair value measurement of the investment properties, and vice versa.

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

	2018	2017
	HK$'000	HK$'000
In the PRC		
— medium-term leases	**3,165,921**	4,392,818

(c) Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2018 and 2017 are as follows:

	Level 1	**Level 2**	**Level 3**	**Fair value as at 2018**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Investment property unit located in the PRC	**—**	**—**	**3,165,921**	**3,165,921**

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

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

(d) Investment properties leased out under operating leases

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

The Group leases out its investment properties which is agricultural exchange markets to various tenants. The leases typically run for an initial period of 1 year to 5 years, at the end of which period all terms are renegotiated. None of the leases includes contingent rentals. The rental income from investment properties less direct outgoings of approximately HK$13,889,000 (2017: approximately HK$19,920,000) amounted to approximately HK$181,247,000 (2017: approximately HK$165,669,000).

16. INVESTMENT PROPERTIES *(Continued)*

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

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

	2018	2017
	HK$'000	HK$'000
Within 1 year	**151,376**	192,006
After 1 year but within 5 years	**63,082**	71,128
Over 5 years	**5,317**	19,985
	219,775	283,119

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

(e) Pledge of investment properties

As at 31 December 2018, the land use rights in respect of investment properties with a total carrying amount of approximately HK$1,313,174,000 (2017: approximately HK$1,785,842,000) were pledged to banks for the Group's bank borrowings, details of which are set out in note 27.

At 31 December 2018, the Group had been applying for the relevant certificates in respect of the buildings erected on the land included under investment properties owned by the Group.

17. INTANGIBLE ASSETS

	Operating right HK$'000
Cost	
As at 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	43,768
Accumulated amortisation and impairment loss	
As at 1 January 2017	25,585
Amortisation expenses during the year	6,061
As at 31 December 2017 and 1 January 2018	31,646
Amortisation expenses during the year	6,061
As at 31 December 2018	37,707
Carrying amount	
As at 31 December 2018	6,061
As at 31 December 2017	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 year and less impairment loss.

18. GOODWILL

	2018 HK$'000	2017 HK$'000
Cost:		
At 1 January and 31 December	25,017	25,017
Accumulated impairment losses:		
At 1 January and 31 December	25,017	25,017
Carrying amount:		
At 31 December	—	—

19. PRINCIPAL SUBSIDIARIES

(a) General information of subsidiaries

Name of Company	Place of incorporation/ registration and operation	Particulars of issued and fully paid ordinary share capital/ registered capital	Proportion of ownership interest and voting power held — Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities
Novel Talent Limited	British Virgin Islands/ Hong Kong	USD1	100%	100%	—	Investment holding
徐州源洋商貿發展有限公司 (note 19(a)(i))	The PRC	RMB61,220,000	51%	—	51%	Agricultural produce exchange market operation
武漢白沙洲農副產品大市場有限公司 (note 19(a)(i))	The PRC	RMB88,500,000	100%	94.4%	5.6%	Agricultural produce exchange market operation
玉林宏進農副產品批發市場有限公司 (note 19(a)(i))	The PRC	RMB76,230,000	65%	—	65%	Agricultural produce exchange market operation and property sales
玉林宏進物流發展有限公司 (note 19(a)(ii))	The PRC	RMB80,000,000	100%	—	100%	Agricultural produce exchange market operation and property sales
欽州宏進農副產品批發市場有限公司 (note 19 (a)(ii))	The PRC	RMB150,000,000	100%	—	100%	Agricultural produce exchange market operation and property sales
開封宏進農副產品批發市場有限公司 (note 19(a)(ii))	The PRC	USD23,230,000	100%	—	100%	Agricultural produce exchange market operation and property sales
洛陽宏進農副產品批發市場有限公司 (note 19(a)(ii))	The PRC	HKD180,000,000	100%	—	100%	Agricultural produce exchange market operation and property sales
濮陽宏進農副產品批發市場有限公司 (note 19(a)(i))	The PRC	RMB2,000,000	75%	—	75%	Agricultural produce exchange market operation and property sales
盤錦宏進農副產品批發市場有限公司 (note 19(a)(ii))	The PRC	USD10,000,000	100%	—	100%	Agricultural produce exchange market operations and property sales
淮安宏進農副產品物流有限公司 (note 19(a)(ii))	The PRC	USD29,300,970	100%	—	100%	Agricultural produce exchange market operation and property sales

19. PRINCIPAL SUBSIDIARIES *(Continued)*

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

Name of Company	Place of incorporation/ registration and operation	Particulars of issued and fully paid ordinary share capital/ registered capital	Proportion of ownership interest and voting power held: Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities
黃石宏進農副產品批發市場有限公司(note 19(a)(i))	The PRC	RMB2,000,000	80%	—	80%	Agricultural produce exchange market operation
淮安市宏進清江農副產品批發市場有限公司 (note 19(a)(iii))	The PRC	RMB12,680,000	58.58%	—	58.58%	Agricultural produce exchange market operation
深圳谷登科技有限公司 (note 19(a)(iii))	The PRC	RMB10,000,000	100%	—	100%	Financial service operation
隨州白沙洲農副產品物流園有限公司 (note 19(a)(iii))	The PRC	RMB3,000,000	51%	—	51%	Agricultural produce exchange market operation
湖北盛隆正泰農副產品市場管理有限公司 (note 19(a)(iii))	The PRC	RMB1,000,000	100%	—	100%	Food and agricultural by-products merchandising

Notes:

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

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

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

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

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

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

Name of Company	Place of incorporation/ registration and operation	Proportion of ownership interests and voting rights held by non-controlling interests	Profits/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
			2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000
徐州源洋商貿發展有限公司	The PRC	49%	**(650)**	7,417	**149,856**	158,628
玉林宏進農副產品批發市場有限公司	The PRC	35%	**28,457**	(350)	**205,830**	187,401

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

19. PRINCIPAL SUBSIDIARIES *(Continued)*

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

(i) *徐州源洋商貿發展有限公司*

	2018	2017
	HK$'000	HK$'000
Current assets	**72,619**	71,425
Non-current assets	**422,439**	461,088
Current liabilities	**78,767**	76,563
Non-current liabilities	**109,106**	130,283
Equity attributable to owners of the Company	**157,329**	167,039
Non-controlling interests	**149,856**	158,628
Turnover	**46,183**	46,281
Other gain	**1,704**	1,498
Net (loss)/gain in fair value of investment properties	**(12,672)**	6,866
Expenses	**(36,541)**	(39,509)
(Loss)/profit for the year	**(1,326)**	15,136
(Loss)/profit attributable to owners of the Company	**(676)**	7,719
(Loss)/profit attributable to non-controlling interests	**(650)**	7,417
(Loss)/profit for the year	**(1,326)**	15,136
Total comprehensive (loss)/income attributable to owners of the Company	**(9,698)**	18,957
Total comprehensive (loss)/income attributable to non-controlling interests	**(8,761)**	18,214
Total comprehensive (loss)/income for the year	**(18,459)**	37,171
Dividend paid to non-controlling interests	**—**	10,133
Net cash inflow from operating activities	**8,966**	9,378
Net cash inflow from investing activities	**1,569**	1,180
Net cash outflow from financing activities	**(9,297)**	(26,949)
Net cash inflow /(outflow)	**1,238**	(16,391)

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19. PRINCIPAL SUBSIDIARIES *(Continued)*

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

(ii) *玉林宏進農副產品批發市場有限公司*

	2018 HK$'000	2017 HK$'000
Current assets	**855,641**	206,024
Non-current assets	**1,340**	509,646
Current liabilities	**202,723**	111,632
Non-current liabilities	**70,612**	73,046
Equity attributable to owners of the Company	**377,816**	343,591
Non-controlling interests	**205,830**	187,401
Turnover	**192,708**	138,368
Other gain	**5,463**	398
Net gain/(loss) in fair value of investment properties	**62,292**	(32,192)
Expenses	**(179,157)**	(107,573)
Profit/(Loss) for the year	**81,306**	(999)
Profit/(Loss) attributable to owners of the Company	**52,849**	(649)
Profit/(Loss) attributable to non-controlling interests	**28,457**	(350)
Profit/(Loss) for the year	**81,306**	(999)
Total comprehensive income attributable to owners of the Company	**34,351**	22,097
Total comprehensive income attributable to non-controlling interests	**18,466**	11,898
Total comprehensive income for the year	**52,817**	33,995
Net cash inflow from operating activities	**205,582**	53,536
Net cash outflow from investing activities	**(8,935)**	(2,541)
Net cash outflow from financing activities	**(162,102)**	(70,484)
Net cash inflow/(outflow)	**34,545**	(19,489)

20. STOCK OF PROPERTIES

	2018 HK$'000	2017 HK$'000
Completed properties	**1,533,856**	772,827
Properties under development	**130,089**	197,022
	1,663,945	969,849
Less: written down of stock of properties	**(66,371)**	(83,361)
	1,597,574	886,488

During the year, there was a significant decrease in the net realisable value of stock due to the stagnant property market environment in the PRC in 2018 and 2017. As a result, a write-down of approximately HK$66,371,000 (2017: approximately HK$83,361,000) has been recognised and included in profit or loss in the current year.

As at 31 December 2018, the stock of properties of approximately HK$355,924,000 (2017: approximately HK$558,963,000) were pledged to bank for the Group's bank borrowings, details of which are set out in note 27.

21. TRADE AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade debtors, net	**8,355**	6,892
Deposit for land acquisition	**55,284**	58,299
Other deposits	**13,727**	21,806
Prepayments	**81,910**	36,882
Other receivables	**91,603**	61,263
	242,524	178,250
Less: allowance for impairment	**(448)**	—
	242,076	178,250
Trade and other receivables, net	**250,431**	185,142

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

21. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Ageing analysis

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

	2018 HK$'000	2017 HK$'000
Less than 90 days	**1,887**	3,321
More than 90 days but less than 180 days	**482**	281
More than 180 days	**5,986**	3,290
	8,355	6,892

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

(b) Ageing of past due but not impaired

	2018 HK$'000	2017 HK$'000
Less than 90 days past due	**482**	281
More than 90 days past due	**5,986**	3,290
	6,468	3,571

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

22. LOAN RECEIVABLES

	2018 HK$'000	2017 HK$'000
Current portion	**40,525**	38,424
Less: allowance for impairment	**(198)**	—
Loan receivables, net	**40,327**	38,424

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

The effective interest rates on the Group's loan receivables are 7.5% (2017: 8.0%).

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 HK$'000	2017 HK$'000
Listed investments:		
— Equity securities listed in Hong Kong	**66**	3,664
Derivative financial instruments:		
— Redemption option derivative component (note 30)	**2,109**	19,796
Fair value	**2,175**	23,460

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

24. CASH AND CASH EQUIVALENTS

	2018 HK$'000	2017 HK$'000
Cash at banks and in hand	**488,415**	513,827

Notes:

(a) Cash at bank and in hand comprise cash held by the Group and bank balances that bear interest at prevailing market rates ranging from approximately 0.001% to 3.05% (2017: approximately 0.001% to 3.05%) per annum and have original maturity of three months or less.

Included in cash at banks and in hand as at 31 December 2018 is an amount denominated in Renminbi ("**RMB**") of approximately RMB377,167,000 (equivalent to approximately HK$429,461,000) (2017: approximately RMB253,700,000 (equivalent to approximately HK$304,630,000)). Renminbi is not freely convertible into other currencies.

Included in cash at bank and in hand as at 31 December 2018, restricted cash of an amount of approximately RMB10,143,000 (equivalent to approximately HK$11,550,000) represents certain companies of the Group which are required to place in designated bank accounts certain amount of pre-sale proceeds as guarantee deposits for the constructions of the related properties. The deposits can only be used for payments for construction costs of the relevant properties. Such guarantee deposits will be released after the completion of construction of the related properties (2017: approximately RMB4,089,000 (equivalent to approximately HK$4,910,000) is the restricted cash held at banks as receipt on behalf of tenant in agricultural market).

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For the year ended 31 December 2018

24. CASH AND CASH EQUIVALENTS *(Continued)*

Notes: *(Continued)*

(b) Reconciliation of liabilities arising from financing activities:

	Bank and other borrowings HK$'000 (note 27)	Bonds HK$'000 (note 28)	Convertible bonds HK$'000 (note 30)	Promissory notes HK$'000 (note 29)	Total HK$'000
Net debt as at 1 January 2017	867,903	1,335,866	413,116	376,000	2,992,885
Cash flow	(227,815)	(229,545)	(63,490)	—	(520,850)
Foreign exchange differences	56,166	—	—	—	56,166
Other non-cash movement	—	148,260	(123,347)	—	24,913
Net debt as at 31 December 2017 and 1 January 2018	696,254	1,254,581	226,279	376,000	2,553,114
Cash flow	(212,206)	(358,784)	(19,849)	—	(590,839)
Foreign exchange differences	(36,009)	—	—	—	(36,009)
Other non-cash movement	—	130,450	28,317	—	158,767
Net debt as at 31 December 2018	**448,039**	**1,026,247**	**234,747**	**376,000**	**2,085,033**

25. DEPOSITS AND OTHER PAYABLES

	2018 HK$'000	2017 HK$'000
Accrued charges	**26,811**	32,892
Construction payables	**73,659**	100,852
Deposit received	**88,961**	66,859
Interest payable	**250,005**	233,815
Other tax payables	**59,859**	61,185
Other payables	**276,898**	242,350
	776,193	737,953

26. CONTRACT LIABILITIES

The Group has recognised the following liabilities related to:

	2018
	HK$'000
Revenue from contracts with customers:	
Contract liabilities relating to sale of properties contracts	**476,774**
Revenue from other sources:	
Receipt in advance related to rental properties	**175,588**
	652,362

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	2018
	HK$'000
Revenue recognised that was included in the contract liability balance at the beginning of the period	**329,604**

The following table shows unsatisfied performance obligations resulting from sales of properties contracts.

	2018
	HK$'000
Aggregate amount of the transaction price allocated to sale of properties contracts that are partially or fully unsatisfied as at 31 December	**718,056**

27. BANK AND OTHER BORROWINGS

	2018	2017
	HK$'000	HK$'000
Secured bank borrowings (note 27(c))	**448,039**	672,239
Unsecured other borrowings	**—**	24,015
	448,039	696,254
Carrying amount repayable:		
Within one year	**328,036**	339,231
More than one year, but within two years	**58,277**	230,295
More than two years, but within five years	**61,726**	114,721
More than five years	**—**	12,007
	448,039	696,254
Less: amounts due within one year shown under current liabilities	**(328,036)**	(339,231)
	120,003	357,023

27. BANK AND OTHER BORROWINGS *(Continued)*

(a) Included in the above balances are bank borrowings of variable-rate of approximately HK$360,985,000 (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 4.8% to 6.7% (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$87,054,000 (2017: approximately HK$141,033,000) carry interest fixed from approximately 4.4% to 7.8% (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.

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

	2018 **HK$'000**	2017 HK$'000
Effective interest rate:		
Fixed-rate borrowings	**4.4% to 10%**	5% to 10%
Variable-rate borrowings	**4.8% to 6.7%**	4.9% to 6.7%

(c) The secured bank borrowings are secured by the land use rights included in investment properties and stock of properties with a carrying amount of approximately HK$1,669,098,000 (2017: approximately HK$2,344,805,000) as set out in notes 16 and 20.

28. BONDS

	Non-listed bond maturity in 2019 ("Bonds 2019")	Non-listed bond maturity in 2020 ("Bonds 2020")	Listed bond maturity in 2024 ("Listed bonds 2024")	Total
	HK$'000	HK$'000	HK$'000	HK$'000
	(Note 1)	(Note 2)	(Note 3)	
At 1 January 2017	1,136,559	20,833	178,474	1,335,866
Interest charge	122,771	2,279	21,649	146,699
Less: Interest paid/payable	(115,545)	—	(4,000)	(119,545)
Less: redemption settlement	(108,439)	—	—	(108,439)
At 31 December 2017	1,035,346	23,112	196,123	1,254,581
At 1 January 2018	**1,035,346**	**23,112**	**196,123**	**1,254,581**
Interest charge	**106,394**	**2,527**	**17,752**	**126,673**
Less: Interest paid/payable	**(99,460)**	**—**	**(2,986)**	**(102,446)**
Less: redemption settlement	**(198,225)**	**—**	**(54,336)**	**(252,561)**
At 31 December 2018	**844,055**	**25,639**	**156,553**	**1,026,247**
Current portion				
2018	844,055	—	—	844,055
2017	—	—	—	—
Non-current portion				
2018	—	25,639	156,553	182,192
2017	1,035,346	23,112	196,123	1,254,581

Notes:

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

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

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

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

   On 17 August 2018, 14 September 2018, 21 September 2018 and 17 November 2018, the Company has early redeemed the Bonds 2019 in the aggregate principal amount of HK$50,000,000, HK$50,000,000, HK$50,000,000 and HK$50,000,000 respectively.

   The fair value of the Bonds 2019 is approximately HK$842,003,000 as at 31 December 2018 (2017: approximately HK$1,061,461,000). The Bonds 2019 were classified as level 2 of fair value hierarchy.

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

28. BONDS *(Continued)*

Notes: *(Continued)*

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

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

   The fair value of the Bonds 2020 is approximately HK$25,028,000 as at 31 December 2018 (2017: approximately HK$22,909,000). The Bonds 2020 were classified as level 2 of fair value hierarchy.

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

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

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

   The information of Listed bonds 2024 are presented as follows:

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

   As at 31 December 2018, the Company has completed the purchase of and cancelled the Listed bonds 2024 in the aggregate principal amount of HK$110,000,000. The Listed bonds 2024 in the principal amount of HK$290,000,000 remained outstanding.

   The fair value of the Listed bonds 2024 is approximately HK$165,505,000 as at 31 December 2018 (2017: approximately HK$218,184,000). The Listed bonds 2024 were classified as level 2 of fair value hierarchy.

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

29. PROMISSORY NOTES

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

The movement of the carrying amount of the Promissory Notes during the year ended 31 December 2018 and 2017 is set out below:

	2018	2017
	HK$'000	HK$'000
At 1 January and 31 December	**376,000**	376,000

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

During the year ended 31 December 2018, the Group was pursuing a litigation regarding the Promissory Notes. For details, please refer to note 36.

30. CONVERTIBLE BONDS

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

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

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For the year ended 31 December 2018

30. CONVERTIBLE BONDS *(Continued)*

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

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

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

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

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

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

As at 31 December 2018, the Convertible Bonds with the principal amount of HK$264,800,000 were outstanding and the maximum number of share to be converted is 662,000,000 shares.

The fair value of the Convertible Bonds of approximately HK$242,743,000 (2017: approximately HK$238,719,000) as at 31 December 2018. The Convertible Bonds were classified as level 3 of fair value hierarchy.

30. CONVERTIBLE BONDS *(Continued)*

The Convertible Bonds information are presented as follows:

	Convertible Bonds HK$'000
Principal amounts:	
— as at 31 December 2018	264,800
Interest:	in HK$ settlement 7.5% p.a. payable per six calendar months after the date of issuance
Issue date:	19 October 2016
Maturity date:	19 October 2021
Conversion price per share:	HK$0.4
Risk free rate:	0.64%
Discount rate:	12.39%
Liability component	
As at 1 January 2017	413,116
Convertible Bonds converted	(165,188)
Convertible Bonds redeemed	(31,581)
Imputed interest charge (note 7)	36,422
Interest paid	(26,490)
As at 31 December 2017 and 1 January 2018	226,279
Imputed interest charge (note 7)	28,317
Interest paid	(19,849)
As at 31 December 2018	**234,747**
Equity component	
As at 1 January 2017	150,201
Convertible Bonds converted	(59,540)
Convertible Bonds redeemed	(11,114)
As at 31 December 2017, 1 January 2018 and 31 December 2018	**79,547**
Redemption option derivative component	
As at 1 January 2017	(97,192)
Change in fair value	77,396
As at 31 December 2017 and 1 January 2018	(19,796)
Change in fair value	17,687
As at 31 December 2018	**(2,109)**

31. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

(b) Deferred taxation recognised:

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year ended 31 December 2018 are as follows:

	Fair value adjustments of investment properties and stock of properties HK$'000	Convertible Bonds HK$'000	Total HK$'000
Deferred tax arising from:			
At 1 January 2017	378,003	28,842	406,845
Exchange adjustments	29,064	—	29,064
Conversion of Convertible Bonds	—	(10,994)	(10,994)
Credit to profit or loss	12,440	(5,060)	7,380
At 31 December 2017 and 1 January 2018	419,507	12,788	432,295
Exchange adjustments	(22,195)	—	(22,195)
Credit to profit or loss	13,793	(2,812)	10,981
At 31 December 2018	411,105	9,976	421,081

	2018 HK$'000	2017 HK$'000
Net deferred tax liabilities recognised in the consolidated statement of financial position	**421,081**	432,295

(c) Deferred taxation not recognised

At the end of the reporting period, the Group has obtained the tax assessment in regarding to the accumulated tax losses. In accordance to the tax assessment, tax losses of approximately HK$208,949,000 for the year ended 31 December 2018 (2017: approximately HK$187,579,000) can be brought forward to offset the future taxable profits. No deferred tax asset has been recognised due to the unpredictability of the future profit stream. The Group had no other significant deferred tax assets/liabilities not recognised as at the end of the reporting period.

32. CAPITAL AND RESERVES

(a) Authorised and issued share capital

	Notes	2018 Number of shares	2018 Nominal value HK$'000	2017 Number of shares	2017 Nominal value HK$'000
Authorised:					
Ordinary shares of HK$0.01 (2017: 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
Rights issue	(i)	**—**	**—**	8,294,223,185	82,943
Convertible Bonds converted		**—**	**—**	495,500,000	4,955
At 31 December		**9,953,067,822**	**99,531**	9,953,067,822	99,531

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

Notes:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

32. CAPITAL AND RESERVES *(Continued)*

(b) Nature and purpose of reserves

(i) Share premium

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

(ii) Capital redemption reserve

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

(iii) Contributed surplus

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

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

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

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

(iv) Shareholders' contribution

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

(v) Exchange reserve

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

(vi) Other reserve

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

(vii) Convertible bonds reserve

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

(c) Distributability of reserves

At 31 December 2018, the aggregate amount of reserves available for distribution to equity shareholders of the Company was nil (2017: Nil).

32. CAPITAL AND RESERVES *(Continued)*

(d) Capital management

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

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

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

The gearing ratio as at 31 December 2018 and 2017 was as follows:

	Notes	2018 HK$'000	2017 HK$'000
Current debts			
— Bank and other borrowings	27	328,036	339,231
— Promissory notes	29	376,000	376,000
— Bonds	28	844,055	—
Total current debts		1,548,091	715,231
Non-current debts			
— Bank and other borrowings	27	120,003	357,023
— Convertible bonds	30	234,747	226,279
— Bonds	28	182,192	1,254,581
Total non-current debts		536,942	1,837,883
Total debt		2,085,033	2,553,114
Less: Cash and cash equivalents	24	(488,415)	(513,827)
Net debt		1,596,618	2,039,287
Total equity		1,595,364	1,957,603
Net debt-to-capital ratio		100.1%	104.2%

Neither the Company not its subsidiaries are subject to externally imposed capital requirements.

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

(a) Financial position of the Company

	2018 HK$'000	2017 HK$'000
Non-current assets		
Investments in subsidiaries	**319,580**	319,580
Current assets		
Other receivables	**2,398,987**	2,658,028
Financial assets at fair value through profit or loss	**2,109**	19,796
Cash and cash equivalents	**52,733**	205,959
	2,453,829	2,883,783
Current liabilities		
Other payables	**303,517**	295,153
Bonds	**844,055**	—
Promissory notes	**376,000**	376,000
	1,523,572	671,153
Net current assets	**930,257**	2,212,630
Total assets less current liabilities	**1,249,837**	2,532,210
Non-current liabilities		
Bonds	**182,192**	1,254,581
Convertible bonds	**234,747**	226,279
Deferred tax liability	**9,976**	12,787
	426,915	1,493,647
Net assets	**822,922**	1,038,563

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

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

	2018 HK$'000	2017 HK$'000
Capital and reserves		
Share capital	99,531	99,531
Reserves	723,391	939,032
Total equity	822,922	1,038,563

Approved and authorised for issue by the board of directors on 14 March 2019.

Chan Chun Hong, Thomas
Director

Leung Sui Wah, Raymond
Director

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

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

	Share capital	Share premium	Capital redemption reserve	Contributed surplus	Convertible bonds reserves	Shareholders contribution	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2017	11,633	3,073,429	945	588,812	150,201	664	(3,022,633)	803,051
Rights issue for the year	82,943	646,949	—	—	—	—	—	729,892
Transaction costs relating to rights issue	—	(27,675)	—	—	—	—	—	(27,675)
Convertible bonds converted	4,955	230,767	—	—	(59,540)	—	—	176,182
Convertible bonds redeemed	—	—	—	—	(11,114)	—	11,114	—
Loss for the year	—	—	—	—	—	—	(642,887)	(642,887)
At 31 December 2017 and 1 January 2018	99,531	3,923,470	945	588,812	79,547	664	(3,654,406)	1,038,563
Transaction costs relating to rights issue	—	(323)	—	—	—	—	—	(323)
Loss for the year	—	—	—	—	—	—	(215,278)	(215,278)
At 31 December 2018	99,531	3,923,147	945	588,812	79,547	664	(3,869,684)	822,962

34. EQUITY SETTLED SHARE-BASED TRANSACTIONS

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

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

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

(c) the nominal value of a share.

Pursuant to the Scheme, the maximum number of shares in the Company in respect of which options may be granted when aggregated with any other share option scheme of the Company is not permitted to exceed 995,306,782 shares, representing 10% of the issued share capital of the Company as at the date of this report. Subject to the issue of a circular and the approval of the shareholders of the Company in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may refresh the limit at any time to 10% of the total number of shares in issue as at the date of approval by the shareholders of the Company in general meeting. Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares in issue from time to time.

The number of shares in respect of which options may be granted to the Participants in any 12-month period up to and including the date of grant shall not exceed 1% of the total number of shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the approval of the shareholders in general meeting. The participant and his associates (as defined in the Listing Rules) are abstained from voting and/or other requirements prescribed under the Listing Rules from time to time. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

There is no specific requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than ten years from the date of grant.

No options have been granted, exercised, cancelled or lapsed during the year ended 31 December 2018 and 2017.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Exposure to credit, liquidity and market risks (including interest rate, currency risk and equity price risk) arises in the normal course of the Group's business.

These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group is exposed to credit risk in relation to its trade and other receivables, loan receivables and cash deposits with banks.

The carrying amounts of trade and other receivables, loan receivables and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

In relation to the Group's deposits with bank, the Group limits its exposure to credit risk by placing deposits with financial institutions with high credit rating and no recent history of default. The directors of the Company consider that the Group's credit risk on the bank deposits is low. Management continues to monitor the position and will take appropriate action if their ratings should change. As at 31 December 2018 and 2017, the Group has no significant concentration of credit risk in relation to deposits with bank.

The Group has a concentration of credit risk in certain individual customers. At the end of each reporting period, the five largest receivable balances accounted for approximately 66% (2017: approximately 76%) of the trade receivables and the largest trade receivable was approximately 57% (2017: approximately 65%) of the Group's total trade receivables. The Group seeks to minimise its risk by dealing with counterparties which have good credit history. Majority of the trade receivables that are neither past due nor impaired have no default payment history.

The Group's concentration of credit risk by geographical location is mainly in the PRC.

For loan and other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of loan and other receivables based on historical settlement records and past experience. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of loan and other receivables.

The Group considers the probability of default upon initial recognition of a financial asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- internal credit rating;
- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Credit risk *(Continued)*

- actual or expected significant changes in the operating results of the borrower;
- significant increases in credit risk on other financial instruments of the same borrower; and
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

The Group has credit policy to monitor the level of credit risk. In general, the credit record and credit period for each customer or debtor are regularly assessed, based on the customer's or debtor's financial condition, their capacity to obtain guarantee from third parties, their credit records and other factors such as current market condition. Management overall considers the shared credit risk characteristic and the days past due of the trade receivables to measure the expected credit. The Group considered among other factors including forward looking information, analysed historical pattern.

On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 (upon adoption of HKFRS 9) was determined as follows for trade receivables:

31 December 2018	Less than 90 days	More than 90 days but less than 180 days	More than 180 days	Total
Trade receivables				
Expected loss rate	10.6%	20.3%	62.5%	
Gross carrying amount	2,111	605	15,966	18,682
Loss allowance	(224)	(123)	(9,980)	(10,327)
	1,887	482	5,986	8,355

The closing loss allowances for trade receivables as at 31 December 2018 reconcile to the opening loss allowances as follows:

	Trade receivables HK$'000
At 1 January 2017 — calculated under HKAS 39	3,992
Allowance for impairment	7,968
Amounts written off as uncollectible	(350)
Exchange difference	599
31 December 2017 — calculated under HKAS 39	12,209
Amounts restated through opening accumulated losses	694
Opening loss allowance as at 1 January 2018 — calculated under HKFRS 9	12,903
Increase in loss allowance recognised in profit or loss during the year	1,487
Amounts written off as uncollectible	(3,466)
Exchange difference	(597)
At 31 December 2018	10,327

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Credit risk *(Continued)*

The Group will monitor debtors with long outstanding balances and will engage in enforcement activities to recover the receivables due. Where recoveries are made, these are recognised in consolidated statements of profit or loss and other comprehensive income. The Group closely monitors trade receivables balance more than 30 days. Those trade receivables, due more than 90 days, with financial difficulties, declining credit standing and poor historical payment pattern will be considered as default. The Group will write off these unrecovered receivables after all possible means of debt recovery activities.

For loan receivables and other receivables, the Group applies either a 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivables has occurred since initial recognition then impairment is measured as lifetime expected credit losses.

In determining the 12-month or lifetime expected credit loss for these receivables, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical payment experience and the corresponding historical credit loss rates, and adjusted for forward-looking macroeconomic data. In assessing whether the credit risk on these receivables have increased significantly since initial recognition, the Group compares the risk of a default occurring on these receivables as at the reporting date with the risk of default occurring on these receivables as at the date of initial recognition. Management would re-assess these factors periodically for any deterioration or improvement indications to determine if credit risk from these receivables has increased or decreased.

The closing loss allowances for loan and other receivables as at 31 December 2018 reconcile to the opening loss allowances as follows:

	Loan receivables HK$'000	**Other receivables** HK$'000
31 December 2017 — calculated under HKAS 39	—	—
Amounts restated through opening accumulated losses	187	304
Opening loss allowance as at 1 January 2018 — calculated under HKFRS 9	187	304
Increase in loss allowance recognised in profit or loss during the year	11	144
At 31 December 2018	198	448

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. As at 31 December 2018 and 2017, there were no unutilised banking facilities.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Liquidity risk *(Continued)*

The following table details the remaining contractual maturities at the end of reporting period of the Group' s non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of reporting period) and the earliest date the Group and the Company can be required to pay:

At 31 December 2018

	Weighted average interest rate	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
Deposit and other payables	—	749,382	749,382	749,382	—	—	—
Bank and other borrowings	5.5%	448,039	487,151	346,800	67,226	73,125	—
Bonds	10.5%	1,026,247	1,480,057	1,150,017	29,155	8,700	292,185
Promissory notes	5.0%	376,000	376,000	376,000	—	—	—
Convertible bonds	7.5%	234,747	320,408	19,860	19,860	280,688	—
		2,834,415	3,412,998	2,642,059	116,241	362,513	292,185

At 31 December 2017

	Weighted average interest rate	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
Deposit and other payables	—	739,020	739,020	739,020	—	—	—
Bank and other borrowings	5.7%	696,254	781,722	375,530	253,738	137,609	14,845
Bonds	10.7%	1,254,581	1,712,468	110,898	1,151,117	43,439	407,014
Promissory notes	5.0%	376,000	376,000	376,000	—	—	—
Convertible bonds	7.5%	226,279	340,268	19,860	19,860	300,548	—
		3,292,134	3,949,478	1,621,308	1,424,715	481,596	421,859

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank and other borrowings, bonds, convertible bonds, promissory notes, and cash and cash equivalents.

Cash and cash equivalents comprise mainly cash at banks and in hand, with the annual interest rates ranging from approximately 0.001% to 3.05% as at 31 December 2018 (2017: approximately 0.001% to 3.05%).

The interest rates of the Group's bank and other borrowings, bonds, promissory notes and convertible bonds are disclosed in notes 27, 28, 29 and 30 respectively.

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank and other borrowings, bonds, promissory notes and convertible bonds (see notes 27, 28, 29 and 30 for details).

The Group is exposed to cash flow interest rate risk in respect of its variable-rate bank and other borrowings (see note 27) and bank balances (see note 24) due to changes of interest rates. It is the Group's present policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The Group currently does not have any interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant fixed-rate bank and other borrowings should the need arise.

Sensitivity analysis

At 31 December 2018, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax and increase/decrease accumulated losses by approximately HK$3,610,000 (2017: approximately HK$5,312,000). Other components of equity would not be affected (2017: Nil) in response to the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in the respective interest rates over the period until the next annual reporting period. The analysis is performed on the same basis for 2017.

(d) Currency risk

Currency risk to the Group is minimal as most of the Group's transactions denominated and settled in the functional currency of the operations to which the transactions relate. Most of the Group's monetary assets and liabilities are also denominated in the Group's functional currencies. Therefore, the Group has no significant currency risk exposure as they are denominated in a currency same as the functional currencies of the group entities to which these transactions relate.

(e) Equity price risk

The Group is exposed to equity price risk mainly through its investment in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with difference risk and return profiles. The Group exposed to equity price risk arising from changes in the Group's financial assets at fair value through profit or loss.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risk at the reporting date. If equity price had been 5% higher/lower, the Group's net profit for the year would increase/decrease by approximately HK$3,300 (2017: approximately HK$183,000). This is mainly due to the changes in financial assets at fair value through profit or loss.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(f) Fair value of financial instrument

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

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

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

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

Fair value measurements recognised in the consolidated statement of financial position

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

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets				
At 31 December 2018				
Financial assets at fair value through profit or loss				
— Equity securities listed in Hong Kong	**66**	**—**	**—**	**66**
Derivative financial instruments				
— Redemption option derivative component	**—**	**—**	**2,109**	**2,109**

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets				
At 31 December 2017				
Financial assets at fair value through profit or loss				
— Equity securities listed in Hong Kong	3,664	—	—	3,664
Derivative financial instruments				
— Redemption option derivative component	—	—	19,796	19,796

There were no transfer between Level 1 and 2 in both years.

36. LITIGATION

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

1. On 7 January 2011, the Company received a writ (the "**Writ**") issued by Ms. Wang Xiu Qun ("**Ms. Wang**") and Wuhan Tian Jiu Industrial and Commercial Development Co., Ltd. ("**Tian Jiu**") (as plaintiffs) against the Company (as defendant) and filed with the Higher People's Court of Hubei Province (the "**Hubei Court**") of the PRC, together with the related court summons dated 4 January 2011 (the "**Summons**"). The writ also joined Wuhan Baisazhou Agricultural By-Product Grand Market Company Limited ("**Baisazhou Agricultural**") as third party to such civil proceeding.

   Major allegations of Ms. Wang and Tian Jiu as set out in the Writ are as follows:

   (a) it is alleged that Baisazhou Agricultural forged a share transfer agreement (the "**Contended Agreement**") in relation to the acquisition of Baisazhou Agricultural (the "**Acquisition**") wherein consideration for the Acquisition was understated and the manner of settlement of the consideration was inaccurately described;

   (b) it is alleged that Baisazhou Agricultural forged the related documentation for filing with the PRC Ministry of Commerce ("**MOFCOM**") and the Hubei Administration For Industry and Commerce (the "**Hubei AIC**"), and that such documentation and the Contended Agreement involved forged signatures; and

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

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

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

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

36. LITIGATION *(Continued)*

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

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

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

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

   As advised by the PRC legal adviser of the Company:

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

36. LITIGATION *(Continued)*

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

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

    (a) Baisazhou Agricultural ceasing to be a subsidiary of the Company. For the financial year ended 31 December 2018, Baisazhou Agricultural contributed approximately the following to the Group: (i) approximately HK$ 192 million (approximately 25% of the Group) in revenue; (ii) approximately HK$106 million (approximately 59% increase in the loss attributable to owners of the Company of the Group) in profit attributable to owners of the Company; (iii) approximately HK$1,746 million (approximately 31% of the Group) in assets; (iv) approximately HK$716 million (approximately 18% of the Group) in liabilities, and (v) approximately HK$1,030 million (approximately 65% of the Group) in total equity attributable to owners of the Company;

    (b) the Company cancelling the provision for payment of the two outstanding instruments purportedly described as promissory notes in the respective sale and purchase agreement between the Company and Ms. Wang and Tian Jiu. As at 31 December 2018, the instruments are recorded at book value of approximately HK$376 million, together with interest payable in the aggregate amount of approximately HK$613 million; and

    (c) the Company may take all necessary actions to seek (i) the return of the remaining balance of approximately HK$706 million, being the consideration paid for the Acquisition, and (ii) the investments made by the Company over the years in Baisazhou Agricultural.

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

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

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

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

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

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

36. LITIGATION *(Continued)*

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

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

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

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

4. The trial took place in February and March 2019 for 20 days and was adjourned for final submission in June 2019 with 3 days reserved.

(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.

36. LITIGATION *(Continued)*

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

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

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

9. On 10 May 2017, the Company received a Notice of Appeal dated 8 May 2017. By the Notice of Appeal, Ms. Wang and Tian Jiu appealed against the 31 March Judgment and requested for an order that (a) the 31 March Judgment be set aside and that (b) MOFCOM to make a decision to revoke the approval issued in 2007 in relation to the Contended Agreement.

10. On 24 December 2018, the Company received the judgment of the Beijing Higher People's Court dated 20 December 2018 dismissing the appeal of Ms. Wang and Tian Jiu and upholding the ruling of the Beijing Court as set out in the 31 March Judgment. In other words, the approval issued by MOFCOM in November 2007 in relation to the Contended Agreement shall not be revoked and shall remain to be in force.

(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.

36. LITIGATION *(Continued)*

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

9. On 11 August 2016, the Company submitted an application to modify its claims. The modified claims include: (1) to confirm that the SPA has been legally made; (2) to seek an order from the Hubei Court that Ms. Wang and Tian Jiu shall assist the Company and Baisazhou Agricultural to discharge its contractual duties under the SPA to make the necessary filing with MOFCOM; (3) to seek an order from the Hubei Court that if Ms. Wang and Tian Jiu fail to assist as abovementioned then the Company and Baisazhou Agricultural shall have the right to make the necessary filing with MOFCOM on their own; and (4) to seek an order from the Hubei Court that Ms. Wang and Tian Jiu shall bear the costs of the proceedings.

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

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

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

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

14. On 5 June 2017, the Company applied to the Hubei Court for review of the 26 May Order. According to the order of the Hubei Court dated 12 June 2017, the application by the Company was dismissed.

(F) Writ issued in the PRC by Mr. Yeung

1. On 15 July 2013, Baisazhou Agricultural received a writ issued by Mr. Yeung Guang Wu ("**Mr. Yeung**") (as plaintiff) against Baisazhou Agricultural (as defendant) and demand for an outstanding construction payment of RMB3,816,707 together with interest since August 2009.

2. On 29 May 2015, the Hongshan District People's Court of Wuhan City (the "**Hongshan District People's Court**") dismissed the claims of Mr. Yeung.

3. On 5 June 2015, Mr. Yeung appealed to the Wuhan Intermediate People's Court.

4. On 6 September 2015, the Wuhan Intermediate People's Court revoked the verdict, and remitted the case back to the Hongshan District People's Court for retrial.

5. On 18 November 2016, the Hongshan District People's Court commenced the trial.

6. On 20 May 2017, the Hongshan District People's Court dismissed the claims of Mr. Yeung.

7. On 9 June 2017, Mr. Yeung appealed to the Wuhan Intermediate People's Court.

36. LITIGATION *(Continued)*

(F) Writ issued in the PRC by Mr. Yeung *(Continued)*

8. According to the judgment of the Wuhan Intermediate People's Court dated 23 October 2017 which was received by the Group on 6 November 2017, the verdict of Hongshan District People's Court was revoked and the case was remitted to Hongshan District People's Court for retrial.

9. The case is now being heard by Hongshan District People's Court and it was directed by the court that Wuhan Tingjia Wuzi Company Limited ("**Tingjia Wuzi**") (the Plaintiff in Section (G) below) be added as a co-plaintiff to the proceedings.

(G) Writ issued by Wuhan Tingjia Wuzi Company Limited against Baisazhou Agricultural

1. In July 2015, Tingjia Wuzi commenced proceedings against Baisazhou Agricultural in Hongshan District People's Court for breach of contract. Tingjia Wuzi sought declaration from the Hongshan District People's Court that Baisazhou Agricultural was in breach of contract in terminating the "Water and Electricity Management Contract" dated 22 February 2006 ("**Water and Electricity Management Agreement**") and "Investment Agreement in relation to Construction of Sewage Treatment System in Wuhan Baisazhou Agricultural and By-Product Exchange Market" ("**Sewage System Construction Agreement**") dated 4 April 2007, and relief that Baisazhou Agricultural shall be liable for Tingjia Wuzi's loss in the total sum of RMB7,458,775.

2. On 15 October 2015, Hongshan District People's Court commenced the trial.

3. On 6 December 2017, Hongshan District People's Court ruled that: (1) Baisazhou Agricultural was in breach of contract in terminating the Water and Electricity Management Agreement and the Sewage System Construction Agreement; (2) Baisazhou Agricultural was liable to pay to Tingjia Wuzi RMB2,965,700 as compensation for the breach of contracts; and (3) other claims by Tingjia Wuzi be dismissed.

4. In January 2018, Baisazhou Agricultural appealed to the Wuhan Intermediate People's Court. The case is now being heard at Wuhan Intermediate People's Court.

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

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

2. On 18 March 2016, the Qinzhou Court made an order to freeze the Company's 94.4% of its shares in Baisazhou Agricultural for the period from 30 March 2016 to 29 March 2019.

3. On 13 April 2016, Qinzhou Hongjin issued a writ against Guangxi Zhengdi for its delay in completing the construction works in an agricultural produce exchange market in Qinzhou. Qinzhou Hongjin claimed against Guangxi Zhengdi for damages in a sum of RMB45,100,000 calculated at the rate of RMB100,000 for each day of delay pursuant to the construction agreement. The writ was accepted by the Qinzhou Court.

36. LITIGATION *(Continued)*

(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 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 for payment 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.

4. On 21 September 2018, the Huai'an Intermediate People's Court handed down the final judgment: dismissed Huai'an Hongjin's Appeal and the Court side with the judgment at the First Instance.

5. On 20 January 2019, Huai'an Hongjin paid Jiangsu Tiancheng the first construction payment in the sum of RMB3,921,716.

6. On 5 March 2019, Huai'an Hongjin and Jiangsu Tiancheng entered into a settlement agreement, which provided that Huai'an Hongjin should pay Jiangsu Tiancheng construction payment in the sum of RMB11,959,000.

7. On 8 March 2019, Huai'an Hongjin paid Jiangsu Tiancheng the second construction payment in the sum of RMB8,037,360.51. Thus far Huai'an Hongjin has already settled the outstanding construction payment with Jiangsu Tiancheng in its entirety pursuant to the terms of the settlement agreement.

8. The case has now come to an end.

(J) Writ issued by Luoyang Hongjin Agricultural and By-Product Exchange Market Company Limited against Mr. Cui Zhanjun

1. On 3 April 2017, Luoyang Hongjin Agricultural and By-Product Exchange Market Company Limited ("**Luoyang Hongjin**") issued writ against Mr. Cui Zhanjun ("**Mr. Cui**") seeking an order from the Laocheng District People's Court ("**Laocheng Court**") for return of security deposit in relation to the construction works in the sum of RMB2,721,500 with interests by Mr. Cui.

2. Upon mediation between the parties, the Laocheng Court made an mediation order that (1) Mr. Cui shall pay RMB2,721,500 to Luoyang Hongjin by 31 December 2017 and (2) in the event of default by Mr. Cui, interest shall accrue on the said sum of RMB2,721,500 at the benchmark interest rate of the People's Bank of China.

3. By 31 December 2017, Mr. Cui had failed to pay the sum of RMB2,721,500 to Luoyang Hongjin. Luoyang Honjin applied to the Laocheng Court for enforcement action against Mr. Cui. As at the date of this report, the enforcement action is still ongoing.

36. LITIGATION *(Continued)*

(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.

(L) Writ issued in PRC by Jiangsu Shenglong Zhengtai Trade and Commercial Development Co., Ltd against Huai'an Mingyuan Agricultural Development Company Ltd and Mr. Wang Yong Gang

1. On 9 November 2018, Jiangsu Shenglong Zhengtai Trade and Commercial Development Co., Ltd ("**Jiangsu Shenglong**") issued writ against Huai'an Mingyuan Agricultural Development Company Ltd ("**Huai'an Mingyuan**") and Mr. Wang Yong Gang ("**Mr. Wang**"), seeking an order from the Nanjing Xuanwu District People's Court, inter alia, that (1) the Business Cooperation Agreement and Supplemental Business Cooperation Agreement signed by the parties shall be terminated; (2) Huai'an Mingyuan shall pay Jiangsu Shenglong RMB30,000,000 as compensation for breach of the Business Cooperation Agreement; (3) Huai'an Mingyuan shall pay Jiangsu Shenglong RMB2,029,250 and RMB5,795,000 as compensation for breaches of the Supplemental Business Cooperation Agreement; (4) Mr. Wang shall be held responsible for Huai'an Mingyuan's aforementioned compensations to Jiangsu Shenglong; and (5) the Defendants shall be jointly liable for the costs of the proceedings and the legal fees of the Plaintiff.

2. On 16 December 2018, Huai'an Mingyuan issued counterclaim against Jiangsu Shenglong, seeking an order from Nanjing Xuanwu District People's Court, inter alia, that (1) the Termination of Cooperation Notice issued by Jiangsu Shenglong dated 17 September 2018 does not have any force against Huai'an Mingyuan; and (2) Jiangsu Shenglong shall be liable for the legal fees of Huai'an Mingyuan.

3. As at the date of this report, the case is still ongoing.

Save as disclosed above, as at 31 December 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.

37. DISPOSAL OF SUBSIDIARIES

On 23 August 2018, Super Treasure Holdings Limited, an indirect wholly-owned subsidiary of the Company, as vender entered into a sale and purchase agreement with an independent third party, as purchaser, to dispose of the entire equity interests in Jackmax Investment Limited and its subsidiary (collectively, the "**Jackmax Group**") and for the sale of shareholder loan. The total cash consideration for the sale of the entire issued share capital of Jackmax Investment Limited amounted to RMB78,000,000 (equivalent to approximately HK$88,405,000). The completion of the disposal of the Jackmax Group took place on 10 October 2018.

An analysis of the net assets of the Jackmax Group at the date on which the Group lost control (i.e. 10 October 2018) were as follows:

	HK$'000
Stock of properties	41,223
Cash and cash equivalent	2
Other receivables	10
Amount due to a shareholder	(42,686)
Net liabilities disposal of	(1,451)
Gain on disposal of the Jackmax Group:	
Cash consideration received	88,405
Release of exchange difference upon disposal	(1,353)
Less: Assignment of shareholder loan	(42,686)
Less: Net liabilities disposed of	1,451
Less: Cost related to disposal	(5,971)
	39,846
An analysis on net cash flows arising from the disposal:	
Net cash consideration	88,405
Less: Cost related to disposal	(5,971)
Less: Cash and cash equivalents disposed	(2)
Net proceeds received from disposal of subsidiaries	82,432

38. COMMITMENTS

(a) Capital commitments outstanding at 31 December 2018 not provided for in the financial statements were as follows:

	2018 HK$'000	2017 HK$'000
Capital expenditure authorised and contracted for in respect of:		
— construction costs for investment properties	**213,695**	260,148

(b) At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018 HK$'000	2017 HK$'000
Within one year	**6,247**	1,520
After one year but within five years	**17,258**	760
Over five years	**6,807**	—
	30,312	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 extension options. None of the leases includes contingent rentals.

39. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group has the following material related party transactions:

(a) Transactions with key management personnel

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

	2018 HK$'000	2017 HK$'000
Short term employees benefit	**11,183**	10,939
Post-employment benefits	**124**	167
	11,307	11,106

Total remuneration is included in "staff costs" (see note 7(b)).

39. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Balances with related parties

Details of the balances with related parties as at 31 December 2018 and 2017 are set out in note 28.

(c) Material related party transaction

	2018	2017
	HK$'000	HK$'000
Peony Finance Limited		
— Unsecured other borrowing interest	**—**	524
— Interest on Convertible Bonds	**11,015**	14,328
— Interest on bond	**—**	11,261
	11,015	26,113

40. FINANCE GUARANTEE

As at 31 December 2018, a wholly-owned subsidiary of the Company provided guarantees of approximately HK$204,000 to our customers in favor of a bank for the loans provided by the bank to the customers of our project (2017: approximately HK$7,576,000).

41. COMPARATIVES FIGURES

The Group applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods design, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 3.

42. AUTHORISATION FOR ISSUE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 14 March 2019.

FIVE-YEAR FINANCIAL SUMMARY

	Year ended 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Turnover	**778,857**	790,059	603,132	365,192	298,043
Loss before taxation	**(114,079)**	(301,257)	(852,442)	(493,558)	(292,068)
Income tax	**(65,240)**	(36,314)	73,884	(382)	(44,001)
Loss for the year	**(179,319)**	(337,571)	(778,558)	(493,940)	(336,069)
Attributable to:					
Owners of the Company	**(212,596)**	(340,970)	(740,997)	(489,117)	(340,420)
Non-controlling interests	**33,277**	3,399	(37,561)	(4,823)	4,351
	(179,319)	(337,571)	(778,558)	(493,940)	(336,069)

	As at 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**5,603,672**	6,111,476	5,957,204	7,043,243	6,906,025
Total liabilities	**(4,008,308)**	(4,153,873)	(4,798,198)	(5,265,457)	(5,029,767)
	1,595,364	1,957,603	1,159,006	1,777,786	1,876,258
Attributable to:					
Owners of the Company	**1,208,971**	1,588,311	805,616	1,341,198	1,423,291
Non-controlling interests	**386,393**	369,292	353,390	436,588	452,967
	1,595,364	1,957,603	1,159,006	1,777,786	1,876,258