
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant, or other professional adviser.

If you have sold or transferred all your securities in China Agri-Products Exchange Limited 中國農產品交易所有限公司, you should at once hand this circular with the accompanying form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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CHINA AGRI-PRODUCTS EXCHANGE LIMITED

中國農產品交易所有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 0149)

- (A) PROPOSED CAPITAL REORGANISATION INVOLVING SHARE CONSOLIDATION AND CAPITAL REDUCTION;
(B) CHANGE IN BOARD LOT SIZE;
(C) PROPOSED RIGHTS ISSUE IN THE PROPORTION OF EIGHT (8) ADJUSTED SHARES FOR EVERY ONE (1) ADJUSTED SHARE HELD ON THE RECORD DATE AT HK\$0.30 PER RIGHTS SHARE;
(D) SPECIAL DEAL — REPAYMENT OF SHAREHOLDER INDEBTEDNESS;
(E) APPLICATION FOR WHITEWASH WAIVER;
AND
(F) NOTICE OF SPECIAL GENERAL MEETING

Underwriters of the Rights Issue



KINGSTON SECURITIES LTD.



Financial Adviser



KINGSTON CORPORATE FINANCE LTD.

Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders

Beijing Securities
Beijing Securities Limited
北京證券有限公司

A letter from the Board is set out on pages 16 to 66 of this circular.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 67 to 68 of this circular. A letter from Beijing Securities Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, containing its advice in respect of the Rights Issue is set out on pages 69 to 107 of this circular.

A notice convening the SGM to be held at 20th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong on Wednesday, 8 April 2015 at 10:00 a.m. is set out on pages SGM-1 to SGM-5 of this circular. A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish and in such case, the form of proxy shall be deemed to be revoked.

The Shares will be dealt in on an ex-rights basis from 9:00 a.m. on Monday, 13 April 2015. Dealings in the Rights Shares in their nil-paid form will take place from 9:00 a.m. on Thursday, 23 April 2015 to 4:00 p.m. on Thursday, 30 April 2015 (both dates inclusive). It is expected that the conditions referred to in the section headed "Termination of the Underwriting Agreement" in this circular are to be fulfilled on or before 4:00 p.m. on Tuesday, 12 May 2015. If the conditions referred to in that section are not fulfilled, the Underwriting Agreement shall terminate and the Rights Issue will not proceed. Any person contemplating buying or selling Shares from the date of this circular and up to the date on which all the conditions of the Rights Issue are fulfilled, and any dealings in the Rights Shares in their nil-paid form from 9:00 a.m. on Thursday, 23 April 2015 to 4:00 p.m. on Thursday, 30 April 2015 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any person contemplating dealing in the Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/her/its/their own professional adviser.

It should be noted that the Underwriting Agreement contains provisions entitling the Underwriters by notice in writing to the Company at any time prior to 4:00 p.m. on the date of the Latest Time for Termination to terminate its obligations under the Underwriting Agreement on the occurrence of certain events including force majeure. These events are set out under the section headed "Termination of the Underwriting Agreement" on pages 14 to 15 of this circular.

Upon the delivery of the notice of termination, all obligations of the Underwriters under the Underwriting Agreement shall cease and determine and neither party shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriters the expenses in connection with the Rights Issue. If the Underwriters exercise such right, the Rights Issue will not proceed.

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EXPECTED TIMETABLE

The expected timetable for the Capital Reorganisation and the Rights Issue set out below is indicative only:

Event	Timeline
Latest time for lodging proxy forms for the SGM.....	10:00 a.m. on 6 April 2015, Monday
Expected date and time of the SGM.....	10:00 a.m. on 8 April 2015, Wednesday
Announcement of results of the SGM.....	8 April 2015, Wednesday
Effective date and time of the Capital Reorganisation.....	9:00 a.m. on 9 April 2015, Thursday
Commencement of dealings in the Adjusted Shares.....	9:00 a.m. on 9 April 2015, Thursday
Original counter for trading in Shares in existing share certificates in board lots of 4,000 Shares temporarily closes.....	9:00 a.m. on 9 April 2015, Thursday
Temporary counter for trading in Adjusted Shares in board lots of 500 Adjusted Shares (in the form of existing share certificates) opens.....	9:00 a.m. on 9 April 2015, Thursday
First day of free exchange of existing certificates for the Shares into new certificates for the Adjusted Shares.....	9 April 2015, Thursday
Last day of dealings in the Adjusted Shares on a cum-rights basis.....	10 April 2015, Friday
First day of dealings in the Adjusted Shares on an ex-rights basis.....	9:00 a.m. on 13 April 2015, Monday
Latest time for the Shareholders to lodge transfer of Adjusted Shares in order to qualify for the Rights Issue.....	4:30 p.m. on 14 April 2015, Tuesday
Closure of register of members of the Company (both dates inclusive).....	15 April 2015, Wednesday to 20 April 2015, Monday
Record Date and time for determining entitlements to the Rights Issue.....	4:00 p.m. on 20 April 2015, Monday

EXPECTED TIMETABLE

Register of members of the Company re-opens	21 April 2015, Tuesday
Despatch of Prospectus Documents	21 April 2015, Tuesday
Designated broker starts to stand in the market to provide matching service for the sale and purchase of odd lots of the Adjusted Shares.....	9:00 a.m. on 23 April 2015, Thursday
Original counter for trading in the Adjusted Shares in board lots of 5,000 Adjusted Shares (in the form of new certificates) re-opens.....	9:00 a.m. on 23 April 2015, Thursday
Parallel trading in the Adjusted Shares (in the form of both existing certificates in board lots of 500 Adjusted Shares and new certificates in board lots of 5,000 Adjusted Shares) commences.....	9:00 a.m. on 23 April 2015, Thursday
First day of dealings in nil-paid Rights Shares.....	9:00 a.m. on 23 April 2015, Thursday
Latest time for splitting nil-paid Rights Shares	4:30 p.m. on 27 April 2015, Monday
Last day of dealings in nil-paid Rights Shares	4:00 p.m. on 30 April 2015, Thursday
Latest time for acceptance of, and payment for, the Rights Shares and the applications for excess Rights Shares	4:00 p.m. on 6 May 2015, Wednesday
Latest time to terminate the Underwriting Agreement and for the Rights Issue to become unconditional.....	4:00 p.m. on 12 May 2015, Tuesday
Announcement of results of the Rights Issue	13 May 2015, Wednesday
Temporary counter for trading in Adjusted Shares in board lots of 500 Adjusted Shares (in the form of existing certificates) closes.....	4:00 p.m. 14 May 2015, Thursday
Parallel trading in the Adjusted Shares (represented by both existing certificates in board lots of 500 Adjusted Shares and new certificates in board lots of 5,000 Adjusted Shares) ends.....	4:00 p.m. on 14 May 2015, Thursday
Refund cheques to be despatched in relation to wholly or partially unsuccessful applications for excess Rights Shares on or before	14 May 2015, Thursday

EXPECTED TIMETABLE

Certificates for fully paid Rights Shares
to be despatched on or before..... 14 May 2015, Thursday

Commencement of dealings in fully-paid
Rights Shares..... 9:00 a.m. on 15 May 2015, Friday

Last day of free exchange of existing
certificates for the new certificates 18 May 2015, Monday

Designated broker ceases to stand in the market
to provide matching service 4:00 p.m. on 27 May 2015, Wednesday

All references to time in this circular are references to Hong Kong time.

Dates or deadlines specified in this circular are indicative only and may be varied by agreement between the Company and the Underwriters. Any consequential changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND FOR APPLICATION AND PAYMENT FOR EXCESS RIGHTS SHARES

The Latest Time For Acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will not take place if there is:

1. a tropical cyclone warning signal number 8 or above, or
2. a “black” rainstorm warning
 - (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Latest Time For Acceptance. Instead the Latest Time For Acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
 - (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time For Acceptance. Instead the Latest Time For Acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m..

If the Latest Time For Acceptance and application and payment for excess Rights Shares does not take place, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event as soon as practicable.

DEFINITIONS

In this circular, the following expressions have the following meanings, unless the context otherwise requires:

“8 January Joint Announcement”	the joint announcement dated 8 January 2015 issued by the Company, PNG, WYT and WOG in relation to, among others, the Capital Reorganisation, the change in board lot size, the PNG Irrevocable Undertaking, the Underwriting Agreement, the Rights Issue, the Special Deal and the Whitewash Waiver
“29 January Joint Announcement”	the joint announcement dated 29 January 2015 issued by the Company, PNG, WYT and WOG in relation to, among others, the extension of the time limit for despatch of this circular and the Revised Timetable
“2019 CAP Bonds”	the unsecured five-year 10.0% coupon bonds issued by the Company on 28 November 2014 to Winning Rich
“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Adjusted Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company upon the Capital Reorganisation becoming effective
“Application Forms”	collectively, the EAF(s) and the PAL(s)
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday or public holiday or a day on which typhoon signal 8 or above or black rainstorm is hoisted in Hong Kong at 9:00 a.m.) on which banks are generally open for business in Hong Kong
“Bye-Laws”	the bye-laws of the Company
“Capital Reduction”	the proposed reduction of the issued share capital of the Company whereby: (i) the nominal value of all the issued Consolidated Shares shall be reduced from HK\$0.08 each to HK\$0.01 each and the issued share capital of the Company shall accordingly be reduced to the extent of HK\$0.07 per Consolidated Share in issue, and (ii) any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation shall be cancelled

DEFINITIONS

“Capital Reorganisation”	the proposed reorganisation of the issued share capital of the Company which comprises: (i) the Share Consolidation, (ii) the Capital Reduction, and (iii) applying the credit arising from the Capital Reduction to set-off the accumulated loss of the Company
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	China Agri-Products Exchange Limited 中國農產品交易有限公司, an exempted company incorporated in Bermuda with limited liability whose shares are listed and traded on the Main Board of the Stock Exchange (Stock Code: 0149)
“Companies Act”	Companies Act 1981 of Bermuda
“Concert Group”	means, as at the Latest Practicable Date, Mr. Tang’s Associates, PNG, WOG, WYT and parties acting in concert with any one of them, including their respective subsidiaries (including WYT Underwriter and Onger Investments (the wholly-owned subsidiary of PNG that holds the Shares))
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consolidated Share(s)”	means ordinary share(s) of HK\$0.08 each in the issued share capital of the Company immediately upon the Share Consolidation becoming effective
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“EAF(s)”	the form of application for excess Rights Shares
“Excluded Shareholder(s)”	the Overseas Shareholder(s) whose registered addresses in the Company’s register of members as at the Record Date are in places where the Directors, after making enquiries, consider it necessary or expedient on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place not to offer the Rights Shares to such Shareholders

DEFINITIONS

“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of its delegate(s)
“Existing Huangshi Market”	has the meaning ascribed thereto in the subsection headed “(viii) Huangshi City project” of the section headed “The Group’s agricultural wholesale markets in the PRC” of this circular
“February 2015 WOG Loan”	has the meaning ascribed thereto in the subsection headed “A. Application of proceeds” in the section headed “Use of proceeds of the Rights Issue” of this circular
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huangshi JV Company”	has the meaning ascribed thereto in the subsection headed “(viii) Huangshi City project” of the section headed “The Group’s agricultural wholesale markets in the PRC” of this circular
“Huangshi JV Partner”	has the meaning ascribed thereto in the subsection headed “(viii) Huangshi City project” of the section headed “The Group’s agricultural wholesale markets in the PRC” of this circular
“Independent Board Committee”	an independent committee of the Board comprising all of the three independent non-executive Directors formed for the purpose of advising the Independent Shareholder(s) on the Rights Issue (including the Underwriting Agreement), the Special Deal and the Whitewash Waiver
“Independent Financial Adviser”	Beijing Securities Limited, a corporation licensed under the SFO to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities and the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue (including the Underwriting Agreement), the Special Deal and the Whitewash Waiver

DEFINITIONS

“Independent Shareholder(s)”	the Shareholder(s), other than: (i) the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates, and (ii) members of the Concert Group and Shareholders who are involved in, or interested in, the PNG Irrevocable Undertaking, the Underwriting Agreement, the Rights Issue, the Special Deal and the Whitewash Waiver
“Independent Third Party”	a person who: <ul style="list-style-type: none">(i) is not (and will not become as a result of the consummation of the Rights Issue) a connected person of the Company and it will not be deemed a connected person of the Company pursuant to Rules 14A.19 to 14A.21 of the Listing Rules;(ii) is not financing the subscription of the Rights Shares directly or indirectly by a connected person of the Company;(iii) is not accustomed to taking instructions from a connected person of the Company in relation to the acquisition, disposal, voting or other disposition of securities of the Company registered in its name or otherwise held by it; and(iv) would not result in its aggregate holding (direct and indirect) in the total issued share capital of the Company being 10% or more of the Company’s entire issued share capital at any time
“Joint Announcements”	the 8 January Joint Announcement and the 29 January Joint Announcement
“Kingston”	Kingston Securities Limited, a corporation licensed by the SFC to carry out business in Type 1 regulated activity (dealing in securities) under the SFO
“Last Trading Day”	23 December 2014, being the last trading day for the Shares on the Stock Exchange before the release of the 8 January Joint Announcement
“Latest Practicable Date”	10 March 2015, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for the inclusion in this circular

DEFINITIONS

“Latest Time For Acceptance”	4:00 p.m. on Wednesday, 6 May 2015, or such later time or date as may be agreed between the Underwriters and the Company in writing, being the latest time for acceptance of, and payment for, the Rights Shares as described in the Prospectus Documents
“Latest Time For Termination”	4:00 p.m. on the fourth Business Day after the Latest Time For Acceptance or such later time or date as may be agreed between the Underwriters and the Company in writing, being the latest time to terminate the Underwriting Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mailful Investments”	Mailful Investments Limited, a wholly-owned subsidiary of WOG and a company incorporated in the British Virgin Islands with limited liability
“Mr. Tang’s Associates”	together, (i) Mr. Tang Ching Ho, an executive director of WOG and WYT, (ii) Ms. Yau Yuk Yin, the spouse of Mr. Tang Ching Ho and also an executive director of WOG, (iii) Accord Power Limited as trustee for the Tang’s Family Trust, a discretionary trust founded by Mr. Tang Ching Ho, and (iv) Caister Limited, a company incorporated in the British Virgin Islands with limited liability and which is wholly-owned by Mr. Tang Ching Ho
“Onger Investments”	Onger Investments Limited, a wholly-owned subsidiary of PNG and a company incorporated in the British Virgin Islands which is principally engaged in investment holding
“Overseas Shareholder(s)”	the Shareholder(s) whose address(es) on the register of members of the Company on the Record Date are outside Hong Kong
“Original Timetable”	has the meaning ascribed thereto in the section headed “INTRODUCTION” of this circular
“PAL(s)”	provisional allotment letter(s) for the Rights Issue
“PNG”	PNG Resources Holdings Limited PNG資源控股有限公司, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 221)
“PNG Board”	the board of PNG Directors
“PNG Director(s)”	the director(s) of PNG

DEFINITIONS

“PNG Group”	PNG and its subsidiaries
“PNG Irrevocable Undertaking”	an irrevocable undertaking dated 23 December 2014 (as varied on 28 January 2015) granted by Onger Investments in favour of the Company as described in the section headed “The PNG Irrevocable Undertaking” in this circular
“PNG SGM”	the special general meeting of PNG to be convened and held to consider and approve, among other things, the subscription of up to 516,192,728 Rights Shares under the Rights Issue pursuant to the PNG Irrevocable Undertaking and the transactions contemplated thereunder
“PNG Shareholder(s)”	the holder(s) of the PNG Share(s)
“PNG Share(s)”	the ordinary share(s) of HK\$0.01 each in the issued share capital of PNG
“PRC”	the People’s Republic of China, which for the purpose of this circular, shall exclude Hong Kong, Taiwan and the Macau Special Administrative Region of the People’s Republic of China
“Prospectus”	the prospectus to be despatched to the Shareholders on the Prospectus Posting Date in connection with the Rights Issue in such form as may be agreed between the Company and the Underwriters
“Prospectus Documents”	the Prospectus, the PAL(s) and the EAF(s)
“Prospectus Posting Date”	Tuesday, 21 April 2015, or such other day as may be agreed between the Company and the Underwriters, being the date of despatch of the Prospectus Documents
“Puyang JV Company”	has the meaning ascribed thereto in the subsection headed “(vii) Puyang City project” of the section headed “The Group’s agricultural wholesale markets in the PRC” of this circular
“Puyang JV Partner”	has the meaning ascribed thereto in the subsection headed “(vii) Puyang City project” of the section headed “The Group’s agricultural wholesale markets in the PRC” of this circular
“Qualifying Shareholder(s)”	the Shareholder(s), whose names appear on the register of members of the Company as at the Record Date, other than the Excluded Shareholders

DEFINITIONS

“Record Date”	Monday, 20 April 2015, being the date by reference to which entitlements to the Rights Issue will be determined
“Registrar”	the branch share registrar and transfer office of the Company in Hong Kong, which is Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Revised Timetable”	has the meaning ascribed thereto in the section headed “INTRODUCTION” of this circular
“Rights Issue”	the proposed issue of the Rights Shares by way of rights to the Qualifying Shareholders for subscription pursuant to the Underwriting Agreement and on the terms to be set out in the Prospectus Documents and summarised herein
“Rights Share(s)”	1,724,168,248 Adjusted Shares proposed to be offered to the Qualifying Shareholders for subscription on the basis of eight (8) Adjusted Shares for every one (1) Adjusted Share held on the Record Date pursuant to the Rights Issue
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held on Wednesday, 8 April 2015 to consider and approve, among other things, the proposed Capital Reorganisation, the Underwriting Agreement, the Rights Issue, the Special Deal and the Whitewash Waiver
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company prior to the implementation of the Capital Reorganisation
“Share Consolidation”	the consolidation of share(s) in the issued share capital of the Company whereby every eight (8) Shares of nominal value of HK\$0.01 each will be consolidated into one (1) Consolidated Share of nominal value of HK\$0.08
“Shareholder(s)”	the holder(s) of the Share(s), the Consolidated Share(s) or the Adjusted Share(s) (as the case may be)

DEFINITIONS

“Special Deal”	the repayment by the Company of indebtedness owed to the PNG Group and the WOG Group, using a portion of the aggregate net proceeds from the Rights Issue as more particularly set out in the section headed “The Special Deal” in this circular, which constitutes a “special deal” under Note 5 to Rule 25 of the Takeovers Code
“Specified Event”	an event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time For Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price in respect of each Rights Share, being of HK\$0.30
“subsidiaries”	has the meaning ascribed thereto under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	The Code on Takeovers and Mergers promulgated by the SFC
“Underwriters”	WYT Underwriter and Kingston
“Underwriting Agreement”	the underwriting agreement dated 23 December 2014 (as varied on 8 January 2015 and 28 January 2015) entered into between the Company, WYT and the Underwriters in relation to the Rights Issue
“Underwritten Shares”	all the Rights Shares in excess of the aggregate of: (i) 346,192,728 Rights Shares that will be provisionally allotted to and subscribed for by Onger Investments (or its associates) pursuant to the PNG Irrevocable Undertaking, and (ii) 170,000,000 Rights Shares for which Onger Investments (or its associates) will subscribe by way of excess application pursuant to the PNG Irrevocable Undertaking, which are fully underwritten by the Underwriters pursuant to the terms and subject to the conditions of the Underwriting Agreement

DEFINITIONS

“Untaken Shares”	all those Underwritten Shares for which duly completed Application Forms (accompanied by cheques or banker’s cashier order for the full amount payable on the applications which are honoured on first, or at the option of the Company, subsequent presentation) have not been lodged for acceptance by Qualifying Shareholders, or received, as the case may be, on or before the Latest Time For Acceptance
“Whitewash Waiver”	a waiver to be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligation of the Concert Group to make a general offer for all the issued Adjusted Shares not already owned or agreed to be acquired by the Concert Group which may otherwise arise as a result of the subscription of the Rights Shares by members of the Concert Group pursuant to the PNG Irrevocable Undertaking and the Underwriting Agreement
“Winning Rich”	Winning Rich Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of WYT
“WOG”	Wang On Group Limited (宏安集團有限公司)*, an exempted company incorporated in Bermuda with limited liability and the shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 1222)
“WOG Group”	WOG and its subsidiaries
“WOG Share(s)”	the ordinary share(s) of HK\$0.01 each in the issued share capital of WOG
“WYT”	Wai Yuen Tong Medicine Holdings Limited (位元堂藥業控股有限公司*), an exempted company incorporated in Bermuda with limited liability and the shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 897)
“WYT Board”	the board of the WYT Directors
“WYT Director(s)”	the director(s) of WYT
“WYT Group”	WYT and its subsidiaries

* For identification purpose only

DEFINITIONS

“WYT SGM”	the special general meeting of WYT to be convened and held to consider and approve, among other things, the underwriting of the Underwritten Shares by WYT Underwriter under the Rights Issue pursuant to the Underwriting Agreement
“WYT Shareholder(s)”	the holder(s) of the WYT Share(s)
“WYT Share(s)”	the ordinary share(s) of HK\$0.01 each in the issued share capital of WYT
“WYT Underwriter”	Jade Range Limited (翠嶺有限公司), a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of WYT which is principally engaged in investment holding
“WYT Underwriter Subscription Amount”	the aggregate Subscription Price payable by WYT Underwriter to the Company for the Untaken Shares which WYT Underwriter is required to subscribe under the Underwriting Agreement, less any amounts payable to WYT Underwriter under the Underwriting Agreement
“%”	per cent.

TERMINATION OF THE UNDERWRITING AGREEMENT

If, prior to the Latest Time For Termination:

- (i) in the absolute opinion of any of the Underwriters, the success of the Rights Issue would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of any of the Underwriters materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of any of the Underwriters materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (ii) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of any of the Underwriters is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (iii) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of any of the Underwriters will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (iv) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (v) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not of the same kind or nature with any of the foregoing; or

TERMINATION OF THE UNDERWRITING AGREEMENT

- (vi) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of any of the Underwriters, a material omission in the context of the Rights Issue; or
- (vii) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than 10 consecutive business days, excluding any halt or suspension in connection with the clearance of the Joint Announcements, this circular, the Prospectus Documents or other announcements or circulars in connection with the Rights Issue; or
- (viii) any moratorium, suspension or material restriction on trading of the Shares or Adjusted Shares on the Stock Exchange due to exceptional financial circumstances or otherwise,

any of the Underwriters may by notice in writing to the Company and the other Underwriters, served prior to the Latest Time For Termination, to terminate the Underwriting Agreement.

Any of the Underwriters may by notice in writing to rescind the Underwriting Agreement if, prior to the Latest Time For Termination:

- (i) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of any of the Underwriters; or
- (ii) any Specified Event comes to the knowledge of any of the Underwriters.

LETTER FROM THE BOARD



CHINA AGRI-PRODUCTS EXCHANGE LIMITED

中國農產品交易有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 0149)

Executive Directors:

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

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Independent non-executive Directors:

Mr. Ng Yat Cheung, JP
Ms. Lam Ka Jen, Katherine
Mr. Lau King Lung

Principal place of business:

5/F., Wai Yuen Tong Medicine Building
9 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

13 March 2015

To the Shareholders

Dear Sir or Madam,

- (A) PROPOSED CAPITAL REORGANISATION INVOLVING SHARE CONSOLIDATION AND CAPITAL REDUCTION;**
(B) CHANGE IN BOARD LOT SIZE;
(C) PROPOSED RIGHTS ISSUE IN THE PROPORTION OF EIGHT (8) ADJUSTED SHARES FOR EVERY ONE (1) ADJUSTED SHARE HELD ON THE RECORD DATE AT HK\$0.30 PER RIGHTS SHARE;
(D) SPECIAL DEAL — REPAYMENT OF SHAREHOLDER INDEBTEDNESS;
AND
(E) APPLICATION FOR WHITEWASH WAIVER;

INTRODUCTION

With reference to the 8 January Joint Announcement, the Company announced, among other things, that:

- (A) the Board proposed to effect the Capital Reorganisation comprising:
- (i) a proposed Share Consolidation whereby every eight (8) Shares of nominal value of HK\$0.01 each in the issued share capital of the Company will be consolidated into one (1) Consolidated Share of nominal value of HK\$0.08;

LETTER FROM THE BOARD

- (ii) a proposed Capital Reduction whereby: (a) the nominal value of all the issued Consolidated Shares shall be reduced from HK\$0.08 each to HK\$0.01 each and the issued share capital of the Company shall be reduced by HK\$0.07 per Consolidated Share in issue; and (b) any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation shall be cancelled; and
 - (iii) applying the credit arising from the Capital Reduction to set off the accumulated loss of the Company.
- (B) as a result of the Capital Reorganisation, the board lot size of the Shares for trading on the Stock Exchange will temporarily decrease from 4,000 Shares to 500 Adjusted Shares. The board lot size of the Adjusted Shares will be changed from 500 Adjusted Shares to 5,000 Adjusted Shares after the Capital Reorganisation becomes effective; and
- (C) upon the Capital Reorganisation becoming effective, the Company proposes to raise gross proceeds of approximately HK\$517.3 million before expenses, by way of the Rights Issue. Pursuant to the Rights Issue, the Company shall allot and issue 1,724,168,248 Rights Shares at the Subscription Price of HK\$0.30 per Rights Share, on the basis of eight (8) Adjusted Shares for every one (1) Adjusted Share held on the Record Date.

The Company has established the Independent Board Committee to advise the Independent Shareholders as to, among others, (i) whether the Rights Issue (including the Underwriting Agreement), the Special Deal and the Whitewash Waiver are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and (ii) voting by the Independent Shareholders, taking into account the recommendations of the Independent Financial Adviser. In this connection, the Company has appointed, and the Independent Board Committee has approved the appointment of, Beijing Securities Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the Rights Issue (including the Underwriting Agreement), the Special Deal and the Whitewash Waiver are fair and reasonable, and (ii) voting by the Independent Shareholders.

In addition, under the 29 January Joint Announcement, the Company announced that the Board has reassessed the timing of the Rights Issue in light of recent developments of the Group and is of the view that, in the interests of the Company and the Shareholders as a whole, the timetable of the Rights Issue as set out in the section headed “10. Expected timetable for the Rights Issue” of Part B of the 8 January Joint Announcement (the “**Original Timetable**”) was to be amended, so that the information in the 2014 annual report of the Company (containing, among other things, the audited consolidated financial statements of the Company for the year ended 31 December 2014, the full and complete explanatory notes to the audited consolidated financial statements of the Company and the independent auditors’ report), which was despatched to the Shareholders on or around Tuesday, 3 March 2015, could be included in this circular. Therefore, the Shareholders will be provided with more recent financial information about, and a more holistic picture of, the Group and the Rights Issue, enabling them (or the Independent Shareholders, where appropriate) to undertake more informed voting decisions at the SGM in respect of, among others, the proposed Capital

LETTER FROM THE BOARD

Reorganisation, the Underwriting Agreement, the Rights Issue, the Special Deal and the Whitewash Waiver. Consequently, there was a delay in the original despatch date of this circular, with all other dates under the Original Timetable being moved back accordingly but with otherwise no material change in the time intervals between each event. The revised Original Timetable (the “**Revised Timetable**”) is reflected in this circular.

The purpose of this circular is to provide you, amongst other things, (i) further details about the proposed Capital Reorganisation, the proposed change in board lot size, the proposed Rights Issue, the Special Deal and the Whitewash Waiver; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respects of the Rights Issue, the Special Deal and the Whitewash Waiver; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue, the Special Deal and the Whitewash Waiver; and (iv) a notice convening the SGM at which the relevant resolutions will be proposed to consider and, if thought fit, approve the proposed Capital Reorganisation, the proposed Rights Issue, the Special Deal and the Whitewash Waiver.

(A) PROPOSED CAPITAL REORGANISATION

The Board proposes to effect the Capital Reorganisation comprising:

- (i) a proposed Share Consolidation whereby every eight (8) Shares of nominal value of HK\$0.01 each in the issued share capital of the Company will be consolidated into one (1) Consolidated Share of nominal value of HK\$0.08;
- (ii) a proposed Capital Reduction whereby: (a) the nominal value of all the issued Consolidated Shares shall be reduced from HK\$0.08 each to HK\$0.01 each and the issued share capital of the Company shall be reduced by HK\$0.07 per Consolidated Share in issue; and (b) any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation shall be cancelled; and
- (iii) applying the credit arising from the Capital Reduction to set-off the accumulated loss of the Company.

The Capital Reorganisation is subject to, among other things, the passing of a special resolution by the Shareholders approving the same at the SGM. No Shareholder is required to abstain from voting in this respect.

Conditions of the Capital Reorganisation

The implementation of the Share Consolidation and the Capital Reduction are inter-conditional on each other. The implementation of the Capital Reorganisation is conditional upon, among other things:

- (i) the passing of a special resolution approving the Capital Reorganisation by the Shareholders at the SGM;

LETTER FROM THE BOARD

- (ii) compliance with Section 46(2) of the Companies Act to effect the Capital Reduction, which includes the publication of a notice in relation to the Capital Reduction in Bermuda in accordance with the Companies Act; and
- (iii) the Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Adjusted Shares.

Assuming the above conditions are fulfilled, the Capital Reorganisation is expected to become effective on the next Business Day after the date of passing of the relevant resolution approving the Capital Reorganisation at the SGM. Subject to the fulfillment of the above conditions, the Capital Reorganisation will comply with the relevant laws of Bermuda and the Bye-Laws.

Effects of the Capital Reorganisation

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$300,000,000.00 divided into 30,000,000,000 Shares, of which 1,724,168,251 Shares are issued and credited as fully paid. Upon the proposed Share Consolidation becoming effective and based on the issued share capital as at the Latest Practicable Date, the issued share capital of the Company will be consolidated into 215,521,031 Consolidated Shares of nominal value of HK\$0.08 each.

Upon the proposed Capital Reduction becoming effective, the nominal value of all the issued Consolidated Shares shall be reduced from HK\$0.08 each to HK\$0.01 each and the issued share capital of the Company shall accordingly be reduced to the extent of HK\$0.07 per Consolidated Share in issue. Upon completion of the Share Consolidation and the Capital Reduction, the issued share capital of the Company will be reduced to HK\$2,155,210.31 divided into 215,521,031 Adjusted Shares of nominal value of HK\$0.01 each.

Any fractional Consolidated Shares to which an individual Shareholder is entitled to will not be issued by the Company to such Shareholders, but will be aggregated, sold and retained for the benefit of the Company. Any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation shall be cancelled. The resulting Adjusted Shares of nominal value of HK\$0.01 each will rank pari passu in all respects with each other in accordance with the Bye-Laws.

Assuming no further Share will be issued or repurchased between the Latest Practicable Date and the date on which the Capital Reorganisation becomes effective, a credit of approximately HK\$15,086,472 will arise as a result of the Capital Reduction and will be applied to set-off the accumulated loss of the Company.

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Other than the relevant expenses incurred, the implementation of the Capital Reorganisation will have no effect on the consolidated net asset value of the Group, nor will it alter the underlying assets, business, operations, management or financial position of the Group or the interests of the Shareholders as a whole, save for any fractional Consolidated Shares (if any) to which the Shareholders would otherwise be entitled to. The Board believes that the Capital Reorganisation will not have any material adverse effect on the financial position of the Company and that on the date the Capital Reorganisation is to become effective, there are no reasonable grounds for believing that the Company is, or after the Capital Reorganisation would be, unable to pay its liabilities as they become due. The Capital Reorganisation will not involve any diminution of any liability in respect of any unpaid capital of the Company or the repayment to the Shareholders of any unpaid capital of the Company, nor will it result in any change in the relative rights of the Shareholders.

Reasons for the Capital Reorganisation

The Capital Reorganisation will provide greater flexibility for equity fund-raising of the Company in the future. This is because, following the Capital Reorganisation, the number of issued Adjusted Shares would be decreased to 215,521,031 when compared with 1,724,168,251 issued Shares prior to the Capital Reorganisation. As the authorized share capital of the Company remains unaffected by the Capital Reorganisation, the number of unissued Adjusted Shares would have increased, which facilitates equity fund-raising of the Company in the future. In addition, the credit arising from the Capital Reduction will be applied to set-off the accumulated loss of the Company and this will facilitate the payment of dividends as and when the Directors consider it appropriate in the future.

Other than the expenses to be incurred in relation to the Capital Reorganisation, the implementation of the Capital Reorganisation will not alter the underlying assets, business operations, management or financial position of the Group or the interests of the Shareholders as a whole.

In view of the above, the Board considers that the Capital Reorganisation is in the interests of the Company and the Shareholders as a whole.

Listing and dealings

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Adjusted Shares.

Subject to the granting of the listing of, and the permission to deal in, the Adjusted Shares on the Stock Exchange, the Adjusted Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Adjusted Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

LETTER FROM THE BOARD

Free exchange of Share certificates

Subject to the Capital Reorganisation becoming effective, the Shareholders may submit certificates for the existing Shares to the Registrar during normal business hours from Thursday, 9 April 2015 to Monday, 18 May 2015 (both dates inclusive) to exchange for the new certificates of the Adjusted Shares at the expenses of the Company. Thereafter, certificates for the existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) for each share certificate of the existing Shares submitted for cancellation or each new share certificate issued for the Adjusted Shares, whichever number of certificates cancelled or issued is higher. The existing certificates will be valid for trading and settlement up to 4:00 p.m. on Thursday, 14 May 2015 being the latest time and date for trading in board lot of 500 Adjusted Shares in the form of existing certificates (or such other date which will be announced by the Company) and will continue to be good evidence of legal title after the Capital Reorganisation has become effective and may be exchanged for certificates of the Adjusted Shares at any time in accordance with the foregoing.

Change in board lot size

The Shares are currently traded on the Stock Exchange in board lots of 4,000 Shares. The board lot size of the Adjusted Shares will be changed to 5,000 Adjusted Shares after the Capital Reorganisation becomes effective.

Based on the closing price of HK\$0.214 per Share as quoted on the Stock Exchange on the Last Trading Day, the prevailing board lot value is HK\$856 in the board lot size of 4,000 Shares and, based on the theoretical ex-entitlement price of the Adjusted Shares of approximately HK\$0.457 per Adjusted Share with reference to the closing price of HK\$0.214 per Share on the Last Trading Day, the new estimated board lot value would be approximately HK\$2,285 in the new board lot size of 5,000 Adjusted Shares. The Board believes that the enlarged board lot size will facilitate the trading of the Adjusted Shares following the Capital Reorganisation. The change in board lot size will not affect any of the Shareholders' rights.

As from Thursday, 23 April 2015, any new share certificates will be issued in board lots of 5,000 Adjusted Shares each (except for odd lots or where the Registrar is otherwise instructed). The expected timetable for such change in board lot size is set out in the section headed "Expected Timetable" in this circular.

The Shareholders may submit their existing share certificates in board lots of 4,000 Shares each to the Registrar in exchange for new share certificates in board lots of 5,000 Adjusted Shares each free of charge. The details about the free exchange of share certificates are set out in the section headed "Free exchange of Share certificates" in this circular.

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Arrangements for trading of odd lots

In order to facilitate the trading of odd lots (if any) of the Adjusted Shares arising from the Capital Reorganisation and change in board lot size, Kingston Securities Limited has been appointed to match the purchase and sale of odd lots of the Adjusted Shares at the relevant market price per Adjusted Share for the period from 9:00 a.m. on Thursday, 23 April 2015, to 4:00 p.m. on Wednesday, 27 May 2015 (both dates inclusive). Holders of odd lots of the Adjusted Shares should note that successful matching of the sale and purchase of odd lots of the Adjusted Shares is not guaranteed. Any Shareholder who is in any doubt about the odd lot arrangement is recommended to consult his/her/its own professional advisers.

(B) PROPOSED RIGHTS ISSUE

The Rights Issue

The Company proposes to raise gross proceeds of approximately HK\$517.3 million, before expenses, by way of the Rights Issue. The Company shall allot and issue 1,724,168,248 Rights Shares at the Subscription Price of HK\$0.30 per Rights Share. After deducting for expenses associated with the Rights Issue (including the commission fee payable to each of the Underwriters) of approximately HK\$15.6 million, the net price to the Company of each Rights Share will be approximately HK\$0.29. The Rights Issue (excluding the Rights Shares subject to the PNG Irrevocable Undertaking) is fully underwritten by the Underwriters and is conditional on, among other things, the Capital Reorganisation becoming effective.

Issue Statistics

Basis of the Rights Issue	:	Eight (8) Adjusted Shares for every one (1) Adjusted Share held on the Record Date
Subscription Price	:	HK\$0.30 per Rights Share payable in full on acceptance
Net price to the Company per Rights Share	:	Approximately HK\$0.29
Number of Shares in issue as at the Latest Practicable Date	:	1,724,168,251 Shares
Number of Adjusted Shares in issue upon completion of the Capital Reorganisation	:	215,521,031 Adjusted Shares (assuming that no further Share is issued or repurchased between the Latest Practicable Date and the date on which the Capital Reorganisation becomes effective)
Number of Rights Shares to be issued pursuant to the Rights Issue	:	1,724,168,248 Adjusted Shares

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Total number of issued Adjusted Shares upon completion of the Rights Issue : 1,939,689,279 Adjusted Shares

The total number of 1,724,168,248 Adjusted Shares issued pursuant to the Rights Issue represents:

- (i) approximately 800% of the number of the Adjusted Shares immediately upon completion of the Capital Reorganisation (based on the Company's existing issued share capital as at the Latest Practicable Date); and
- (ii) approximately 88.89% of the Company's issued share capital as enlarged by the issue of the Rights Shares.

Subscription Price

The Subscription Price is HK\$0.30 per Rights Share, payable in full on acceptance. The Subscription Price represents:

- (i) a discount of approximately 82.48% to the adjusted closing price of HK\$1.712 per Adjusted Share, based on the closing price of HK\$0.214 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (ii) a discount of approximately 82.31% to the adjusted average closing price of approximately HK\$1.696 per Adjusted Share, based on the average closing price of approximately HK\$0.212 as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (iii) a discount of approximately 34.35% to the theoretical ex-entitlement price of approximately HK\$0.457 per Adjusted Share after the Rights Issue, based on the closing price of HK\$0.214 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (iv) a discount of approximately 95.45% to the audited total equity attributable to the owners of the Company per Adjusted Share of approximately HK\$6.60 as at 31 December 2014 as adjusted for the effect of the Capital Reorganisation; and
- (v) a discount of approximately 72.43% to the adjusted closing price of HK\$1.088 per Adjusted Share, based on the closing price of HK\$0.136 per Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Capital Reorganisation.

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Basis of determining the Subscription Price and subscription ratio

The Subscription Price and the subscription ratio were determined, among others, as a result of arm's length negotiations between the Company and the Underwriters, and reflects the best commercial deal that the Company could negotiate with the Underwriters on terms commercially acceptable to both the Company and the Underwriters. The determination was also driven by:

- (i) the capital needs of the Group, in light of its ongoing construction costs and land acquisition expenses to support the continued growth of the Group (see the section headed "Use of proceeds of the Rights Issue" in this circular for further details);
- (ii) the financial position of the Group, in light of a significant part of its present net assets consisting of property, particularly stock of properties, which have relatively lower liquidity and are not as readily realisable into cash that could otherwise be used to repay the Group's outstanding and upcoming indebtedness (see the section headed "Use of proceeds of the Rights Issue" in this circular for further details);
- (iii) the market price of the Shares;
- (iv) previous fund-raising activities of the Group (see the section headed "Previous fund-raising exercises in the prior 12-month period" in this circular for further details); and
- (v) the prevailing market conditions.

In particular, the Board considered and noted the following key aspects of the Rights Issue:

- (i) **strengthening of capital base** — the Rights Issue, if successful, would enable the Company to raise net proceeds of approximately HK\$501.7 million, subject to the possible set-off against the outstanding aggregate principal amount owing by the Company to Winning Rich under the 2019 CAP Bonds, as outlined in scenarios (ii) and (iii) of the section headed "Use of proceeds of the Rights Issue" in this circular. Based on the Company's audited total equity attributable to the owners of the Company of approximately HK\$1,423.3 million as of 31 December 2014 (as disclosed in the annual report of the Company for the year ended 31 December 2014), the Rights Issue is intended to strengthen the Company's equity base by approximately 35.25%;

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- (ii) **costs of fund-raising through debt** — had the Company raised HK\$501.7 million in the form of debt rather than equity, assuming the debt carried an interest of 8.6% per year (being the weighted average of the interest rate payable by the Company on its debt as of 31 December 2014), the Company would have to pay approximately HK\$43.1 million per year in interest. The equity raised through the Rights Issue would not be interest-bearing and hence the Company would have a notional savings in interest payable of approximately HK\$43.1 million per year compared with incurring debt of the same amount;
- (iii) **safeguards for the Shareholders** — the relatively high subscription ratio and deep discount structure of the Rights Issue is a commercial decision of the Company which is required to be approved, as part of the terms of the Rights Issue, by the Independent Shareholders at the SGM. The Shareholders' interests are safeguarded by the fact that the Independent Shareholders, before exercising their respective voting rights, will be advised by the Independent Board Committee (comprising all independent non-executive Directors) and the Independent Financial Adviser. The Independent Shareholders can then make an informed decision as to whether to vote in favour of the Rights Issue on the terms proposed. If the Rights Issue is approved at the SGM, it is unlikely that those Independent Shareholders voting in favour of the Rights Issue would subsequently choose not to subscribe for their provisional entitlement of Rights Shares;
- (iv) **previous use of similar structure for the Rights Issue** — the subscription ratio and the theoretically large potential dilution effect of approximately 88.9% under the Rights Issue (using the extreme case assumption that the Independent Shareholders have approved the Rights Issue at the SGM but no Qualifying Shareholders take up their provisional entitlements under the Rights Issue) are also highly unlikely to be adverse to the interests of, or be of material concern to, the Company and the Shareholders, based on the Company's recent track record of fund raising activities. On the contrary, the Board considers that it is necessary, when determining the subscription ratio and discount under the Rights Issue, to make reference to the rights issue completed by the Company in March 2014 (see the section headed "Previous fund-raising exercises in the prior 12-month period" of this circular for further details), which shared similar characteristics to the Rights Issue and proved to be successful and attractive for both the Company and the Shareholders, thereby providing a compelling precedent for how the Rights Issue could be structured in the interests of the Company and the Shareholders as a whole. As demonstrated by the Company's rights issue in March 2014, the comparatively higher subscription ratio of fifteen (15) for one (1) in that case was conducive to being oversubscribed, with the Company receiving valid acceptances and applications for approximately 107.42% of the total number of rights shares then available and issued. In view of this previous successful fund-raising exercise which was approved by the Independent Shareholders and oversubscribed by the Shareholders, the Board considers that the similar structure adopted for the Rights Issue, which has an even lower subscription ratio and a lesser theoretical potential dilution impact on the Shareholders, would be an effective fund-raising option for the Company; and

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- (v) **Subscription Price to encourage participation** — the deep discount of 82.48% to the adjusted closing price per Adjusted Share based on the closing price per Share on the Last Trading Day (and adjusted for the effect of the Capital Reorganisation) represented by the Subscription Price is made with a view to encouraging the Qualifying Shareholders to participate in the Rights Issue and accordingly maintain their shareholdings in the Company and participate in the future growth of the Company. In addition, as has been indicated to the Company during the negotiation of the Underwriting Agreement, given the high subscription ratio, the theoretically large potential dilution effect and the structure of the Rights Issue which is similar to the rights issue completed by the Company in March 2014, a subscription price with a deep discount to the adjusted closing price is necessary to induce the Underwriters to participate in the underwriting of the Underwritten Shares, which is an essential part of the Rights Issue. The Board considers that this discount is acceptable and in line with market practices for a company listed on the Stock Exchange with similar characteristics, i.e. a market capitalisation of less than HK\$1 billion (being a threshold which the Independent Financial Adviser considers is representative of companies listed on the Stock Exchange which are small in size and are therefore comparable to the Company) as at the date of its relevant rights issue announcement, in light of (a) the letter from the Independent Financial Adviser showing that the discount of the Subscription Price falls within the range (i.e. discounts of between 6.02% and 83.33% — please see the letter from the Independent Financial Adviser as set out in this circular for further details) of selected comparable companies with a market capitalisation of less than HK\$1 billion as at the last trading date of their shares before the date of their respective rights issue announcements, which have conducted similar rights issue transactions (i.e. where no bonus shares or bonus warrants were offered) during the six months immediately before the date of the Underwriting Agreement; (b) the comparatively larger discount of the subscription price under the rights issue completed by the Company in March 2014 (which had a very high take-up rate by the then public shareholders of the Company), and (c) the prevailing market conditions of capital market in Hong Kong as at the Latest Practicable Date.

Furthermore, in view of (i) the market understanding from the Directors that there are only few independent underwriters in the Hong Kong market who are willing to underwrite for listed companies of, or having a similar market capitalisation to, the Company's small market capitalization, (ii) the overall historical and ongoing litigation matters of the Company when the Underwriting Agreement was being negotiated as set out in the section headed "35. Litigation" of Appendix I to this circular, which the Directors believe would make it even more difficult to secure other independent underwriters unless additional costs are incurred by the Company or the terms of the Rights Issue are altered, and thus may not be favourable to both the Company and the Shareholders (see further below on page 27 of this section headed "Basis of determining the Subscription Price and subscription ratio"), (iii) the material uncertainty as disclosed on the second page the independent auditors' report enclosed in the Company's annual report for the year ended 31 December 2013 (i.e. see page 38 of that annual report), (iv) the Subscription Price and subscription ratio under the Rights Issue being negotiated on

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an arm's length commercial basis between the Company and the Underwriters, and (v) the extended period of the matching service being provided by the Company to match the purchase and sale of odd lots of the Adjusted Shares to assist the Shareholders with the resulting odd board lots situation arising from the Rights Issue (see the section headed "Arrangements for trading of odd lots" in this circular for further details), the agreed Subscription Price, subscription ratio, the deep discount structure and resulting odd board lots situation is the best commercial deal that the Company could negotiate with the Underwriters which reflects a commercially acceptable position to both the Company and the Underwriters.

Upon taking into account all of the above factors equally, and the alternative financing methods the Company had considered (which are referred to under the section headed "Reasons for the Rights Issue" in this circular), the Board (excluding the independent non-executive Directors whose opinion has been set out in this circular), after having been advised by the Independent Financial Adviser, is of the view that the structure and terms of the Rights Issue, including its Subscription Price, subscription ratio and its theoretical large potential dilution effect are: (i) necessary and commercially unavoidable to attract the Underwriters to participate in the Rights Issue on terms acceptable to both the Company and the Underwriters, and therefore necessary for the Company to successfully complete the Rights Issue, and (ii) in light of the resulting benefits to the Company from completion of the Rights Issue and mechanisms in place to sufficiently safeguard the Shareholders' interests, in the interests of the Company and the Shareholders as a whole.

The Company has not approached any other independent underwriters to consider underwriting this Rights Issue, for the following reasons:

- (i) the Company is a company with a small market capitalisation, being approximately HK\$369.0 million immediately before the Shares were suspended from trading before the publication of the 8 January Joint Announcement. There are few underwriters in the market who work with small companies of this size and given the overall historical and ongoing litigation status and the financial condition of the Company, the Directors believe that the Company's ability to secure other independent underwriters without incurring additional costs or altering terms of the Rights Issue is limited;
- (ii) the Company has a long standing relationship with Kingston whom it believes is a reputable securities firm that is willing to engage with companies of the small size of the Company and has a track record of completing capital market deals successfully with the Company; and
- (iii) the Company is mindful of the laws and regulations in Hong Kong pertaining to the need to keep inside information confidential pending an announcement and not putting any person in a privileged dealing position. As the Rights Issue is a piece of highly material and price sensitive information, the Company did not consider approaching multiple potential underwriters with whom it does not have a prior business relationship to be conducive to compliance with the relevant laws and regulations.

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Conditions of the Rights Issue

The Rights Issue is subject to the following conditions:

- (i) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) in accordance with section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance as having been approved by resolutions of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules, the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than the Prospectus Posting Date;
- (ii) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus to the Excluded Shareholders, if any, for information purposes only, on or before the Prospectus Posting Date;
- (iii) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and the permission to deal in, the Adjusted Shares and the Rights Shares (in both nil-paid and fully-paid forms) by no later than the first day of their dealings;
- (iv) the Underwriting Agreement not being terminated by any of the Underwriters pursuant to the terms thereof prior to the Latest Time For Termination;
- (v) the passing of the necessary resolution(s) by the Shareholders (or, where applicable, the Independent Shareholders) at the SGM approving and confirming: (a) the Capital Reorganisation, (b) the Rights Issue and the transactions contemplated thereunder (including the Underwriting Agreement) and authorising the Directors to allot and issue the Rights Shares (in their nil-paid and fully-paid forms) (to be voted on by the Independent Shareholders), (c) the Special Deal (to be voted on by the Independent Shareholders), and (d) the Whitewash Waiver (to be voted on by the Independent Shareholders), each in accordance with the Bye-Laws, the Listing Rules and the Takeovers Code on or before the Record Date;
- (vi) the passing of the necessary resolution(s) by the PNG Shareholders at the PNG SGM to approve, among others, the subscription of Rights Shares (including by way of excess application) under the Rights Issue pursuant to the PNG Irrevocable Undertaking and the transactions contemplated thereunder;

LETTER FROM THE BOARD

- (vii) the Executive granting to the Concert Group the Whitewash Waiver and the satisfaction of all conditions (if any) attached thereto and such other necessary waiver or consent (including for the Special Deal) as may be required to be obtained from the Executive for the transactions contemplated under the Rights Issue;
- (viii) the Capital Reorganisation having become effective;
- (ix) the compliance with and performance of all undertakings and obligations of Onger Investments, or any of its respective associates, under the PNG Irrevocable Undertaking;
- (x) the passing of the necessary resolution(s) by the WYT Shareholders at the WYT SGM to approve, among others, the underwriting of the Underwritten Shares by WYT Underwriter under the Rights Issue pursuant to the Underwriting Agreement and the transactions contemplated thereunder;
- (xi) if necessary, the obtaining of the consent or permission from the Bermuda Monetary Authority in respect of the issue of the Rights Shares; and
- (xii) there being no Specified Event occurring prior to the Latest Time For Termination.

The conditions are incapable of being waived. If any of the above conditions is not satisfied in whole by Tuesday, 12 May 2015 (or such other time and/or date specified therein) or such other time and/or date as the Company and the Underwriters may agree in writing, the Underwriting Agreement shall be terminated accordingly and the Rights Issue will not proceed. In such circumstance, no party will have any claim against the other parties for costs, damages, compensation or otherwise save for any antecedent breaches.

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Changes in the shareholding structure of the Company arising from the Capital Reorganisation, the Rights Issue and maintenance of public float

The changes in the shareholding structure of the Company arising from the Capital Reorganisation and the Rights Issue are as follows:

	As at the Latest Practicable Date		Immediately after the Capital Reorganisation but before completion of the Rights Issue		Immediately after completion of the Rights Issue, assuming all the Rights Shares are subscribed by the Qualifying Shareholders other than the WOG Group (Note 3)		Immediately after completion of the Rights Issue, assuming all Rights Shares are subscribed by the PNG Group pursuant to the PNG Irrevocable Undertaking and the Underwriters pursuant to the Underwriting Agreement (Notes 1, 2 and 3)	
	Number of Shares	Approximate %	Number of Adjusted Shares	Approximate %	Number of Adjusted Shares	Approximate %	Number of Adjusted Shares	Approximate %
<i>Concert Group</i>								
PNG Group	346,192,728	20.08	43,274,091	20.08	389,466,819	20.08	559,466,819	28.84
WOG Group	467,500	0.03	58,437	0.03	58,437	0.003	58,437	0.003
WYT Group	—	—	—	—	—	—	660,000,000	34.03
Sub-total	346,660,228	20.11	43,332,528	20.11	389,525,256	20.08	1,219,525,256	62.87
<i>Other Shareholders</i>								
Kingston (including subscribers procured by it) (Note 4)	—	—	—	—	—	—	547,975,520	28.25
Other public Shareholders	1,377,508,023	79.89	172,188,503	79.89	1,550,164,023	79.92	172,188,503	8.88
Total	1,724,168,251	100.00	215,521,031	100.00	1,939,689,279	100.00	1,939,689,279	100.00

Notes:

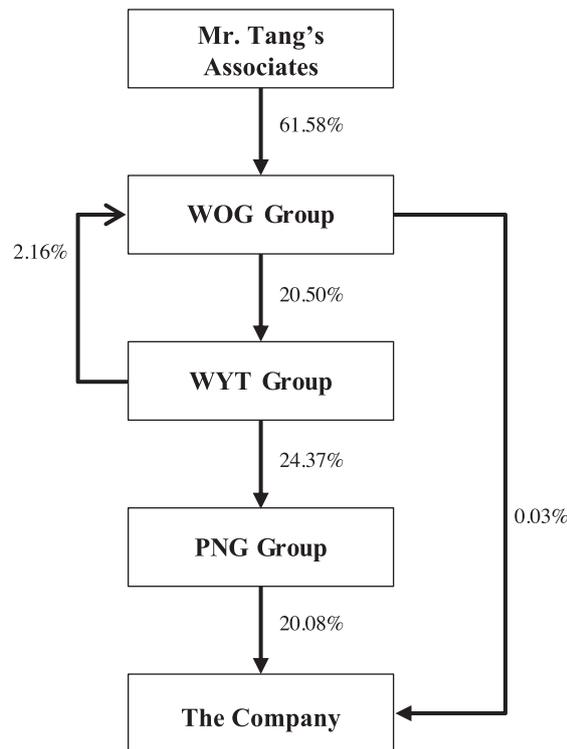
- Assuming all 170,000,000 Rights Shares applied for by Onger Investments by way of excess application pursuant to the PNG Irrevocable Undertaking are allocated to it.
- This scenario is for illustration purpose only and is unlikely to occur since it assumes that: (i) the Independent Shareholders have voted in favour of the Rights Issue at the SGM, but (ii) no Qualifying Shareholder other than Onger Investments would take up their provisional entitlements under the Rights Issue, which is a complete misalignment between the voting behaviour of the Independent Shareholders and their subscription for Rights Shares.

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3. The WOG Group will not subscribe for its provisional allotment of Rights Shares under the Rights Issue.

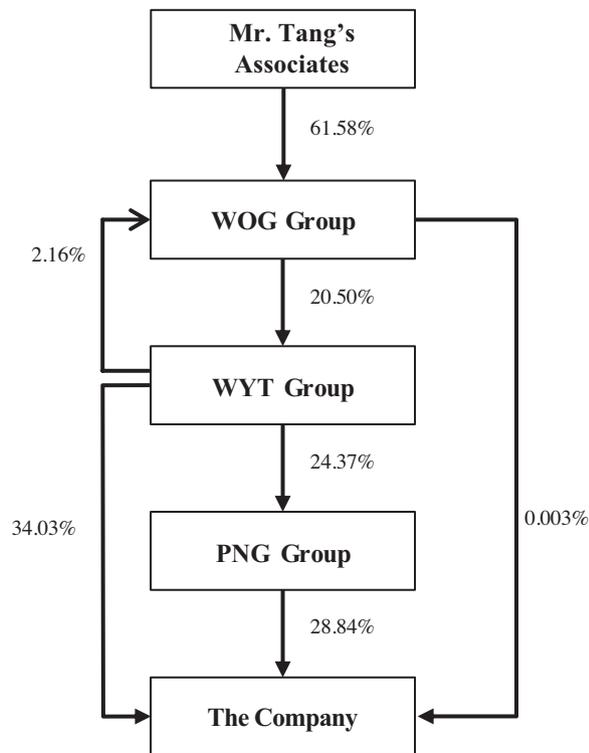
4. Kingston will use its best endeavours to ensure that (i) such subscribers and/or sub-underwriters are Independent Third Parties, and (ii) such sub-underwriters will not hold 10.0% or more of the equity interest in the Company upon completion of the Rights Issue. As at the Latest Practicable Date, Kingston has procured four subscribers who are Independent Third Parties for an aggregate of 315,000,000 Underwritten Shares and none of them will hold 10.0% or more of equity interest in the Company upon completion of the Rights Issue. Please see below on page 32 for further details about these four subscribers.

The following chart shows the Concert Group's shareholding in the Company as at the Latest Practicable Date:



On 31 December 2014, Mailful Investments, a wholly-owned subsidiary of WOG, irrevocably undertook to the Company that it will not subscribe, nor procure its associates to subscribe, for any of its provisional entitlement of Rights Shares under the Rights Issue. The following chart shows the Concert Group's shareholding in the Company immediately after completion of the Rights Issue, assuming all Rights Shares are subscribed by Onger Investments (including by way of excess application) and the Underwriters and the WOG Group do not subscribe for its provisional entitlement of Rights Shares under the Rights Issue, and no other changes to the share capital of the Company in the meantime:

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Under the Underwriting Agreement, in the event that Kingston is called upon to subscribe for or procure subscription for the Untaken Shares, Kingston shall use its best endeavours to ensure that (i) each of the subscribers of the Untaken Shares procured by it shall be an Independent Third Party and not acting in concert with any members of the Concert Group, and (ii) the public float requirements under Rule 8.08 of the Listing Rules be fulfilled by the Company upon completion of the Rights Issue. To the extent that Kingston enters into any sub-underwriting arrangements, (i) Kingston shall use its best endeavours to ensure that each sub-underwriter is an Independent Third Party and will not hold 10.0% or more of the equity interest and voting rights in the Company upon completion of the Rights Issue, and (ii) a further announcement will be issued by the Company regarding the details of the sub-underwriting arrangement(s). As at the Latest Practicable Date, Kingston has procured four subscribers who are Independent Third Parties for an aggregate of 315,000,000 Underwritten Shares and none of them will hold 10.0% or more of equity interest in the Company upon completion of the Rights Issue. Of the four subscribers procured by Kingston: (a) two of which are individuals and each of them has agreed to take up a maximum of 90,000,000 Underwritten Shares; and (b) the other two are entities and each of them has agreed to take up a maximum of 90,000,000 Underwritten Shares and 45,000,000 Underwritten Shares respectively. Each of these subscribers will be allocated Underwritten Shares on a pro-rata basis.

Underwriting activities are (i) within the ordinary course of Kingston's business activities, and (ii) not within the ordinary course of the WYT Group's business activities.

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Principal terms of the Underwriting Agreement

Date : 23 December 2014 (as varied on 8 January 2015 and 28 January 2015)

Parties : (i) The Company;
(ii) WYT Underwriter;
(iii) WYT; and
(iv) Kingston.

Total number of Underwritten Shares : 1,207,975,520 Rights Shares, being the total number of Rights Shares to be issued by the Company minus the maximum aggregate number of Rights Shares to be subscribed and paid for by Onger Investments pursuant to the PNG Irrevocable Undertaking and on the basis that no further Share or Adjusted Share will be issued or repurchased on or before the Record Date.

Underwriting obligation of each Underwriter : WYT Underwriter has agreed to underwrite the first 660,000,000 Underwritten Shares (assuming no further Share or Adjusted Share will be issued or repurchased on or before the Record Date). The WYT Underwriter Subscription Amount, rounded down to the nearest HK\$500,000, will be set-off, on a dollar-for-dollar basis, in accordance with the terms of the Underwriting Agreement, against the outstanding aggregate principal amount owing by the Company to Winning Rich under the 2019 CAP Bonds.

To the extent that the WYT Underwriter Subscription Amount exceeds the amount set-off as mentioned above, WYT Underwriter shall pay to the Company such excess in cash.

Kingston has agreed to fully underwrite, in cash, all remaining Underwritten Shares that have not been taken up by WYT Underwriter, being 547,975,520 Rights Shares.

No sub-underwriting arrangement will be made by WYT Underwriter.

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- Commission : 2.5% of the aggregate Subscription Price in respect of the respective maximum number of Underwritten Shares agreed to be underwritten by each of the Underwriters, payable to each of the Underwriters. The commission rates were determined after arm's length negotiations between the Company and the Underwriters with reference to, among other things, the scale of the Rights Issue and the market rate, and the Board (excluding the independent non-executive Directors whose opinion will be set out in this circular, after having been advised by the Independent Financial Adviser) considers that the underwriting commission rate is fair and reasonable and in the interests of the Company and the Shareholders as a whole.
- Conditions : Please refer to the section headed "Conditions of the Rights Issue" in this circular.
- Other undertakings : In consideration of the Company proceeding with the Rights Issue, WYT irrevocably undertakes to the Company that it will procure the due and punctual performance, observance and compliance by the WYT Underwriter of all of its obligations under the Underwriting Agreement.
- Latest Time For Termination : 4:00 p.m. on the fourth Business Day after the Latest Time For Acceptance or such later time or date as may be agreed between the Underwriters and the Company in writing, being the latest time to terminate the Underwriting Agreement.
- Termination : If, prior to the Latest Time For Termination:
- (i) in the absolute opinion of any of the Underwriters, the success of the Rights Issue would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of any of the Underwriters materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or

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- (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or other nature (whether or not of the same kind or nature with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of any of the Underwriters materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (ii) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of any of the Underwriters is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (iii) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of any of the Underwriters will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or

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- (iv) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (v) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not of the same kind or nature with any of the foregoing; or
- (vi) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of any of the Underwriters, a material omission in the context of the Rights Issue; or
- (vii) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than 10 consecutive Business Days, excluding any halt or suspension in connection with the clearance of the Joint Announcements, this circular, the Prospectus Documents or other announcements or circulars in connection with the Rights Issue; or
- (viii) any moratorium, suspension or material restriction on trading of the Shares or Adjusted Shares on the Stock Exchange due to exceptional financial circumstances or otherwise,

any of the Underwriters may by notice in writing to the Company and the other Underwriter, served prior to the Latest Time For Termination, to terminate the Underwriting Agreement.

Any of the Underwriters may by notice in writing to rescind the Underwriting Agreement if, prior to the Latest Time For Termination:

- (i) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of any of the Underwriters; or

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- (ii) any Specified Event comes to the knowledge of any of the Underwriters.

If any one of the Underwriters terminates or rescinds the Underwriting Agreement pursuant to the terms therein, the Rights Issue will not proceed. In such circumstance, (i) the underwriting commission shall not be payable by the Company to each of the Underwriters, (ii) no party shall have any claim against the other parties for costs, damages, compensation or otherwise save for any antecedent breaches, and (iii) to the extent that, prior to the termination of the Underwriting Agreement, any of the Underwriters has paid or procured payment to the Company of the aggregate Subscription Price in respect of the Untaken Shares for which the respective Underwriter is obliged to subscribe or procure subscription under the Underwriting Agreement, the Company shall remit to each of the Underwriters respectively such amount of the aggregate Subscription Price which it has received from the Underwriters.

The PNG Irrevocable Undertaking

As at the Latest Practicable Date, PNG, through its wholly-owned subsidiary, Onger Investments, is interested in 346,192,728 Shares, representing approximately 20.08% of the issued share capital of the Company.

On 23 December 2014, Onger Investments has granted the PNG Irrevocable Undertaking in favour of the Company under which it agreed, among other things:

- (i) to subscribe, or procure its associates to subscribe, for 346,192,728 Rights Shares which comprise the full acceptance of its provisional entitlements;
- (ii) that the Shares or the Adjusted Shares (as the case may be) comprising its current shareholding in the Company will remain beneficially owned by it on the Record Date;
- (iii) to procure that its acceptance of the 346,192,728 Rights Shares which will be provisionally allotted to it nil-paid under the Rights Issue be lodged with the Registrar, with payment in full therefor, by no later than 4:00 p.m. at the Latest Time For Acceptance or otherwise in accordance with the instructions printed on the PAL(s);
- (iv) to apply, or procure its associates to apply, by way of excess application, for 170,000,000 Rights Shares; and
- (v) to procure that the EAF(s) for 170,000,000 Rights Shares be lodged with the Registrar, with payment in full therefor, by no later than 4:00 p.m. at the Latest Time For Acceptance or otherwise in accordance with the instructions printed on the EAF(s).

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Reasons for the Rights Issue

The Group is currently engaged in the management and sales of agricultural produce exchanges in the PRC. The audited total value of the Group's investment properties and stock of properties as at 31 December 2014 (as disclosed in the audited annual result announcement of the Company for the year ended 31 December 2014) is approximately HK\$6,270.0 million and its property portfolio includes a total land reserve of approximately 2.1 million square meters as at 31 December 2014.

The Board is optimistic about the future growth and development of the Company, largely because of the continuing support of the agricultural sector by the PRC government.

The agricultural sector has historically been an important component of China's economy and for the China's Twelfth Five Year Plan (2011-2015), the PRC government aims to enhance the industry based on the national modern agriculture development plan. Under the plan, the PRC government will: (i) establish a mechanism to ensure steady increase in agricultural investment, including the continual increase in investment to boost agricultural production, rural development and farmers' well-being, improving the rural financial services, as well as guiding social resources into agriculture, (ii) strengthen support and protection for agriculture by improving its agricultural reward and subsidy policy and reforming the regulatory mechanism for agricultural markets, and (iii) further liberalise and open-up the PRC's agriculture sector to the outside world by promoting international cooperation in agriculture and enhancing agricultural trade.

Against the backdrop of (i) continued robust growth in the overall PRC economy, (ii) favourable government policy in respect of the agricultural industry (which has led to an increase in property values of and rental income from agricultural produce exchanges), and (iii) optimistic market sentiment, the Board expects that the value of the Group's investments in PRC agricultural produce exchanges will continue to grow, thereby continuing to bring a positive economic return to the Company and the Shareholders as a whole.

In view of the optimistic future prospects of the business of the Group, the Rights Issue will strengthen the capital base of the Company and bolster its ability to capitalise upon greater business opportunities associated with its principal business engagements.

The expenses in relation to the Rights Issue, including financial, legal and other professional advisory fees, underwriting commissions, printing and translation expenses, will be borne by the Company. Having sought financing in various ways such as equity placements, as well as bank and other borrowings, and having considered the costs of such fund-raising alternatives, the Board (excluding the independent non-executive Directors whose opinion will be set out in this circular, after having been advised by the Independent Financial Adviser) presently considers the Rights Issue as the most commercially viable option for the Company in the prevailing circumstances. This is for the following reasons:

- (i) **benefits of a rights issue** — the Rights Issue affords all Shareholders equal opportunity to subscribe for their pro-rata provisional entitlement of the Rights Shares and hence avoids dilution, and participate as fully as they wish in the growth opportunity of the Company by way of applying for excess Rights Shares. It also allows the Qualifying Shareholders who decide not to take up

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their entitlements under the Rights Issue to sell the nil-paid Rights Shares in the market for economic benefit. By comparison, had the Company raised equity of similar size in the form of a placing, then such an exercise would not have allowed all Shareholders to participate in the capital exercise and they would be diluted without being given an opportunity to maintain their percentage interests;

- (ii) **costs of other fund-raising alternatives** — as of 31 December 2014, the Group has the following outstanding interest-bearing bank and other borrowings:

Type of Borrowings	Approximate Outstanding Amount <i>(in HK\$ millions)</i>	Approximate Effective Interest Rate <i>(% per annum)</i>
Bank loans	1,111.2	2.7%-7.8%
Related party loans	1,354.4	10.3%-10.9%
Third party loans	<u>579.7</u>	5%-12%
Total	<u><u>3,045.3</u></u>	

This represented a gearing ratio of approximately 146.7% as of 31 December 2014, which is calculated by dividing the total outstanding loan amount of approximately HK\$3,045.3 million net of pledged bank deposits and cash and cash equivalents of totally approximately HK\$293.3 million, by total shareholders' funds in the amount of approximately HK\$1,876.3 million. The Company notes that an issuance of convertible bonds would increase the gearing of the Company without strengthening the Company's equity base until the bond is converted, at which time the existing Shareholders will still suffer a dilution. As for additional bank borrowings, such would further increase the Company's gearing ratio without strengthening its equity base and there is no assurance that such borrowings of this size can be obtained. Please also refer to the section headed "Basis of determining the Subscription Price and subscription ratio" in this circular for a calculation of the notional interest savings of Rights Issue over borrowings; and

- (iii) **efforts in seeking other financing alternatives** — while the Company has considered, and is still actively searching for, other financing alternatives including equity and debt financing, it is uncertain as to when and on what terms these financing alternatives will be made available. In particular, during the past 12 months, the Company has undertaken (A) separate placements of Shares on 3 September 2014 and 6 November 2014, (B) an issue of unsecured bonds on 28 November 2014 to PNG, WYT and WOG (see below), (C) a placing of unsecured bonds via a medium term note program, (D) a placing of five-year, 7.3% per annum coupon unlisted bonds, and (E) a rights issue. The Company has also approached certain financial institutions and obtained certain loan facilities. Among the options that the Company has considered is a long term bond with an effective interest rate ranging from approximately 10.3% to approximately 11.6% per annum and borrowings from PRC banks and financial institutions with effective interest rates of approximately 2.7% to approximately 8.4%.

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On 28 November 2014, PNG, WYT and WOG, through their wholly-owned subsidiaries, subscribed for unsecured bonds newly-issued by the Company, the net proceeds of which were fully applied by the Company towards repayment of outstanding indebtedness of the Company owed to PNG, WYT and WOG, respectively.

The details of the bonds are as follows:

Lender	Parent of Lender	Principal amount of subscription (in HK\$ million)	Interest Rate (per annum)	Maturity Date
Double Leads	WOG	200	8.5%	28 November 2016
Investments Limited		330	10.0%	28 November 2019
		<hr/>		
		530		
Peony Finance Limited	PNG	150	10.0%	28 November 2019
Winning Rich	WYT	720	10.0%	28 November 2019
		<hr/>		
		1,400		
		<hr/> <hr/>		

The Rights Issue will allow the Company to strengthen its capital base and liquidity without incurring interest costs. The Rights Issue will also allow the Company to materially reduce its gearing ratio, thereby improving the financial health of the Group. Taking into account the capital needs of the Group, the benefits of the Rights Issue and the costs of other fund-raising alternatives, the Board (excluding the independent non-executive Directors whose opinion will be set out in this circular, after having been advised by the Independent Financial Adviser) is of the view that the Rights Issue is in the interests of the Company and the Shareholders as a whole.

To reiterate, the Shareholders' interests are safeguarded by the following: (i) the Rights Issue will be subject to the approval by the Independent Shareholders at the SGM (whereby, among others, members of the Concert Group including Onger Investments, will abstain from voting), and (ii) the Independent Shareholders, before exercising their respective voting rights, will be advised by the Independent Board Committee (comprising all independent non-executive Directors) and the Independent Financial Adviser. Accordingly, the Rights Issue will be subject to the scrutiny of the Independent Financial Adviser and the Independent Board Committee and the decision of the Independent Shareholders. The Independent Shareholders can then make an informed decision as to whether to vote in favour of the Rights Issue on the terms proposed.

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However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled should note that their shareholdings in the Company will be substantially diluted.

The Directors (excluding the independent non-executive Directors whose opinion will be set out in this circular, after having been advised by the Independent Financial Adviser), consider that the Rights Issue is fair and reasonable and in the interests of the Company and the Shareholders as a whole having taken into account the terms of the Rights Issue.

Use of proceeds of the Rights Issue

A. Application of proceeds

As at 31 January 2015, the Group had an aggregate cash balance of approximately HK\$294.8 million. Taking into account the Company's total borrowings as of 31 December 2014 of approximately HK\$3,045.3 million (with annualised interest expenses of approximately HK\$261.9 million assuming the interest rate of 8.6% per year as mentioned in the section headed "Basis of determining the Subscription Price and subscription ratio" in this circular) and a gearing ratio of approximately 146.7% as of 31 December 2014, as well as the capital expenditure needs of the Company, the Company intends to use its existing cash balance to finance its working capital needs.

The Rights Issue is proposed with a view to provide further funding for the Group's business development and expansion of agricultural produce exchanges in the PRC and assisting with the Group's repayment of outstanding and upcoming financial indebtedness.

In light of (i) the Revised Timetable, (ii) the upcoming principal and interest expenses in the amount of approximately HK\$58.3 million due by the Group on 30 April 2015 in respect of a loan provided by an Independent Third Party, and (iii) the upcoming construction costs payable by the Group in respect of certain agricultural produce exchange projects in the PRC (the details of (ii) and (iii) were outlined in the section headed "9. Use of proceeds of the Rights Issue" in Part B of the 8 January Joint Announcement and the subsection headed "D. Allocation of proceeds for construction and land acquisition" of this section headed "Use of proceeds of the Rights Issue" of this circular, respectively), the Board considered that it was appropriate and in the interests of the Group and the Shareholders as a whole to finance these upcoming obligations falling due before or on or around completion of the Rights Issue through alternative sources of funds, rather than from the expected net proceeds of the Rights Issue as originally intended as outlined under the 8 January Joint Announcement.

In this regard, on 13 February 2015, the Company entered into a loan agreement with Double Leads Investments Limited ("**Double Leads**"), an indirect wholly owned-subsubsidiary of WOG, under which Double Leads agreed to advance a 1-year unsecured loan of HK\$110.0 million to the Group at an annual interest rate of 12.0%, repayable by the Company in whole

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or in part without penalty or any other charges at any time within the term of the loan (the “**February 2015 WOG Loan**”). The proceeds of the February 2015 WOG Loan are intended to be applied by the Group as follows:

- (a) approximately HK\$31.25 million and approximately HK\$6.25 million will be used for payment of construction costs of the development of the Company’s agricultural produce exchange projects in (i) Kaifeng City, Henan Province, the PRC, and (ii) Panjin City, Liaoning Province, the PRC;
- (b) approximately HK\$58.3 million will be used to fully repay the outstanding principal and interest expenses due on 30 April 2015 in respect of a loan provided by an Independent Third Party; and
- (c) approximately HK\$14.2 million will be used for general working capital of the Group.

See the announcement issued by the Company on 13 February 2015 for further details.

The net proceeds to be raised from the Rights Issue, which are estimated to be approximately HK\$501.7 million (subject to the potential set-off against the outstanding aggregate principal amount owing by the Company to Winning Rich under the 2019 CAP Bonds, as outlined in scenarios (ii) and (iii) below of this section headed “Use of proceeds of the Rights Issue”), are intended to be applied as follows:

- (i) *If all the Rights Shares are taken up by the Qualifying Shareholders and no Underwriter is required to take up any of the Underwritten Shares:*
 - (a) approximately HK\$193.0 million will be utilised for land acquisition opportunities in the PRC;
 - (b) approximately HK\$32.5 million will be utilised for payment of construction costs in the PRC (see below the subsection headed “D. Allocation of proceeds for construction and land acquisition” of this section headed “Use of proceeds of the Rights Issue” for further details);
 - (c) approximately HK\$229.9 million will be used to repay outstanding and upcoming indebtedness of the Company (see below the subsections headed “Allocation of proceeds for repayment of indebtedness” and “The Special Deal” of this section headed “Use of proceeds of the Rights Issue” for further details); and
 - (d) the remaining balance of approximately HK\$46.3 million will be utilised for general working capital of the Group (the largest components of which will be operating expenses such as rental, marketing and salary expenses).

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- (ii) *If 1,394,168,248 Rights Shares are subscribed by the Qualifying Shareholders and WYT Underwriter is required to take up 330,000,000 Underwritten Shares (i.e. 50% of the Underwritten Shares it has agreed to underwrite under the Underwriting Agreement)*
- (a) the WYT Underwriter Subscription Amount (being approximately HK\$94.0 million), will be set-off, in accordance with the terms of the Underwriting Agreement, against the outstanding aggregate principal amount owing by the Company to Winning Rich under the 2019 CAP Bonds;
 - (b) approximately HK\$32.5 million will be utilised for the payment of construction costs in the PRC (see below the subsection headed “D. Allocation of proceed for construction and land acquisition” of this section headed “Use of proceeds of the Rights Issue” for further details);
 - (c) approximately HK\$99.0 million will be utilised for land acquisition opportunities in the PRC;
 - (d) approximately HK\$229.9 million will be used to repay outstanding and upcoming indebtedness of the Company (see below the subsections headed “Allocation of proceeds for repayment of indebtedness” and “The Special Deal” of this section headed “Use of proceeds of the Rights Issue” for further details); and
 - (e) the remaining balance of approximately HK\$46.3 million will be utilised for general working capital of the Group (the largest components of which will be operating expenses such as rental, marketing and salary expenses).
- (iii) *If WYT Underwriter is required to take up all 660,000,000 Underwritten Shares it has agreed to underwrite under the Underwriting Agreement:*
- (a) the WYT Underwriter Subscription Amount (being approximately HK\$193.0 million), will be set-off, in accordance with the terms of the Underwriting Agreement, against the outstanding aggregate principal amount owing by the Company to Winning Rich under the 2019 CAP Bonds;
 - (b) approximately HK\$32.5 million will be utilised for the payment of construction costs in the PRC (see below the subsection headed “D. Allocation of proceed for construction and land acquisition” of this section headed “Use of proceeds of the Rights Issue” for further details);

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- (c) approximately HK\$229.9 million will be used to repay outstanding and upcoming indebtedness of the Company (see below the subsections headed “Allocation of proceeds for repayment of indebtedness” and “The Special Deal” of this section headed “Use of proceeds of the Rights Issue” for further details); and
- (d) the remaining balance of approximately HK\$46.3 million will be utilised for general working capital of the Group (the largest components of which will be operating expenses such as rental, marketing and salary expenses).

In other words, the proportion of the aggregate net proceeds from the Rights Issue which is intended to be allocated towards the payment of construction costs, repayment of indebtedness and general working capital will be fixed irrespective of whether WYT Underwriter is required to take up any of the Underwritten Shares that it has agreed to underwrite under the Underwriting Agreement. To the extent that WYT Underwriter is not required to so take up any Underwritten Shares (resulting in a lower proportion of the aggregate net proceeds from the Rights Issue being applied to set-off the aggregate principal amount owing by the Company to Winning Rich under the 2019 CAP Bonds), the Company will receive such portion of the aggregate net proceeds from the Rights Issue directly in cash, which is intended to be applied towards the acquisition of land in the PRC in the manner described in this circular.

Whilst there is no pressing need or urgency for a part of the net proceeds of the Rights Issue to be applied towards the acquisition of land (and hence it is not a fixed component of the intended use of net proceeds from the Rights Issue), the Board is nevertheless continually seeking opportunities to develop the Group’s business, and ongoing strategic land acquisitions to supplement or grow the Group’s existing agricultural produce exchanges are a component of the Group’s overall expansion strategy.

The Board engaged WYT Underwriter as an underwriter for the Rights Issue, for the following reasons:

- (i) while the Company will not directly receive such part of the net proceeds of the Rights Issue in cash to the extent that the WYT Underwriter is required to take up any Underwritten Shares, the WYT Subscription Underwriter Subscription Amount that will be set-off against the aggregate principal amount owing by the Company to Winning Rich under the 2019 CAP Bonds will nevertheless reduce the interest expenses payable to Winning Rich in the future, freeing up greater cash for the Company to utilise for other purposes;

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- (ii) the WYT Group, through another wholly-owned subsidiary, was an underwriter for the rights issue completed by the Company in March 2014 and was commercially willing to be an underwriter for the Rights Issue on terms acceptable to the Company; and
- (iii) the Company has not approached any other independent underwriters to consider underwriting the Rights Issue other than Kingston, for the reasons outlined in the section headed “Basis of determining the Subscription Price and subscription ratio” in this circular.

B. Allocation of proceeds for repayment of indebtedness

The approximately HK\$229.9 million of the aggregate net proceeds from the Rights Issue intended to be applied by the Company towards the outstanding and upcoming indebtedness of the Company is a commercial decision of the Company that is intended to reduce its gearing ratio and strengthen its equity base, and will be allocated as follows:

- (i) approximately HK\$17.2 million, HK\$19.0 million and HK\$15.2 million will be used to repay in full the outstanding interest due on 31 May 2015 to the WOG Group, the WYT Group and the PNG Group, respectively, pursuant to an interest repayment extension letter dated 28 November 2014 in respect of the past loans provided to the Company which were fully refinanced by the unsecured bonds issued by the Company on 28 November 2014;
- (ii) approximately HK\$25.0 million, HK\$36.0 million and HK\$7.5 million will be used to repay the upcoming interest due on 28 May 2015 to the WOG Group, the WYT Group and the PNG Group, respectively, under the unsecured bonds issued by the Company on 28 November 2014; and
- (iii) HK\$110.0 million will be used to repay in full the outstanding principal on the February 2015 WOG Loan.

As of the Latest Practicable Date, the Company owed the WOG Group approximately HK\$611.5 million, including (i) HK\$50 million under the loan agreement dated 13 February 2015 entered into between the Company and Double Leads; (ii) approximately HK\$17.2 million under the interest extension agreement dated 28 November 2014 entered into between the Company and the WOG Group; (iii) HK\$530 million under the unsecured bonds issued by the Company to the WOG Group on 28 November 2014; and (iv) interest payable arising from the abovementioned debts of approximately HK\$14.3 million.

As of the Latest Practicable Date, the Company owed the PNG Group approximately HK\$169.4 million, including (i) approximately HK\$15.2 million under the interest extension agreement dated 28 November 2014 entered into between the Company and the PNG Group; (ii) HK\$150 million under the unsecured bonds issued by the Company to the PNG Group on 28 November 2014; and (iii) interest payable arising from the abovementioned debts of approximately HK\$4.2 million.

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C. The Special Deal

The repayment by the Company of indebtedness owed to the WOG Group and the PNG Group (see the subsection headed “B. Allocation of proceeds for repayment of indebtedness” of this section headed “Use of proceeds of the Rights Issue”) constitutes a “special deal” under Rule 25 of the Takeovers Code and will be conditional upon obtaining the consent of the Executive under Note 5 to Rule 25 of the Takeovers Code. The Executive will normally consent to the Special Deal provided that: (i) the Independent Financial Adviser publicly states in its opinion that the Special Deal is an arm’s length transaction on normal commercial terms and that its terms are fair and reasonable, and (ii) it is approved by the Independent Shareholders at the SGM by way of poll. An application has been made to the Executive for its consent to the Special Deal pursuant to Note 5 to Rule 25 of the Takeovers Code. See the section headed “(D) APPLICATION FOR THE SPECIAL DEAL” of this circular for further details of the Special Deal.

D. Allocation of proceeds for construction and land acquisition

As of the Latest Practicable Date, the Group was involved in the construction of agricultural produce exchanges projects in (i) Panjin City, Liaoning Province, the PRC and (ii) Kaifeng City, Henan Province, the PRC.

Approximately HK\$31.25 million and HK\$6.25 million of the February 2015 WOG Loan, (which will be repaid in full using a portion of the Rights Issue) and approximately HK\$18.75 million and HK\$13.75 million of the net proceeds of the Rights Issue, will be utilised for the payment of construction costs of the development of the Kaifeng City project and the Panjin City project, respectively. The phase one development of the Kaifeng City project was completed in late 2014 at the total cost of approximately HK\$422.8 million and phase two of the Kaifeng City project is expected to be completed in April 2015 at the estimated total cost of approximately HK\$76.4 million (the Group has paid a total of approximately HK\$362.4 million for phase one and has not made any payment for phase two of the Kaifeng City project as at the Latest Practicable Date). The development of the Panjin City project is expected to be completed in July 2015 at the estimated total cost of approximately HK\$198.0 million (of which a total of HK\$113.1 million has been paid by the Company as at the Latest Practicable Date). These estimated construction costs are based on the current configurations of the respective projects and may be subject to (i) further development and expansion of these projects in the future depending on, among others, the Company’s ability to acquire further adjacent land, and (ii) unforeseen events beyond the control of the Company. Approximately HK\$141.7 million and HK\$98.6 million from the proceeds of the rights issue in March 2014, the placing of medium term notes in May 2014 and placing of new shares in August 2014 were applied towards the construction costs of the phase one development of the Kaifeng City project and the development of the Panjin City project, respectively. Based on the Company’s (i) commitments with contractors for phase two of the Kaifeng City project and the Panjin City project, (ii) current estimations of costs to complete those projects, and (iii) past experience on development projects, the Board believes that the allocation of a total of approximately HK\$70.0 million from both the February 2015 WOG Loan and the net proceeds of the Rights Issue towards the payment of the aforementioned construction costs is both fair and reasonable.

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As of the Latest Practicable Date, the Group was also involved in negotiations with the relevant governmental authorities with a view to evaluating the opportunities of acquiring land in various PRC cities, including (i) Fuzhou, (ii) Chenzhou and (iii) Puyang, for the purpose of developing agricultural produce exchanges. As outlined above, where WYT Underwriter is not required to take up all of the Underwritten Shares that it has agreed to underwrite under the Underwriting Agreement, a portion of the aggregate net proceeds from the Rights Issue will be utilised to part-finance the acquisitions of land in one or more of the aforementioned cities. The Company currently estimates that, if it were successful in acquiring all of the aforementioned land which it is currently evaluating, the total acquisition cost would be approximately HK\$457.4 million.

Announcements will be made by the Group in accordance with the Listing Rules as and when necessary when there is a material change in the use of net proceeds from the Rights Issue.

The Group's agricultural wholesale markets in the PRC

As at the Latest Practicable Date, the Group has the following existing agricultural wholesale markets in the PRC which are in operation:

(i) *Wuhan City project*

The Wuhan City project is 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 and is situated in the Hongshan District of Wuhan City with a site area of approximately 270,000 square metres and a total gross floor area of approximately 160,000 square metres. In January 2015, Wuhan Baisazhou Market was awarded "Top 10 Contribution to 30th Anniversary of National Agricultural Wholesale Markets" (in terms of transaction amount) issued by China Agricultural Wholesale Market Association. This award is a sign of the market contribution being made by the Group's effort and expertise in agricultural produce exchange operations in the PRC.

On 24 April 2014, the Group won a bid at the tender for a parcel of land in Wuhan City of Hubei Province, with an area of approximately 162,000 square metres for a total consideration of RMB74.1 million. Details of the transaction are disclosed in the Company's announcement dated 7 May 2014.

(ii) *Yulin City project*

Yulin Market is one of the largest agricultural produce exchanges in Guangxi Zhuang Autonomous Region, the PRC. It has various types of market stalls and multi-storey godown, with a site area of approximately 415,000 square metres and a total gross floor area of approximately 226,000 square metres. The Group has completed the construction of an extension to the phase two development of the Yulin Market which became a new growth driver for the Group. Yulin Market was ranked "Top 75 National Agricultural Wholesale Markets" (in terms of transaction amount) by China Agricultural

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Wholesale Market Association in 2013. As an energetic member of the agricultural produce exchange market, this award proved Yulin Market's capability in becoming one of the key agricultural produce exchange markets in the Guangxi region.

On 18 June 2014, a subsidiary of the Company and the Yulin Land Bureau entered into a termination agreement pursuant to which the parties agreed to terminate the confirmation letter and the proposed acquisition by the subsidiary of the land use rights over a parcel of land in Yulin City of approximately 73,000 square metres. Details of the transaction are disclosed in the announcement of the Company dated 20 June 2014. The Board does not consider the termination of the confirmation letter will have any material adverse impact on the operation and financial position of the Group.

(iii) Xuzhou City project

The Xuzhou City project occupies approximately 200,000 square metres and is located in the northern part of Jiangsu Province. The market houses various market stalls godowns, 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. Xuzhou Market was ranked "Top 50 National Agricultural Wholesale Markets" (in terms of transaction amount) by China Agricultural Wholesale Market Association in 2013.

(iv) Luoyang City project

The Luoyang City project is the new flagship project of the Group and the first agricultural produce exchange market project in Henan Province. The site area of Luoyang Market is approximately 255,000 square metres with gross floor area of approximately 160,000 square metres. After more than one-year in operation, the business operations of Luoyang Market have gradually been improving.

(v) Kaifeng City project

In January 2013, the Group won a bid at a tender for five parcels of land with approximately 408,000 square metres in total for the Kaifeng City project for the consideration of approximately RMB116.3 million. The five parcels of land are intended to be used to expand the Group's existing network of agricultural wholesale markets in the PRC. Details of the transaction are disclosed in the Company's announcement dated 11 January 2013.

The construction of the phase one development of the Kaifeng City project, with the gross floor construction area of approximately 100,000 square metres, was completed in late 2014. The Kaifeng City project is the Group's third exchange in Henan Province, the PRC and facilitated the Group's expansion of its agricultural produce exchange network in Henan Province.

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The phase two of the Kaifeng City project is under construction and expected to be completed in April 2015.

(vi) Qinzhou City project

The Group won bids at tenders of two parcels of land with approximately 150,000 square metres and approximately 117,000 square metres in November 2011 and October 2012, respectively. The two parcels of land are intended to be used to expand the Group's existing network of agricultural wholesale markets in the PRC.

The construction of the Qinzhou City project, with the gross floor construction area of approximately 189,000 square metres, was completed in 2014. The Qinzhou City project is the Group's second market in Guangxi Zhuang Autonomous Region, the PRC, and facilitated the Group's expansion of its agricultural produce market network in Guangxi Zhuang Autonomous Region.

(vii) Puyang City project

In April 2014, a wholly-owned subsidiary of the Company entered into a new joint venture agreement with Puyang Nong Lian Trading Company Limited (the "**Puyang JV Partner**") pursuant to which the total investment to be made to the joint venture company (the "**Puyang JV Company**") would increase from RMB2.8 million to RMB140 million, of which RMB105 million will be contributed by the Company's subsidiary in cash and RMB35 million will be contributed by the Puyang JV Partner through injection of all the assets and resources within the designated area of an exchange market in Puyang City currently owned and managed by the Puyang JV Partner (including but not limited to the land, building and warehouse rights). The Puyang JV Company was established in March 2014. The Puyang JV Company acquired the existing business operations of Puyang Market and extended the geographic reach of our agricultural produce exchange projects to Puyang City, Henan Province. Details of the transaction are disclosed in the Company's announcement dated 1 April 2014.

(viii) Huangshi City project

In November 2014, a wholly-owned subsidiary of the Company entered into the co-operation agreement with Huangshi Xingang Commercial and Trading Development Limited (the "**Huangshi JV Partner**") to form of a joint venture company (the "**Huangshi JV Company**") (owned as to 80% by the wholly-owned subsidiary of the Company and 20% by the Huangshi JV Partner) in relation to the leasing of the existing agricultural produce exchange in Huangshi City, Hubei Province, the PRC, operated and managed by the JV Partner (the "**Existing Huangshi Market**") and the transfer of the management rights of the Existing Huangshi Market to the Huangshi JV Company. Details of the transaction are disclosed in the Company's announcement dated 20 November 2014.

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Save as disclosed in the above paragraphs, as at the Latest Practicable Date, the Group has no other existing agricultural wholesale markets in operation. However, it is the intention of the Company to expand the footprint and/or the size of the agricultural wholesale markets when suitable opportunities arise.

As at the Latest Practicable Date, the Group has the following agricultural wholesale markets which are under construction or pending construction:

(i) *Huai'an City project*

In January 2013, the Group won a bid at a tender for a parcel of land in Huai'an City, Jiangsu Province, the PRC, with approximately 53,000 square metres for the Huai'an City project for the consideration of RMB42.0 million. The land is intended to be used to expand the Group's existing network of agricultural wholesale markets in the PRC. Details of the transaction are disclosed in the Company's announcement dated 16 January 2013.

In August 2014, the Group won a bid at a tender for another parcel of land with approximately 48,000 square metres for the Huai'an City project for the consideration of RMB44.0 million. The land is intended to be used to expand the Group's existing network of agricultural wholesale markets in the PRC. Details of the transaction are disclosed in the Company's announcement dated 26 August 2014.

Construction of the Huai'an City project has commenced and is estimated to be completed, and operations commencing, in 2015.

(ii) *Panjin City project*

In January 2014, the Group won a bid at the tender for three parcels of land in Panjin City, Liaoning Province, the PRC, with approximately 159,800 square metres in total for the Panjin City project for the consideration of approximately RMB29.1 million. The three parcels of land are intended to be used to expand the Group's existing network of agricultural wholesale markets in the PRC. Details of the transaction are disclosed in the Company's announcement dated 20 January 2014.

Construction of the Panjin City project commenced in early 2014 and is estimated to be completed, and operations commencing, around July 2015.

As at the Latest Practicable Date, the Group has the following existing agricultural wholesale markets in the PRC which are in negotiation:

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(i) Chenzhou City project

On 18 November 2014, a wholly-owned subsidiary of the Company and the Chenzhou Beihu Government, the PRC, has entered into an agreement in relation to a development project in Chenzhou City, Hunan Province, the PRC, under which the subsidiary agreed to make an interest-free prepayment of RMB28.8 million to the Chenzhou Beihu Government to support the development project. Details of the agreement are disclosed in the announcement of the Company dated 18 November 2014.

Besides the Chenzhou City project mentioned above, the Group was also involved in negotiations with the relevant governmental authorities with a view to evaluating the opportunities of acquiring land in various PRC cities such as Puyang City and Fuzhou City for the purpose of developing agricultural produce exchanges.

Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company and not being an Excluded Shareholder on the Record Date. In order to be registered as members of the Company on the Record Date, all transfers of the Shares must be lodged (together with the relevant share certificate(s)) with the Registrar by 4:30 p.m. (Hong Kong time) on Tuesday, 14 April 2015 at the following address:

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

The Company will send the Prospectus Documents to the Qualifying Shareholders, and will send the Prospectus (without the PAL(s) and EAF(s)), for information purposes only, to the Excluded Shareholders on the Prospectus Posting Date.

According to the register of members of the Company as at the Latest Practicable Date, there were 3 Overseas Shareholders whose addresses are located in Canada, Macau and the PRC.

As at the Latest Practicable Date, there was one Shareholder with a registered address in Canada who held less than 8 Shares. As this Shareholder in Canada was holding less than 8 Shares, no Consolidated Share could be formed upon the Capital Reorganisation becoming effective. Accordingly, the Rights Issue will not be extended to this Shareholder in Canada, who will be treated as an Excluded Shareholder.

As at the Latest Practicable Date, there was one Shareholder with a registered address in the PRC, who held more than 8 Shares. Based on the advice provided by the Company's PRC legal advisers, the PRC laws impose no restrictions on extending the Rights Issue to PRC Shareholders, and the Company is not required to obtain any approvals for the despatch of the Prospectus Documents to such Shareholders. Accordingly, the Directors have decided to extend the Rights Issue to the one Shareholder in the PRC holding more than 8 Shares.

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As at the Latest Practicable Date, there was one Shareholder with a registered address in Macau, who held less than 8 Shares. As this Shareholder in Macau was holding less than 8 Shares, no Consolidated Share could be formed upon the Capital Reorganisation becoming effective. Accordingly, the Rights Issue will not be extended to this Shareholder in Macau, who will be treated as an Excluded Shareholder.

The Company will continue to ascertain whether there are any other Overseas Shareholders on the Record Date and will, if necessary, make further enquiries with legal adviser(s) in other overseas jurisdiction(s) regarding the feasibility of extending the Rights Issue to such other Overseas Shareholders on the Record Date. Further information in this connection will be set out in the Prospectus containing, among other things, details of the Rights Issue, to be despatched to the Shareholders on the Prospectus Posting Date. The Company will send copies of the Prospectus to the Excluded Shareholders, if any, for information purposes only, on the Prospectus Posting Date.

Rights of the Excluded Shareholders

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the Rights Shares in their nil-paid form commence and before dealings in the Rights Shares in their nil-paid form end, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, will be retained for the benefit of the Company. Any unsold entitlement of the Excluded Shareholders to the Rights Shares, and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise subscribed for by transferees of the nil-paid Rights Shares, will be made available for excess applications by the Qualifying Shareholders.

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue, subject to the results of enquiries made by the Directors pursuant to Rule 13.36(2)(a) of the Listing Rules. Accordingly, the Overseas Shareholders should exercise caution when dealing in the Shares.

Application for excess Rights Shares

Qualifying Shareholders are entitled to apply for any unsold entitlements of the Excluded Shareholders and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders (or the transferees to whom any Qualifying Shareholders have transferred their provisional entitlements). Application may be made by completing the EAF(s) and lodging the same with a separate remittance for the excess Rights Shares no later than the Latest Time For Acceptance. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis and on a pro-rata basis to the excess Rights Shares applied for by the Qualifying Shareholders. However, no preference will be given to topping-up odd lots to whole board lots.

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Beneficial owners of Shares whose shares are held by a nominee company (including HKSCC Nominees Limited) should note that for the purpose of the Rights Issue, the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, the beneficial owners of Shares whose shares are registered in name of nominee companies should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually.

For those beneficial owners of Shares whose Shares are held by their nominee(s) (including HKSCC Nominees Limited) and who would like to have their names registered on the register of members of the Company, they must lodge all necessary documents with the Registrar for completion of the relevant registration not later than 4:30 p.m. on Tuesday, 14 April 2015.

Arrangements for trading of odd lots

In order to facilitate the trading of odd lots (if any) of the Adjusted Shares arising from the Rights Issue, the Company has appointed Kingston as an agent to provide matching services for the sale and purchase of odd lots of Adjusted Shares at the relevant market price per Adjusted Share and the matching period commences from 9:00 a.m. on Thursday, 23 April 2015 to 4:00 p.m. on Wednesday, 27 May 2015 (both dates inclusive). Shareholders who wish to take advantage of this facility should contact Ms. Rosita Kiu of Kingston at (852) 2298 6215 during office hours. Holders of odd lots of the Adjusted Shares should note that successful matching of the sale and purchase of odd lots of the Adjusted Shares is not guaranteed. Any Shareholder who is in any doubt about the odd lot arrangement is recommended to consult his/her/its own professional advisers.

Closure of register of members

The register of members of the Company will be closed from Wednesday, 15 April 2015 to Monday, 20 April 2015 (both dates inclusive). No transfer of Shares will be registered during this period.

Status of the Rights Shares

The Rights Shares (when allotted, fully paid or credited as fully paid and issued) will rank pari passu in all respects among themselves and with the Adjusted Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Rights Shares. Dealings in the Rights Shares will be subject to payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

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Certificates of the Rights Shares

Subject to fulfillment of the conditions of the Rights Issue, share certificates for the Rights Shares are expected to be sent on or before Thursday, 14 May 2015 to those entitled thereto by ordinary post at their own risks.

Share certificates will be issued for the fully-paid Rights Shares.

Refund cheques for the Rights Issue

Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before Thursday, 14 May 2015 by ordinary post to the applicants at their own risk.

Fractions of the Rights Shares

On the basis of provisional allotment of eight (8) Adjusted Shares for every one (1) Adjusted Share held by the Qualifying Shareholders on the Record Date, no fractional entitlements to the Rights Shares will arise under the Rights Issue.

Taxation

Qualifying Shareholders are recommended to consult their professional advisers if they are in any doubt as to the tax implications of the holding or disposal of, or dealing in the Rights Shares and, as regards the Excluded Shareholders, their receipt of the net proceeds of sale of the Rights Shares in their nil-paid form otherwise falling to be issued to them under the Rights Issue. It is emphasised that none of the Company, its Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects or liabilities of the holders of the Rights Shares resulting from the purchase, holding or disposal of, or dealing in the Rights Shares.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) to be issued and allotted pursuant to the Rights Issue. Save for the Company's 1 per cent notes due 2024 which is listed on the Stock Exchange (Stock Code: 5755), no part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges.

Subject to the granting of the listing of, and the permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange, the Rights Shares (in both their nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in each of their nil-paid and fully-paid forms on the Stock Exchange, or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

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All necessary arrangements will be made to enable the Rights Shares (in both their nil-paid and fully-paid forms) to be admitted into CCASS.

Dealings in the Rights Shares in both nil-paid and fully-paid forms will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

Warning of the risks of dealings in Shares, the Company's 1 per cent notes due 2024 (Stock Code: 5755), Adjusted Shares and/or Rights Shares in nil-paid form

The Rights Issue is conditional upon the fulfillment of the conditions set out in the section headed "Conditions of the Rights Issue" in this circular. In particular, the Rights Issue is conditional, among others, upon:

- (i) the Listing Committee of the Stock Exchange granting and not having withdrawn or revoked the listing of, and the permission to deal in, the Adjusted Shares and the Rights Shares (in both nil-paid and fully-paid forms) by no later than the first day of their dealings, which is expected to be Thursday, 9 April 2015 and Thursday, 23 April 2015 (in respect of nil-paid Rights Shares) and Friday, 15 May 2015 (in respect of fully-paid Rights Shares), respectively; and**
- (ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and the Underwriting Agreement not being terminated in accordance with its terms (as set out in the section headed "Principal terms of the Underwriting Agreement" in this circular).**

If the conditions of the Rights Issue are not fulfilled or if the Underwriters exercise their right to terminate the Underwriting Agreement pursuant to the terms therein, the Rights Issue will not proceed.

Any persons contemplating buying or selling Shares or Adjusted Shares (as the case may be) from the Latest Practicable Date up to the date on which all the conditions of the Rights Issue is fulfilled, and any dealings in the Rights Shares in their nil-paid form between 9:00 a.m. on Thursday, 23 April 2015 and 4:00 p.m. on Thursday, 30 April 2015 (both dates inclusive), bear the risk that the Rights Issue may not become unconditional or may not proceed.

Any Shareholders and potential investors contemplating dealing in Shares, the Company's 1 per cent notes due 2024 (Stock Code: 5755), the Adjusted Shares and/or nil-paid Rights Shares are recommended to consult their own professional advisers.

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Previous fund-raising exercises in the prior 12-month period

Save as disclosed below, the Company has not conducted any other fund-raising activities in the past 12 months before the date of this circular:

Date of announcement	Date of completion	Fund raising activity	Net proceeds raised	Proposed use of the proceeds	Actual use of the proceeds
19 November 2014	18 May 2015	Placing of five-year 7.3% per annum coupon unlisted bonds to be issued by the Company in an aggregate gross principal amount of up to HK\$300 million	As at the Latest Practicable Date, HK\$13.0 million bonds had been issued with net proceeds of approximately HK\$8.8 million (after prepayment of interest expenses of the bonds in the placing period and the first four years, and deduction of 50% of the agreed placing fees in accordance with the terms of the bonds and the agreement with the placing agent) being raised. A further approximately HK\$1.3 million (i.e. the remaining interest expenses and agreed placing fees) will be payable by the Company in February 2019.	(a) Approximately HK\$98.0 million would be utilised for prepayment of interest expenses of the bonds in the placing period and the first four years, and deduction of placing fees and expenses; (b) Approximately HK\$192.0 million would be utilised for future development of existing projects, procurement of further land by the Group; and (c) Approximately HK\$10.0 million would be utilised for general working capital of the Group.	(a) Approximately HK\$4.2 million had been utilised for prepayment of interest expenses of the bonds in the placing period and the first four years and deduction of placing fees and expenses; (b) Approximately HK\$6.2 million has been utilised for future development of existing projects; and (c) Approximately HK\$2.6 million has been utilised for general working capital of the Group.

Note:

The Rights Issue is being conducted close to this placing of bonds, as the Company may not be able to receive the full aggregate principal amount of the HK\$300.0 million sought to be raised by the placing, given that only HK\$13.0 million of bonds have been issued as at the Latest Practicable Date.

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Date of announcement	Date of completion	Fund raising activity	Net proceeds raised	Proposed use of the proceeds	Actual use of the proceeds
24 October 2014	6 November 2014	Placing of new shares under the refreshed general mandate	Approximately HK\$57.5 million	<p>(a) Approximately HK\$5.0 million would be utilised for the repayment of debts;</p> <p>(b) Approximately HK\$35.0 million would be utilised for the fees and expenses incurred in connection with the issue of bonds; and</p> <p>(c) The remaining balance of approximately HK\$17.5 million would be utilised for the general working capital of the Group.</p>	<p>(a) Approximately HK\$5.0 million was utilised for the repayment of debts;</p> <p>(b) Approximately HK\$35.0 million was utilised for the payment of the fees and expenses incurred in the issue of the bonds; and</p> <p>(c) Approximately HK\$17.5 million was utilised as general working capital of the Group.</p>

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Date of announcement	Date of completion	Fund raising activity	Net proceeds raised	Proposed use of the proceeds	Actual use of the proceeds
4 October 2014	28 November 2014	Placing of (i) two-year 8.5% coupon bonds with an aggregate principal amount of HK\$200.0 million, and (ii) five-year 10.0% coupon bonds with an aggregate principal amount of HK\$1,200.0 million. The subscribers of these bonds are wholly-owned subsidiaries of WOG, WYT and PNG. See the section headed “Reasons for the Rights Issue” in this circular for further details about these bonds.	Approximately HK\$1,354 million (after deduction of the placing fees and expenses)	Refinancing existing indebtedness of the Company owed to the subscribers of these bonds.	Fully applied towards full repayment of outstanding principal amounts owed by the Company pursuant to past loans provided by the subscribers of these two bonds as intended.

LETTER FROM THE BOARD

Date of announcement	Date of completion	Fund raising activity	Net proceeds raised	Proposed use of the proceeds	Actual use of the proceeds
22 August 2014	3 September 2014	Placing of new shares under the general mandate	Approximately HK\$80.0 million	<p>(a) Approximately HK\$50.0 million would be utilised for the future development of existing/new agricultural produce exchange; and</p> <p>(b) The remaining balance of approximately HK\$30.0 million would be utilised for the general working capital of the Group.</p>	<p>(a) Approximately HK\$27.7 million was utilised for the payment of construction costs for the Qinzhou City project, the Panjin City project and phase one of the Kaifeng City project;</p> <p>(b) Approximately HK\$22.3 million was advanced to the Chenzhou City Beihu Government for land acquisition of a possible development project; and</p> <p>(c) Approximately HK\$30.0 million was utilised for the general working capital of the Group as intended.</p>

LETTER FROM THE BOARD

Date of announcement	Date of completion	Fund raising activity	Net proceeds raised	Proposed use of the proceeds	Actual use of the proceeds
19 May 2014	30 September 2014	Placing of medium term notes in an aggregate principal amount of up to HK\$1 billion maturing on 30 September 2024	As of the Latest Practicable Date, HK\$400 million medium term notes had been issued, with net proceeds of approximately HK\$147.2 million (after prepayment of interest and deduction of placing fees) being raised	For future development of existing projects, procurement of further land by the Group	<p>(a) Approximately HK\$59.2 million was utilised for the construction costs of Qinzhou City project;</p> <p>(b) Approximately HK\$10.4 million was utilised for the construction cost for phase one of the Kaifeng City project;</p> <p>(c) Approximately HK\$26.1 million was utilised for the construction costs for the Panjin City project;</p> <p>(d) Approximately HK\$24.1 million was utilised for acquisition of land in the Huai'an City project;</p> <p>(e) Approximately HK\$13.9 million was advanced to Chenzhou City Beihu Government for land acquisition of a possible development project;</p> <p>(f) Approximately HK\$12.6 million was utilised for development cost in the Puyang City project; and</p> <p>(g) Approximately HK\$0.9 million was utilised for construction costs for the Luoyang City project.</p>

LETTER FROM THE BOARD

Date of announcement	Date of completion	Fund raising activity	Net proceeds raised	Proposed use of the proceeds	Actual use of the proceeds
19 December 2013	21 March 2014	Rights issue	Approximately HK\$495.5 million	<p>(a) Approximately HK\$450 million would be utilized for the development of existing and future agricultural produce exchange projects, of which (i) approximately HK\$130 million would be utilised for acquisitions of land in the PRC; and (ii) approximately HK\$320 million would be utilised for the payments of construction costs of agricultural produce exchanges in the PRC, of which (1) approximately HK\$130 million was intended for phase one of the Kaifeng City project; (2) approximately HK\$55.0 million was intended for the Qinzhou City project; (3) approximately HK\$70.0 million was intended for the Huai'an City project; and (4) approximately HK\$65.0 million was intended for the Panjin City project; and</p> <p>(b) The remaining balance of approximately HK\$45.5 million as the general working capital of the Group.</p>	<p>(a)(i) Approximately HK\$130 million had been utilised for acquisitions of land in the PRC;</p> <p>(a)(ii)(1) Approximately HK\$130 million had been utilised for the payment of the construction costs for phase one of the Kaifeng City project;</p> <p>(a)(ii)(2) Approximately HK\$55.0 million had been utilised for the payment of the construction costs for the Qinzhou City project;</p> <p>(a)(ii)(3) Approximately HK\$61.0 million had been utilised, and approximately HK\$1.5 million had been earmarked for the construction costs of the Huai'an City project, and approximately HK\$7.5 million will be utilised generally for this project;</p> <p>(a)(ii)(4) Approximately HK\$65.0 million had been utilised for the payment of the construction costs for the Panjin City project; and</p> <p>(b) Approximately HK\$45.5 million had been applied as the general working capital of the Group as intended.</p>

LETTER FROM THE BOARD

Implications under the Listing Rules

As the Rights Issue will result in an increase in the Company's issued share capital by more than 50%, the Rights Issue is subject to, among other things, the approval by the Independent Shareholders at the SGM. Pursuant to Rule 7.19(6) of the Listing Rules, any controlling shareholder and their associates, or where there is no such controlling shareholder, the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates will need to abstain from voting in favour of the resolution relating to the Rights Issue. As at the Latest Practicable Date, the Company has no controlling shareholder and none of the Directors (excluding the independent non-executive Directors) and the chief executive of the Company holds any Share in the Company. Accordingly, none of the Directors (excluding the independent non-executive Directors) and the chief executive of the Company is required to abstain from voting in favour of the resolution relating to the Rights Issue.

The Company has established the Independent Board Committee to advise the Independent Shareholders as to (i) whether the Rights Issue (including the Underwriting Agreement), the Special Deal and the Whitewash Waiver are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and (ii) voting by the Independent Shareholders, taking into account the recommendations of the Independent Financial Adviser. In this connection, the Company has appointed, and the Independent Board Committee has approved the appointment of, Beijing Securities Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the Rights Issue (including the Underwriting Agreement), the Special Deal and the Whitewash Waiver are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and (ii) voting by the Independent Shareholders.

(C) APPLICATION FOR THE WHITEWASH WAIVER

The Concert Group currently includes Mr. Tang's Associates, WOG, WYT and PNG and parties acting in concert with any one of them, including their respective subsidiaries (including WYT Underwriter and Onger Investments). As at the Latest Practicable Date, it holds in aggregate 346,660,228 Shares, representing approximately 20.11% of the issued share capital and voting rights of the Company. Other than such interests, the Concert Group does not hold, nor have control or direction over, any other shares, rights over shares, convertible securities, warrants or options of the Company, and has not entered into any outstanding derivative in respect of the securities of the Company.

As at the Latest Practicable Date, WYT is a substantial shareholder of PNG holding approximately 24.37% of the issued share capital and voting rights of PNG. WOG also holds approximately 20.50% of the issued share capital and voting rights of WYT. Approximately 61.58% of the total issued share capital and voting rights in WOG are held by Mr. Tang's Associates, which is comprised of (i) an approximately 25.49% interest held by Accord Power Limited as trustee for the Tang's Family Trust, a discretionary trust which is founded by Mr. Tang Ching Ho, (ii) an approximately 35.8% interest held by Caister Limited, a company wholly-owned by Mr. Tang Ching

LETTER FROM THE BOARD

Ho, and (iii) an approximately 0.145% interest held by each of Mr. Tang Ching Ho and Ms. Yau Yuk Yin, the spouse of Mr. Tang Ching Ho. To the best knowledge and belief of the WYT Board and the PNG Board, respectively, each of WYT and PNG does not have a controlling shareholder.

Under the Rights Issue, if no Shareholder other than Onger Investments takes up any Rights Shares pursuant to the PNG Irrevocable Undertaking and WYT Underwriter takes up 660,000,000 Rights Shares pursuant to the Underwriting Agreement, the voting rights in the Company held by the Concert Group will increase from approximately 20.11% to approximately 62.87%. The Concert Group will, as a result of this acquisition of voting rights in the Company, incur an obligation to make a mandatory offer for all the Adjusted Shares other than those held or agreed to be acquired by the Concert Group, unless the Whitewash Waiver is granted. The grant of the Whitewash Waiver is a condition precedent to the underwriting obligations of WYT Underwriter, which may not be waived. If the Whitewash Waiver is not granted, the Underwriting Agreement will not become unconditional and the Rights Issue will not proceed.

The Concert Group has made an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Concert Group and persons who are involved in, or interested in, the Rights Issue, the Underwriting Agreement, the PNG Irrevocable Undertaking, the Special Deal and/or the Whitewash Waiver are required under the Takeovers Code to abstain from voting on the resolutions to be proposed at the SGM to approve the Whitewash Waiver.

Shareholders and potential investors should be aware that there is a possibility that, upon completion of the Rights Issue, the Concert Group may hold more than 50% of the voting rights of the Company. Hence, the Concert Group may increase its holdings of voting rights of the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.

Further Information on the Concert Group

As at the Latest Practicable Date:

- (i) save for the shareholdings of the Concert Group in the Company disclosed in Appendix IV under the section “DISCLOSURE OF INTERESTS”, none of the members of the Concert Group has any interests in any securities of the Company nor had dealt for value in the same in the six-month period preceding to the date of the 8 January Joint Announcement and ending on the Latest Practicable Date;
- (ii) none of the members of the Concert Group has received any irrevocable commitment to vote for or against the proposed resolution approving the Rights Issue or the Whitewash Waiver at the SGM;

LETTER FROM THE BOARD

- (iii) save for the transactions contemplated under the Underwriting Agreement, the PNG Irrevocable Undertaking and the undertaking by Mailful Investments not to subscribe for any of its provisional allotment of Rights Shares under the Rights Issue, there is no arrangement of the kind under Note 8 to Rule 22 of the Takeovers Code in relation to the Shares or the Adjusted Shares or the shares of each of WOG, WYT and PNG and which may be material to the Rights Issue or the Whitewash Waiver;
- (iv) save for the Underwriting Agreement, there is no arrangement or agreement to which the Concert Group is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a condition to the Rights Issue or the Whitewash Waiver; and
- (v) there is no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Concert Group has borrowed or lent.

General information on the PNG Group, the WYT Group and the WOG Group

The PNG Group is principally engaged in the businesses of property development in the PRC and retailing of the fresh pork and related produce in Hong Kong.

The WYT Group is principally engaged in: (i) the manufacturing, processing and retailing of traditional Chinese medicine which includes Chinese medicinal products sold under the brand name of “Wai Yuen Tong” and a range of products manufactured by selected medicinal materials with traditional prescription, mainly in the PRC and Hong Kong, (ii) the processing and retailing of western pharmaceutical products, health food and personal care products under the brand names of “Madame Pearl’s” and “Pearl’s”, and (iii) property investment.

The WOG Group is principally engaged in property investment and property development in Hong Kong, management and sub-licensing of Chinese wet markets in Hong Kong and the PRC. It also has interests in the pharmaceutical business through its investment in WYT.

Intentions of the Concert Group regarding the Company

It is the intention of the Concert Group to continue to carry on the businesses of the Group and to continue the employment of the employees of the Group. The Concert Group has no intention to introduce any changes to the businesses of the Group including redeployment of the fixed assets of the Group.

LETTER FROM THE BOARD

The decision to support the Rights Issue by the Concert Group by way of providing the PNG Irrevocable Undertaking and the WYT Underwriter acting as one of the Underwriters was mainly because the Concert Group believes that the Rights Issue will strengthen the capital base of the Group such that the Group will be in a position to capture more business opportunities associated with its principal business engagements ahead, offering the Concert Group an opportunity to participate in the future returns of the Group.

See also the section headed “Use of proceeds of the Rights Issue” of this circular for the reasons why the Board engaged WYT Underwriter as an underwriter for the Rights Issue.

(D) APPLICATION FOR CONSENT TO THE SPECIAL DEAL

The repayment by the Company of indebtedness owed to the WOG Group and the PNG Group (see the subsection headed “B. Allocation of proceeds for repayment of indebtedness” and “C. The Special Deal” of the section headed “Use of proceeds of the Rights Issue”) constitutes a “special deal” under Rule 25 of the Takeovers Code and will be conditional upon obtaining the consent of the Executive under Note 5 to Rule 25 of the Takeovers Code. The Executive will normally consent to the Special Deal provided that: (i) the Independent Financial Adviser publicly states in its opinion that the Special Deal is an arm’s length transaction on normal commercial terms and that its terms are fair and reasonable, and (ii) it is approved by the Independent Shareholders at the SGM by way of poll.

An application has been made to the Executive for consent to the Special Deal pursuant to Note 5 to Rule 25 of the Takeovers Code. The Concert Group and persons who are involved in, or interested in, the Rights Issue, the Underwriting Agreement, the PNG Irrevocable Undertaking, the Special Deal and/or the Whitewash Waiver are required under the Takeovers Code to abstain from voting on the resolutions to be proposed at the SGM to approve the Special Deal.

In addition, according to the letter of advice from the Independent Financial Adviser as set out on page 69 to page 107 of this circular, the Independent Financial Adviser considers that the Special Deal is an arm’s length transaction on normal commercial terms and that its terms are fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole, and recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Special Deal. You are advised to read carefully the letters from (i) the Independent Financial Adviser and (ii) the Independent Board Committee set out on page 67 to page 107, of this circular which contains advice to the Independent Board Committee and the Independent Shareholders in respect of the Special Deal.

SGM

The notice convening the SGM is set out on pages SGM-1 to SGM-5 of this circular. The SGM will be convened at 20th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong, at 10:00 a.m. on 8 April 2015 for the purpose of, considering and, if thought fit, to approve the proposed Capital Reorganisation, the proposed Rights Issue, the Special Deal and the Whitewash Waiver.

LETTER FROM THE BOARD

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the meeting in person, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to Tricor Investor Services Limited, the Company's branch share registrar in Hong Kong at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM. Completion and return of a form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 67 to 68 of this circular which contains its recommendation to the Independent Shareholders as to voting at the SGM in relation to the proposed Rights Issue, the Special Deal and the Whitewash Waiver.

Your attention is also drawn to the letter from the Independent Financial Adviser which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the proposed Rights Issue, the Special Deal and the Whitewash Waiver and the principal factors and reasons considered by it in arriving thereat. The text of the letter from the Independent Financial Adviser is set out on pages 69 to 107 of this circular.

The Directors (including the independent non-executive Directors who have considered the advice of the Independent Financial Adviser) consider that the proposed Capital Reorganisation, the proposed Rights Issue, the Special Deal and the Whitewash Waiver are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors who have considered the advice of the Independent Financial Adviser) recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the proposed Capital Reorganisation, the proposed Rights Issue, the Special Deal and the Whitewash Waiver. You are advised to read the letter from the Independent Board Committee and the letter from the Independent Financial Adviser mentioned above before deciding how to vote on the resolutions to be proposed at the SGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices of this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



CHINA AGRI-PRODUCTS EXCHANGE LIMITED

中國農產品交易有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 0149)

13 March 2015

To the Independent Shareholders,

Dear Sir or Madam,

- (A) PROPOSED RIGHTS ISSUE IN THE PROPORTION OF EIGHT (8) ADJUSTED SHARES FOR EVERY ONE (1) ADJUSTED SHARE HELD ON THE RECORD DATE AT HK\$0.30 PER RIGHTS SHARE;**
(B) SPECIAL DEAL — REPAYMENT OF SHAREHOLDER INDEBTEDNESS;
AND
(C) APPLICATION FOR WHITEWASH WAIVER

We refer to the letter from the Board set out in the circular dated 13 March 2015 of the Company (the “**Circular**”) of which this letter forms part. Capitalised terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed as the Independent Board Committee to consider the proposed Rights Issue, the Special Deal and the Whitewash Waiver and to advise the Independent Shareholders as to the fairness and reasonableness of the proposed Rights Issue, the Special Deal and the Whitewash Waiver and to recommend whether or not the Independent Shareholders should vote for the resolution to be proposed at the SGM to approve the proposed Rights Issue, the Special Deal and the Whitewash Waiver. Beijing Securities Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the proposed Rights Issue, the Special Deal and the Whitewash Waiver.

We wish to draw your attention to the letter from Beijing Securities Limited to the Independent Board Committee and the Independent Shareholders which contains its advice to us in relation to the proposed Rights Issue, the Special Deal and the Whitewash Waiver as set out in the Circular. We also draw your attention to the letter from the Board set out in the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the principal factors and reasons considered by and the opinion of Beijing Securities Limited as stated in its letter of advice, we consider the terms of the proposed Rights Issue, the Special Deal and the Whitewash Waiver are fair and reasonable so far as the interests of the Independent Shareholders are concerned and the proposed Rights Issue, the Special Deal and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the resolutions approving the proposed Rights Issue, the Special Deal and the Whitewash Waiver to be proposed at the SGM.

Yours faithfully,
For and on behalf of
Independent Board Committee

Mr. Ng Yat Cheung

Ms. Lam Ka Jen, Katherine
Independent non-executive Directors

Mr. Lau King Lung

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Beijing Securities
Beijing Securities Limited
北京證券有限公司

BEIJING SECURITIES LIMITED

14th Floor, Shanghai Industrial Investment Building, 48 Hennessy Road, Wanchai, Hong Kong

13 March 2015

*To the Independent Board Committee and the Independent Shareholders of
China Agri-Products Exchange Limited*

Dear Sirs,

**(I) PROPOSED RIGHTS ISSUE IN THE PROPORTION OF
EIGHT (8) ADJUSTED SHARES FOR EVERY ONE (1) ADJUSTED
SHARE HELD ON THE RECORD DATE AT HK\$0.30 PER RIGHTS SHARE;
(II) SPECIAL DEAL — REPAYMENT OF SHAREHOLDER
INDEBTEDNESS;
AND
(III) SHAREHOLDER’S APPROVAL OF WHITEWASH WAIVER**

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue (including the Underwriting Agreement), the Special Deal and the Whitewash Waiver, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 13 March 2015 (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

With reference to the joint announcements on 8 January and 29 January 2015, the Company announced, amongst others, the Rights Issue, the Special Deal and the Whitewash Waiver. The Company proposed to allot and issue 1,724,168,248 Rights Shares at the Subscription Price of HK\$0.30 per Rights Share, on the basis of eight (8) Adjusted Shares for every one (1) Adjusted Share held on the Record Date. The Rights Issue is conditional upon, among other things, the Capital Reorganisation becoming effective.

As at the Latest Practicable Date, PNG, through its wholly-owned subsidiary, Onger Investments, is interested in 346,192,728 Shares, representing approximately 20.08% of the issued share capital of the Company. On 23 December 2014, Onger Investments has irrevocably undertaken to the Company, among other things, to accept and subscribe for 346,192,728 Rights Shares and to apply, by way of excess application, for 170,000,000 Rights Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 23 December 2014 (as varied on 8 and 28 January 2015), WYT Underwriter, WYT, Kingston and the Company entered into the Underwriting Agreement pursuant to which the Underwriters agreed to fully underwrite the proposed Rights Issue in the following manner:

- (i) WYT Underwriter will underwrite the first 660,000,000 Underwritten Shares (assuming no further Share or Adjusted Share will be issued or repurchased on or before the Record Date); and
- (ii) Kingston has agreed to fully underwrite all remaining Underwritten Shares not already taken up by WYT Underwriter, being 547,975,520 Rights Shares.

The WYT Underwriter Subscription Amount will be set-off, in accordance with the terms of the Underwriting Agreement, against the outstanding aggregate principal amount owed by the Company to Winning Rich under the 2019 CAP Bonds.

The net proceeds to be raised from the Rights Issue, which are estimated to be approximately HK\$501.7 million (subject to a portion equal to the WYT Underwriter Subscription Amount that may be set-off against the outstanding aggregate principal amount owed by the Company to Winning Rich under the 2019 CAP Bonds, depending on whether WYT Underwriter is required to take up any of the Underwritten Shares that it has agreed to underwrite), are intended to be applied: (i) for the payment of construction costs in respect of the Company's existing agricultural produce exchanges in the PRC; (ii) to repay outstanding and upcoming indebtedness of the Company (including indebtedness owed to the PNG Group, the WYT Group and the WOG Group); (iii) for general working capital purposes; and (iv) any remaining amounts for land acquisition opportunities in the PRC.

The repayment by the Company of indebtedness owed to the WOG Group and the PNG Group constitutes a "special deal" under Rule 25 of the Takeovers Code and will be conditional upon obtaining the consent of the Executive under Note 5 to Rule 25 of the Takeovers Code. Such consent, if granted, will be conditional upon the approval of the Independent Shareholders by way of a poll at the SGM and the independent financial adviser publicly stating in its opinion that the terms of the Special Deal are fair and reasonable.

As at the Latest Practicable Date, the Concert Group holds in aggregate 346,660,228 Shares, representing approximately 20.11% of the issued share capital and voting rights of Company.

Under the Rights Issue, if no Shareholder (including the WOG Group) other than Onger Investments takes up any Rights Shares, the voting rights in the Company held by the Concert Group will increase from approximately 20.11% to approximately 62.87%. The Concert Group will, as a result of this acquisition of voting rights in the Company, incur an obligation to make a mandatory offer for all the Adjusted Shares other than those held or agreed to be acquired by the Concert Group, unless the Whitewash Waiver is granted. The grant of the Whitewash Waiver is a condition precedent to the Rights Issue, which may not be waived. If the Whitewash Waiver is not granted, the Underwriting Agreement will not become unconditional and the Rights Issue will not proceed.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Concert Group has made an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders at the SGM by way of poll. The Concert Group and persons who are involved in, or interested in, the Rights Issue, the Underwriting Agreement, the PNG Irrevocable Undertaking, the Special Deal and/or the Whitewash Waiver are required under the Takeovers Code to abstain from voting on the resolutions to be proposed at the SGM to approve the Whitewash Waiver.

As the Rights Issue will result in an increase in the Company's issued share capital by more than 50%, the Rights Issue is subject to, among other things, the approval by the Independent Shareholders at the SGM. Pursuant to Rule 7.19(6) of the Listing Rules, any controlling shareholder and their associates, or where there is no such controlling shareholder, the Directors (excluding the independent non-executive Directors), the chief executive and their respective associates will need to abstain from voting in favor of the resolution relating to the Rights Issue. As at the Latest Practicable Date, there is no controlling Shareholder.

The Board currently comprises of three executive Directors and three independent non-executive Directors. The Independent Board Committee, which currently comprises of all the independent non-executive Directors, Mr. Ng Yat Cheung, Ms. Lam Ka Jen, Katherine and Mr. Lau King Lung, has been established to advise the Independent Shareholders regarding the Rights Issue (including the Underwriting Agreement), the Special Deal and the Whitewash Waiver. We have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect, and such appointment has been approved by the Independent Board Committee.

Beijing Securities Limited is not connected with the directors, chief executive or substantial shareholders of the Company or the Underwriters or any of their respective associates and therefore is considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby Beijing Securities Limited will receive any fees or benefits from the Company or the directors, chief executive or substantial shareholders of the Company or the Underwriters or any of their respective associates.

Our role is to provide you with our independent opinion and recommendation as to (i) whether the terms of the Rights Issue (including the Underwriting Agreement), the Special Deal and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote in respect of the relevant resolutions to approve the Rights Issue (including the Underwriting Agreement), the Special Deal and the Whitewash Waiver.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Directors, the Company and its management.

We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the management of the Group nor have we conducted any form of in-depth investigation into the business and affairs or the future prospects of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion in respect of the Rights Issue (including the Underwriting Agreement), the Special Deal and the Whitewash Waiver to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

I. THE RIGHTS ISSUE AND THE UNDERWRITING AGREEMENT

1. Background information and outlook of the Group

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

(a) *Business of the Group — Projects in operation*

As at the Latest Practicable Date, the Group has the following projects in operation:

(i) *Wuhan City project*

Wuhan City project is located in the provincial capital of the Hubei Province. It owns and operates an agricultural produce exchange occupying a site area and total gross floor area of approximately 270,000 square metres and 160,000 square metres respectively. In January 2015, Wuhan Baisazhou Market was awarded “Top 10 Contribution to 30th Anniversary of National Agricultural Wholesale Markets” (in terms of transaction amount) issued by China Agricultural Wholesale Market Association. This award is a sign of the market contribution being made by the Group’s effort and expertise in agricultural produce exchange operations in the PRC.

In April 2014, the Group won a bid at a tender for a parcel of land in Wuhan City of the Hubei Province, the PRC aggregating approximately 162,000 square metres for a total consideration of RMB74.1 million.

(ii) *Yulin City project*

Yulin City project is one of the largest agricultural produce exchanges in the Guangxi Zhuang Autonomous Region, the PRC. It has various types of market stalls and multi-storey godown, with a site area of approximately 415,000 square metres and a total gross floor area of approximately 226,000 square metres. The Group has completed the construction of an extension to the phase two development of the Yulin City project which became a new growth driver for the Group. Yulin City Market was ranked “Top 75 National Agricultural Wholesale Markets” (in terms of transaction amount) by China Agricultural Wholesale Market Association in 2013.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In June 2014, a subsidiary of the Company and the Yulin Land Bureau entered into a termination agreement pursuant to which the parties agreed to terminate the confirmation letter and the proposed acquisition by the subsidiary of the land use rights over a parcel of land in Yulin City of approximately 73,000 square metres. As advised by the Company, the termination does not have any material adverse impact on the operation and financial position of the Group.

(iii) Xuzhou City project

Xuzhou City project occupies approximately 200,000 square metres and is located in the northern part of the Jiangsu Province in east China. The market houses various market stalls, godown and cold storage. Xuzhou City Market is the major marketplace for the supply of fruit and seafood to Xuzhou City and the northern part of the Jiangsu Province. Xuzhou City project was ranked “Top 50 National Agricultural Wholesale Markets” (in terms of transaction amount) by China Agricultural Wholesale Market Association in 2013.

(iv) Luoyang City project

The Luoyang City project is the new flagship project of the Group and the first agricultural produce exchange market project in Henan Province. The site area of Luoyang Market is approximately 255,000 square metres with gross floor area of approximately 160,000 square metres. After more than one year of operation, the business operations of Luoyang Market have gradually been improving.

(v) Qinzhou City project

The Group won bids at tenders of two parcels of land with approximately 150,000 square metres and approximately 117,000 square metres in November 2011 and October 2012 respectively in Qinzhou City of the Guangxi Province, the PRC. The two parcels of land are intended to be used to expand the Group’s existing network of agricultural wholesale markets in the PRC.

The construction of the Qinzhou City project, with the gross floor construction area of approximately 189,000 square metres, was completed in 2014. The Qinzhou City project is the Group’s second market in the Guangxi Zhuang Autonomous Region, the PRC, and facilitated the Group’s expansion of its agricultural produce market network in the Guangxi Zhuang Autonomous Region.

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(vi) Kaifeng City project

In January 2013, the Group won a bid at a tender for five parcels of land in Kaifeng City of the Henan Province, the PRC with approximately 408,000 square metres in total at the consideration of approximately RMB116.3 million. The five parcels of land is intended to be used to expand the Group's existing network of its agricultural wholesale markets in the PRC.

The construction of the phase one development of the Kaifeng City project, with the gross floor construction area of approximately 100,000 square metres, was completed in late 2014. The Kaifeng City project is the Group's third exchange in the Henan Province, the PRC and facilitated the Group's expansion of its agricultural produce exchange network in Henan Province.

The phase two of the Kaifeng City project is under construction and is expected to be completed in April 2015.

(vii) Puyang City project

In April 2014, a wholly-owned subsidiary of the Company entered into a new joint venture agreement with a joint venture partner pursuant to which the total investment to be made to the joint venture company would increase from RMB2.8 million to RMB140 million, of which RMB105 million would be contributed by the Company's subsidiary in cash and RMB35 million will be contributed by the joint venture partner through injection of all the assets and resources within the designated area of an exchange market in Puyang City of the Henan Province, the PRC currently owned and managed by the joint venture partner (including but not limited to the land, building and warehouse rights). The joint venture company was established in March 2014. The establishment of the joint venture company was to acquire the existing business operations of Puyang Market and to extend the geographic reach of the Group's agricultural produce exchange projects to Puyang City.

(viii) Huangshi City project

In November 2014, a wholly-owned subsidiary of the Company entered into the co-operation agreement with a joint venture partner to form a joint venture company (owned as to 80% by the wholly-owned subsidiary of the Company and 20% by the joint venture partner) in relation to the leasing of the existing agricultural produce exchange in Huangshi City of the Hubei Province, the PRC, operated and managed by the JV Partner and the transfer of the management rights of the existing agricultural produce exchange in Huangshi City to the joint venture company.

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(b) *Business of the Group — Projects which are under construction or pending construction*

(i) Huai'an City project

In January 2013, the Group won a bid at a tender for a parcel of land in Huai'an City of the Jiangsu Province, the PRC, with approximately 53,000 square metres for the Huai'an City project for a consideration of RMB42.0 million. The land is intended to be used to expand the Group's existing network of agricultural wholesale markets in the PRC.

In August 2014, the Group won a bid at a tender for another parcel of land with approximately 48,000 square metres for the Huai'an City project for the consideration of RMB44.0 million. The land is intended to be used to expand the Group's existing network of agricultural wholesale markets in the PRC.

Construction of the Huai'an City project has commenced and is estimated to be completed, and operations commencing, in 2015.

(ii) Panjin City project

In January 2014, the Group won a bid at the tender for three parcels of land with approximately 159,800 square metres in Panjin City of the Liaoning Province, the PRC at the consideration of approximately RMB29.1 million. The three parcels of land are intended to be used to expand the Group's existing network of agricultural wholesale markets in the PRC.

Construction of the Panjin City project commenced in early 2014 and is estimated to be completed, and operations commencing, around July 2015.

(c) *Business of the Group — Negotiating projects*

(i) Chenzhou City project

In November 2014, the Group has entered into an agreement with Chenzhou Beihu Government in relation to a development project in Chenzhou City of the Hunan Province, the PRC in which the Group agreed to make an interest-free payment of HK\$28.8 million to the Chenzhou Beihu Government to support the development project.

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Besides the Chenzhou City project mentioned above, as stated in the Letter from the Board, the Group was also involved in negotiations with the relevant governmental authorities with a view to evaluating the opportunities of acquiring land in various PRC cities such as Puyang and Fuzhou for the purpose of developing agricultural produce exchanges.

(d) Financial information of the Group

Set out below is a summary of the audited financial information of the Group for each of the two financial years ended 31 December 2013 and 2014 as extracted from Appendix I of the Circular.

	Year ended 31 December	
	2014	2013
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	(audited)	(audited)
Turnover	298,043	408,544
(Loss)/Profit for the year	<u>(336,069)</u>	<u>220,719</u>
	As at 31 December	
	2014	2013
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	(audited)	(audited)
Pledged bank deposits and cash and cash equivalents	293,349	267,422
Outstanding interest-bearing bank and other borrowings	3,045,271	2,442,004
Total equity	1,876,258	1,620,848
Gearing (Total bank and other borrowings net of pledged bank deposits and cash and cash equivalents/ Total equity attributable to owners of the Company)	<u>146.67%</u>	<u>134.16%</u>

(i) Financial results for the year ended 31 December 2014

For the year ended 31 December 2014, the Group recorded a turnover of approximately HK\$298.0 million, which represented a decrease of approximately 27.05% from approximately HK\$408.5 million for the year ended 31 December 2013. The decrease in turnover was mainly due to the decrease in turnover arising from the sale of property in 2013. As a result of the decrease in turnover as well as the increase in selling and administrative expenses and finance costs

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and the decrease in the revaluation surplus in respect of the Group's investment properties, the Group recorded a loss of approximately HK\$336.1 million for the year ended 31 December 2014 as compared to a net profit of approximately HK\$220.7 million for the year ended 31 December 2013.

Furthermore, we noted that a share transfer agreement entered into between the Company, Ms. Wang and Tian Jiu filed with the Ministry of Commerce (“**MOFCOM**”) of the PRC and the Wuhan Administration of Industry and Commerce (“**Hubei AIC**”) in relation to the acquisition of Wuhan Baisazhou Agricultural By-product Grand Market Company Limited (“**Baisazhou Agricultural**”) by the Company was void under a judgment dated 31 December 2014 handed down by the Supreme People's Court to the Company (the “**Judgment**”). As at the Latest Practicable Date, we are advised by the Company that the Supreme People's Court only ordered the share transfer agreement void, but it did not make any ruling regarding the Acquisition itself, and/or the validity of the approval of the Acquisition granted by MOFCOM in November 2007. In addition, the Judgment will not lead to immediate change of the ownership of Baisazhou Agricultural and the Company continues to be the legal owner of Baisazhou Agricultural until and unless the revocation of (i) the approval from the MOFCOM and/or (ii) the registration of the transfer of shareholding by Hubei AIC. However, Shareholders should be aware of the potential risk of such revocation. The potential effects of such revocation and actions to be taken by the Company are set out in Section 8 of Appendix IV of the Circular and are also set out as follows:

- Baisazhou Agricultural ceasing to be a subsidiary of the Company. For the financial year ended 31 December 2014, Baisazhou Agricultural contributed approximately the following to the Group: (i) approximately HK\$151.4 million in revenue, (ii) approximately HK\$1,898.1 million in assets, (iii) approximately HK\$858.0 million in liabilities, and (iv) approximately HK\$1,040.2 million in total equity attributable to owners of the Company;
- 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 2014, the instruments are recorded at book value of approximately HK\$376.0 million, and together with interest payable in the aggregate amount of approximately HK\$518.0 million; and
- the Company shall take all necessary actions to seek (i) the return of the remaining balance of approximately HK\$705.9 million, being the consideration paid for the Acquisition, and (ii) the investments made by the Company over the years in Baisazhou Agricultural.

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As advised by its PRC legal advisor, the Company is also taking all necessary actions in response to the Judgment including the possibility of applying for re-trial within a period of 6 months from the date of receipt of the Judgment. Furthermore, we are also advised that as at the Latest Practicable Date, the Company has not received any further order from the Supreme People's Court on this case. As discussed with the Company, since there is no definitive consequence foreseeable at this moment arising from the Judgment, which may or may not include the revocation of the MOFCOM approval and/or the registration of the transfer of shares, we considered that it is premature to provide any definitive view on the outcome of this case as well as its precise impact on the Company as at the Latest Practicable Date. However, Shareholders are advised to monitor the above legal development of the Group closely.

Furthermore, the independent auditors of the Company, whilst has not issued any qualified opinion on the Group's financial statements for the year ended 31 December 2014, has expressed significant doubt of the Group as a going concern in light of the litigation matters mentioned above and the net loss and net operating cash outflow of the Group for the year. However, taking into account of the various fund raising exercises of the Company and negotiation with bankers to secure necessary banking facilities, the tightening cost control of the Group's existing businesses and the Group seeking for new investment and business opportunities with an aim to attain profitability and positive operating cash flow, and the counter-claims by the Company against Ms. Wang and Tian Jiu regarding the litigation matter as set out above, we concur with the Directors that the various measures or arrangements implemented and/or implementing by the Group shall enable the Group to have sufficient working capital for its current requirements and therefore it is reasonable to expect that the Group will remain a commercially viable concern.

(ii) Outstanding debts, capital commitment and financial resource

As at 31 January 2015, the Group had an aggregate cash balance of approximately HK\$294.8 million.

As at 31 December 2014, the Group's total outstanding interest-bearing bank and other borrowings was approximately HK\$3,045.3 million with interest rates ranging from approximately 2.7% to approximately 12% per annum. The weighted average of the interest rate payable by the Company on its debts as of 31 December 2014 was approximately 8.60% per annum. The gearing ratio of the Company was approximately 146.67% as at 31 December 2014, which

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is calculated by dividing the total outstanding loan amount of approximately HK\$3,045.3 million net of pledged bank deposits and cash and cash equivalents of approximately HK\$293.3 million divided by total equity of the Company in the amount of approximately HK\$1,876.3 million.

As at 31 December 2014, outstanding capital commitment, contracted but not provided for, amounted to approximately HK\$270.7 million in relation to the purchase of property, plant and equipment, and construction contracts (31 December 2013: approximately HK\$590.5 million).

(e) Outlook

The Group has endeavored to build up an agricultural market network in the PRC. After the continuous effort put into by the management of the Company, the Group has built a preliminary network of agricultural market networks throughout the PRC. The Group has operating agriculture exchange markets located in various cities in the PRC including but not limited to Wuhan, Yulin, Xuzhou, Luoyan, Qinzhou, Kaifeng, Puyang and Huangshi. Furthermore, as stated in this letter above, the Group was also involved in negotiations with the relevant governmental authorities with a view to evaluating the opportunities of acquiring land in various PRC cities such as Fuzhou, Chenzhou and Puyang for the purpose of developing agricultural produce exchanges. The Company estimates that if it is successful in acquiring all of the aforementioned land which it is currently evaluating, the total acquisition cost would be approximately HK\$457.4 million.

Furthermore, the agricultural sector has historically been an important component of China's economy and for the China's Twelfth Five Year Plan (2011-2015), the PRC government aims to enhance the industry based on the national modern agriculture development plan. Pursuant to the plan, the PRC government will: (i) establish a mechanism to ensure steady increase in agricultural investment, including the continual increase in investment to boost agricultural production, rural development and farmers' well-being, improving the rural financial services, as well as guiding social resources into agriculture; (ii) strengthen support and protection for agriculture, by improving agricultural subsidy policy, adopting and improving the reward and subsidy scheme for agricultural production and to improve regulatory mechanism for agricultural market; and (iii) open agriculture wider to the outside world by promoting international cooperation in agriculture and enhancing international agricultural trade.

In addition, under the "Number 1 Policy of 2015", agricultural developments is still the priority policy goal imposed by the PRC central government. The policy reflects the PRC government's intention to upgrade and invest in agricultural produce market, expand agricultural produce network, build logistic infrastructure and storage of agriculture and improve regional cold storage infrastructure.

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In the light of the above, and in particular, the favorable government policy in respect of the agricultural industry which may lead to an increase in property value and rental income of agricultural produce exchanges, we are of the view that the Group's investments in the PRC agricultural produce exchanges would continue to grow, thereby continuing to bring in a positive economic return to the Company and the Shareholders as a whole.

(f) Fund raising activities of the Company in the past 12-month period

Set out below were the fund raising activities of the Company during the past 12 month period before the Latest Practicable Date:

Date of announcement	Date of completion	Fund raising activity	Net proceeds raised	Proposed use of the proceeds	Actual use of the proceeds
19 November 2014	18 May 2015	Placing of five-year 7.3% per annum coupon unlisted bonds to be issued by the Company in an aggregate gross principal amount of up to HK\$300 million	As at the Latest Practicable Date, HK\$13.0 million bonds had been issued with net proceeds of approximately HK\$8.8 million (after prepayment of interest expenses of the bonds in the placing period and the first four years, and deduction of 50% of the agreed placing fees in accordance with the terms of the bonds and the agreement with the placing agent) being raised. A further HK\$1.3 million (i.e. the remaining interest expenses and agreed placing fees) will be payable by the Company in February 2019.	(a) Approximately HK\$98.0 million would be utilised for prepayment of interest expenses of the bonds in the placing period and the first four years, and deduction of placing fees and expenses; (b) Approximately HK\$192.0 million would be utilised for future development of existing projects, procurement of further land by the Group; and (c) Approximately HK\$10.0 million would be utilised for general working capital of the Group.	(a) Approximately HK\$4.2 million had been utilised for prepayment of interest expenses of the bonds in the placing period and the first four years and deduction of placing fees and expenses; (b) Approximately HK\$6.2 million has been utilised for future development of existing projects; and (c) Approximately HK\$2.6 million has been utilised for general working capital of the Group.

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Date of announcement	Date of completion	Fund raising activity	Net proceeds raised	Proposed use of the proceeds	Actual use of the proceeds
24 October 2014	6 November 2014	Placing of new shares under the refreshed general mandate	Approximately HK\$57.5 million	<p>(a) Approximately HK\$5.0 million would be utilised for the repayment of debts;</p> <p>(b) Approximately HK\$35.0 million would be utilised for the fees and expenses incurred in connection with the issue of bonds; and</p> <p>(c) The remaining balance of approximately HK\$17.5 million would be utilised for the general working capital of the Group.</p>	<p>(a) Approximately HK\$5.0 million was utilised for the repayment of debts;</p> <p>(b) Approximately HK\$35.0 million was utilised for the payment of the fees and expenses incurred in the issue of the bonds; and</p> <p>(c) Approximately HK\$17.5 million was utilised as general working capital of the Group.</p>

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Date of announcement	Date of completion	Fund raising activity	Net proceeds raised	Proposed use of the proceeds	Actual use of the proceeds
4 October 2014	28 November 2014	Placing of (i) two-year 8.5% coupon bonds with an aggregate principal amount of HK\$200 million, and (ii) five-year 10.0% coupon bonds with an aggregate principal amount of HK\$1,200 million. The subscribers of these bonds are wholly-owned subsidiaries of WOG, WYT and PNG.	Approximately HK\$1,354 million (after deduction of placing fees and expenses)	Refinancing existing indebtedness of the Company owed to the subscribers of these bonds.	Fully applied towards full repayment of outstanding principal amounts owed by the Company pursuant to past loans provided by the subscribers of these two bonds, as intended.

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Date of announcement	Date of completion	Fund raising activity	Net proceeds raised	Proposed use of the proceeds	Actual use of the proceeds
22 August 2014	3 September 2014	Placing of new shares under the general mandate	Approximately HK\$80.0 million	<p>(a) Approximately HK\$50.0 million would be utilised for the future development of existing/new agricultural produce exchange; and</p> <p>(b) The remaining balance of approximately HK\$30.0 million would be utilised for the general working capital of the Group.</p>	<p>(a) Approximately HK\$27.7 million was utilised for the payment of construction cost for the Qinzhou City project, Panjin City project and Kaifeng City project;</p> <p>(b) Approximately HK\$22.3 million was advanced to the Chenzhou City Beihu Government for a possible development project; and</p> <p>(c) Approximately HK\$30.0 million was utilised for the general working capital of the Group as intended.</p>

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Date of announcement	Date of completion	Fund raising activity	Net proceeds raised	Proposed use of the proceeds	Actual use of the proceeds
19 May 2014	30 September 2014	Placing of medium term notes in an aggregate principal amount of up to HK\$1 billion maturing on 30 September 2024	As at the Latest Practicable Date, HK\$400 million medium term notes had been issued, with net proceeds of approximately HK\$147.2 million (after prepayment of interest and deduction of placing fees) being raised	For future development of existing projects, procurement of further land by the Group	<p>(a) Approximately HK\$59.2 million was utilised for the construction cost of the Qinzhou City project;</p> <p>(b) Approximately HK\$10.4 million was utilised for the construction cost for the phase one of the Kaifeng City project;</p> <p>(c) Approximately HK\$26.1 million was utilised for the construction cost for the Panjin City project;</p> <p>(d) Approximately HK\$24.1 million was utilised for acquisition of land in the Huai'an City project;</p> <p>(e) Approximately HK\$13.9 million was advanced to the Chenzhou City Beihu Government for land acquisition of a possible development project; and</p> <p>(f) Approximately HK\$12.6 million was utilised for development cost in the Puyang City project; and</p> <p>(g) Approximately HK\$0.9 million was utilised for construction costs for the Luoyang City project.</p>

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Date of announcement	Date of completion	Fund raising activity	Net proceeds raised	Proposed use of the proceeds	Actual use of the proceeds
19 December 2013	21 March 2014	Rights issue	Approximately HK\$495.5 million	<p>(a) Approximately HK\$450 million would be utilised for the development of existing and future agricultural produce exchange projects, of which (i) approximately HK\$130 million would be utilized for acquisitions of land in the PRC; and (ii) approximately HK\$320 million would be utilised for the payments of construction costs of agricultural produce exchanges in the PRC, of which (1) approximately HK\$130 million was intended for phase one of the Kaifeng City project; (2) approximately HK\$55.0 million was intended for the Qinzhou City project; (3) approximately HK\$70.0 million was intended for the Huai'an City project; and (4) approximately HK\$65.0 million was intended for the Panjin City project; and</p> <p>(b) The remaining balance of approximately HK\$45.5 million as the general working capital of the Group.</p>	<p>(a)(i) Approximately HK\$130 million had been utilised for acquisitions of land in the PRC;</p> <p>(a)(ii)(1) Approximately HK\$130 million had been utilized for the payment of the construction costs for phase one of the Kaifeng City project;</p> <p>(a)(ii)(2) Approximately HK\$55.0 million had been utilised for the payment of the construction costs for the Qinzhou City project;</p> <p>(a)(ii)(3) Approximately HK\$61.0 million had been utilised, and approximately HK\$1.5 million had been earmarked for the construction costs of the Huai'an City project, and approximately HK\$7.5 million will be utilised generally for this project;</p> <p>(a)(ii)(4) Approximately HK\$65.0 million had been utilised for the payment of the construction costs for the Panjin City project; and</p> <p>(b) Approximately HK\$45.5 million had been applied as the general working capital of the Group as intended.</p>

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2. The use of proceeds of the Rights Issue

(a) Application of proceeds of the Rights Issue

The Rights Issue is proposed with a view to provide further funding for the Group's business development and expansion of its agricultural produce exchanges in the PRC and assisting with the Group's repayment of outstanding and upcoming financial indebtedness. The net proceeds to be raised from the Rights Issue, which are estimated to be approximately HK\$501.7 million (subject to the potential set-off against the outstanding aggregate principal amount owing by the Company to Winning Rich under the 2019 CAP Bonds, as outlined in scenarios (ii) and (iii) below), are intended to be applied as follows:

(i) If all the Rights Shares are taken up by the Qualifying Shareholders and no Underwriter is required to take up any of the Underwritten Shares:

- (a)* approximately HK\$193.0 million will be utilised for land acquisition opportunities in the PRC;
- (b)* approximately HK\$32.5 million will be utilised for payment of construction costs in the PRC;
- (c)* approximately HK\$229.9 million will be used to repay outstanding and upcoming indebtedness of the Company (please refer to the sub-section "Allocation of proceeds for repayment of indebtedness and the Special Deal" below for more details); and
- (d)* the remaining balance of approximately HK\$46.3 million will be utilised for general working capital of the Group (the largest components of which will be operating expenses such as rental, marketing and salary expenses).

(ii) If 1,394,168,248 Rights Shares are subscribed by the Qualifying Shareholders and WYT Underwriter is required to take up 330,000,000 Underwritten Shares (i.e. 50% of the Underwritten Shares it has agreed to underwrite under the Underwriting Agreement):

- (a)* the WYT Underwriter Subscription Amount (being approximately HK\$94.0 million), will be set-off, in accordance with the terms of the Underwriting Agreement, against the outstanding aggregate principal amount owed by the Company to Winning Rich under the 2019 CAP Bonds;
- (b)* approximately HK\$32.5 million will be utilised for the payment of construction costs in the PRC;

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- (c) approximately HK\$99.0 million will be utilised for land acquisition opportunities in the PRC;
 - (d) approximately HK\$229.9 million will be used to repay outstanding and upcoming indebtedness of the Company (please refer to the subsection “Allocation of proceeds for repayment of indebtedness and the Special Deal” below for more details); and
 - (e) the remaining balance of approximately HK\$46.3 million will be utilised for general working capital of the Group (the largest components of which will be operating expenses such as rental, marketing and salary expenses).
- (iii) *If WYT Underwriter is required to take up all 660,000,000 Underwritten it has agreed to underwrite under the Underwriting Agreement:*
- (a) the WYT Underwriter Subscription Amount (being approximately HK\$193.0 million), will be set-off, in accordance with the terms of the Underwriting Agreement, against the outstanding aggregate principal amount owed by the Company to Winning Rich under the 2019 CAP Bonds;
 - (b) approximately HK\$32.5 million will be utilised for the payment of construction costs in the PRC;
 - (c) approximately HK\$229.9 million will be used to repay outstanding and upcoming indebtedness of the Company (please refer to the subsection “Allocation of proceeds for repayment of indebtedness and the Special Deal” below for more details); and
 - (d) the remaining balance of approximately HK\$46.3 million will be utilised for general working capital of the Group (the largest components of which will be operating expenses such as rental, marketing and salary expenses).

Therefore, the proportion of the aggregate net proceeds from the Rights Issue which is intended to be allocated towards the payment of construction costs, repayment of indebtedness and general working capital will be fixed irrespective of whether WYT Underwriter is required to take up any of the Underwritten Shares that it has agreed to underwrite under the Underwriting Agreement. To the extent that WYT Underwriter is not required to take up any Underwritten Shares (resulting in a lower proportion of the aggregate net proceeds from the Rights Issue being applied to set-off the aggregate principal amount owing by the Company to Winning Rich under the 2019 CAP Bonds), the Company will

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receive such portion of the aggregate net proceeds from the Rights Issue directly in cash, which is intended to be applied towards the acquisition of land in the PRC in the manner described below. Although the Company will not directly receive cash from the net proceeds of the Rights Issue in the event that WYT Underwriter is required to take up any Underwritten Shares, the WYT Subscription Underwriter Subscription Amount that will be set-off against the aggregate principal amount owed by the Company to Winning Rich under the 2019 CAP Bonds will nevertheless strengthen the Company's capital base and reduce the interest expenses payable to Winning Rich in the future and thus freeing up greater cash resources and the Company could use these cash resources for other purposes. Therefore, we are of the view that the arrangement whereby the WYT Subscription Underwriter Subscription Amount that will be set-off against the aggregate principal amount owed by the Company to Winning Rich under the 2019 CAP Bonds is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

(b) *Allocation of proceeds for repayment of indebtedness and the Special Deal*

Approximately HK\$229.9 million of the aggregate net proceeds from the Rights Issue will be used for the repayment of indebtedness. They are intended to be applied by the Company as follows:

- (i) approximately HK\$17.2 million, HK\$19.0 million and HK\$15.2 million will be used to repay in full the outstanding interest due on 31 May 2015 to the WOG Group, the WYT Group and the PNG Group, respectively, pursuant to an interest repayment extension letter dated 28 November 2014 in respect of the past loans provided to the Company which were fully refinanced by the unsecured bonds issued by the Company on 28 November 2014;
- (ii) approximately HK\$25.0 million, HK\$36.0 million and HK\$7.5 million will be used to repay the upcoming interest due on 28 May 2015 to the WOG Group, the WYT Group and the PNG Group, respectively, under the unsecured bonds issued by the Company on 28 November 2014; and
- (iii) approximately HK\$110.0 million will be used to repay in full the outstanding principal of the February 2015 WOG Loan. Details of the February 2015 WOG Loan was disclosed in the announcement of the Company dated 13 February 2015.

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The repayment by the Company of indebtedness owed to the WOG Group and the PNG Group (i.e. paragraphs (b)(i) and (b)(ii) mentioned above) constitutes a “special deal” under Rule 25 of the Takeovers Code and will be conditional upon obtaining the consent of the Executive under Note 5 to Rule 25 of the Takeovers Code. Such consent, if granted, will be conditional upon the approval of the Independent Shareholders by way of a poll at the SGM and the independent financial adviser publicly stating in its opinion that the terms of the Special Deal are fair and reasonable. Please refer to Section II “SPECIAL DEAL” of this letter below for our analysis of the Special Deal.

(c) Allocation of proceeds for construction and land acquisition

As set out in the section headed “Background information and outlook of the Group” of this letter above, the Group is currently involved in the construction of a number of agricultural produce exchanges projects. In this respect, approximately HK\$18.75 million and HK\$13.75 million of the net proceeds of the Rights Issue will be utilised for the payment of construction costs of the development of the Kaifeng City project and the Panjin City project respectively. The phase one development of the Kaifeng City project was completed in late 2014 at the total cost of approximately HK\$422.8 million and phase two of the Kaifeng City project is expected to be completed in April 2015 at an estimated total cost of approximately HK\$76.4 million. A total of approximately HK\$362.4 million has been paid for the phase one development of the Kaifeng City project and the Group has not made any payment in respect of the phase two development of the Kaifeng City project yet. The development of the Panjin City project is expected to be completed in July 2015 at an estimated total cost of approximately HK\$198.0 million, of which a total of HK\$113.1 million has been paid. These estimated construction costs are based on the current configurations of the respective projects and may vary subject to (i) further development and expansion of these projects in the future depending on, among others, the Company’s ability to acquire further adjacent land, and (ii) unforeseen events beyond the control of the Company.

As of the Latest Practicable Date, the Group was also involved in negotiations with the relevant governmental authorities with a view to evaluating the opportunities of acquiring land in various PRC cities, including: (i) Fuzhou; (ii) Chenzhou; and (iii) Puyang, for the purpose of developing agricultural produce exchanges. As set out in this letter above, where WYT Underwriter is not required to take up all of the Underwritten Shares that it has agreed to underwrite under the Underwriting Agreement, a portion of the aggregate net proceeds from the Rights Issue will be utilised to part-finance the acquisitions of land in one or more of the aforementioned cities. The Company currently estimates that, if it were successful in acquiring all of the aforementioned land which it is currently evaluating, the total acquisition cost would be approximately HK\$457.4 million.

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Having considered (i) the Group's existing business and the favourable PRC government policy for agricultural developments; (ii) the Group's strategy to build up an agricultural market network in the PRC; and (iii) financing requirements of the capital commitment and the indebtedness as set out in "Financial information of the Group" of this letter above and that the Rights Issue is to secure further funding for the Group to develop its agricultural produce exchange in the PRC and to reduce its outstanding and upcoming financial indebtedness, we are of the view that the use of proceeds of the Rights Issue is fair and reasonable so far as the Independent Shareholders are concerned and is in the interest of the Company and the Shareholders as a whole.

3. Other fund raising alternatives considered by the Group and the reasons for choosing the Rights Issue as the funding method

The Board has considered other alternative means of fund raising before resolving to the Rights Issue including the followings:

(a) Debt Financing

As set out in the sub-paragraph headed "Outstanding debts, capital commitment and current financial resource" above in this letter, the Group's outstanding interest-bearing bank and other borrowings as at 31 December 2014 was approximately HK\$3,045.3 million with interest rates ranging from approximately 2.7% to approximately 12% per annum. The weighted average of the interest rate payable by the Company on its debts as of 31 December 2014 was approximately 8.60% per annum. Therefore, without reduction in the Group's existing outstanding borrowings, the annual interest expense of the Group would be approximately HK\$261.9 million assuming the interest rate of 8.60% per annum. In addition, the gearing ratio of the Company was approximately 146.67% as at 31 December 2014, which is calculated by dividing the total outstanding loan amount of HK\$3,045.3 million net of pledged bank deposits and cash and cash equivalents of approximately HK\$293.3 million divided by total equity of the Company in the amount of approximately HK\$1,876.3 million.

The Company has approached certain financial institutions and obtained certain loan facilities. Amongst them, the Company has considered a long term bond with effective interest rates ranging from approximately 10.3% to approximately 11.6% per annum and borrowings from PRC banks and financial institutions with effective interest rates ranging from approximately 2.7% to approximately 8.4% per annum, however, such debt financing methods were not adopted by the Directors as (i) the gearing ratio of the Group is considerably high at the moment; and (ii) such loans and borrowings would incur additional interest burden to the Group.

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Furthermore, if the Company were to raise HK\$501.7 million in the form of debt rather than equity, assuming the debt carrying an interest rate of 8.60% per annum (being the weighted average of the interest rate payable per annum by the Company on its debt as of 31 December 2014), the Company would have to pay approximately HK\$43.1 million per year in interest. However, on the other hand, the equity raised through the Rights Issue would not be interest-bearing and hence the Company would have a notional savings in interest payable of approximately HK\$43.1 million per year compared with incurring interest and debt of the same amount.

Therefore, we concur with the Directors that the Rights Issue as compare to debt financing allows the Company to strengthen its capital base and liquidity without incurring interest costs whilst also allows the Company to reduce its gearing ratio, thereby improving the financial position of the Group.

(b) *Placing of new shares*

As compared to the Rights Issue, the placing of new Shares would not allow the existing Shareholders the rights to participate in the fund raising exercise and they would be diluted without being offered an opportunity to maintain their percentage interests.

In view of the above, we concur with the Directors that the Rights Issue is the most suitable equity financing method available to the Group as:

- (i) the Rights Issue offers all the Shareholders equal opportunity to subscribe for their pro-rata provisional entitlement of the Rights Shares and hence avoids dilution and participate as fully as they wish in the growth opportunity of the Company by way of applying for excess Rights Shares;
- (ii) the Rights Issue allows the Qualifying Shareholders who decide not to take up their entitlements under the Rights Issue to sell the nil-paid Rights Shares in the market for economic benefits; and
- (iii) the Rights Issue will allow the Company to strengthen its capital base and liquidity without incurring interest costs and also enable the Company to reduce its gearing ratio.

(c) *Convertible Securities*

The Company has also considered issuing convertible securities such as convertible bonds. However, taking into account that the issuance of convertible bonds would increase the gearing of the Group with strengthening the Company's capital base until the convertible bonds is converted, at which time the Shareholders will still suffer a dilution, therefore, such financing method was not adopted by the Directors.

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In the light of the above and in particular: (i) debt financing and bank borrowing would incur further interest burden to the Group; (ii) any placing of new Shares without first offering the existing Shareholders the opportunity to participate in the Company's equity raising exercise would result in dilution of shareholding of and per Share value to the existing Shareholders; (iii) issuance of convertible bonds would not strengthen the Company's capital base until the convertible bonds is converted into equity which would also result in dilution of shareholding to Shareholders; and (iv) the Rights Issue will enable the Shareholders to maintain their proportionate interests in the Company should they so wish, we are of the view that the Rights Issue represents the most commercial viable options available to and considered by the Company and the fund raising by way of the Rights Issue is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

4. Principal terms of the Rights Issue

Set out below are the principal terms of the Rights Issue. Further details of the terms of the Rights Issue are set out in the Letter from the Board.

Issue statistics

Basis of the Rights Issue	:	Eight (8) Adjusted Shares for every one (1) Adjusted Share held on the Record Date
Subscription Price	:	HK\$0.30 per Rights Share payable in full on acceptance
Number of existing Shares in issue as at the Latest Practicable Date	:	1,724,168,251 Shares
Number of Adjusted Shares in issue upon completion of the Capital Reorganisation	:	215,521,031 Adjusted Shares (assuming that no further Share is issued or repurchased between the Latest Practicable Date and the date on which the Capital Reorganisation becomes effective)
Number of Rights Shares pursuant to the Rights Issue	:	1,724,168,248 Adjusted Shares which represents (i) approximately 800% of the number of Adjusted Shares immediately upon completion of the Capital Reorganisation (based on Company's existing issued share capital as at the Latest Practicable Date); and (ii) approximately 88.89% of Company's issued share capital as enlarged by the issue of the Rights Shares

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Total number of issued Adjusted : 1,939,689,279 Adjusted Shares
Shares upon completion of
the Rights Issue

As set out in the Letter from the Board, the Board is of the view that the structure and terms of the Rights Issue, including its Subscription Price, subscription ratio and its theoretical large potential dilution effect are “necessary and commercially unavoidable to attract the Underwriters to participate in the Rights Issue on terms acceptable to both the Company and the Underwriters”.

As discussed with the Company, as (i) the terms of the Rights Issue are negotiated on an arm’s length commercial basis between the Company and the Underwriters; (ii) there are not many independent underwriters in Hong Kong who are willing to underwrite rights issue for listed companies with a small market capitalisation (i.e., the Company’s market capitalisation was approximately HK\$369.0 million immediately before the Shares were suspended from trading before the publication of the 8 January Joint Announcement); and (iii) the uncertainty arising from the litigation facing the Company as disclosed in its annual reports for the year ended 31 December 2013, we concur with the Board that the terms of the Rights Issue as set out in the Letter from the Board are necessary for the Underwriters to participate in the Rights Issue, which is necessary for the Company to proceed with, and complete, the Rights Issue.

5. Subscription Price

The Subscription Price of HK\$0.30 per Rights Share represents:

- (i) a discount of approximately 82.48% to the adjusted closing price of HK\$1.712 per Adjusted Share, based on the closing price of HK\$0.214 per Share as quoted on the Stock Exchange on 23 December 2014, being the last trading day prior to the publication of the 8 January Joint Announcement (the “**Last Trading Day**”) and adjusted for the effect of the Capital Reorganisation;
- (ii) a discount of approximately 82.31% to the adjusted average closing price of approximately HK\$1.696 per Adjusted Share, based on the average closing price of approximately HK\$0.212 as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (iii) a discount of approximately 34.35% to the theoretical ex-entitlement price of approximately HK\$0.457 per Adjusted Share after the Rights Issue, based on the closing price of HK\$0.214 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation; and
- (iv) a discount of approximately 95.45% to the audited total equity attributable to the owners of the Company per Adjusted Share of approximately HK\$6.60 as at 31 December 2014 and adjusted for the effect of the Capital Reorganisation; and

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- (v) a discount of approximately 72.43% to the adjusted closing price of HK\$1.088 per Adjusted Share, based on the closing price of HK\$0.136 per Share as quoted on the Stock Exchange as at the Latest Practicable Date and adjusted for the effect of the Capital Reorganisation.

In analysing the fairness and reasonableness of the Subscription Price, we have also undertaken the following analysis:

a. Share price performance of the Adjusted Share

We have reviewed the trading price of the Adjusted Shares for the period from 23 December 2013, being the 12-month period prior to the date of the Underwriting Agreement, up to and including the Latest Practicable Date (the “**Review Period**”). The table below illustrates the highest, lowest and the average daily closing prices of the Adjusted Shares during the Review Period.

Month	Highest closing price of the Adjusted Shares (Note 1) HK\$	Lowest closing price of the Adjusted Shares (Note 1) HK\$	Average daily closing price of the Adjusted Shares (Note 1) HK\$
2013			
December (<i>starting on 23 December 2013</i>)	4.560A	4.296A	4.384A
2014			
January	4.848A	4.472A	4.624A
February	19.520A	4.088A	7.792A
March	15.120	3.280	8.456
April	3.680	2.640	3.128
May	3.360	2.920	3.104
June	3.240	2.880	3.080
July	3.080	2.920	3.016
August	3.320	2.880	3.008
September	3.160	2.600	2.816
October	2.760	2.360	2.600
November	2.680	2.040	2.200
December (<i>Note 2</i>)	2.080	1.664	1.832
2015			
January (<i>Note 2</i>)	1.008	0.856	0.904
February	0.912	0.808	0.856
March (<i>up to and including the Latest Practicable Date</i>)	1.088	0.96	1.04

Source: website of Stock Exchange

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Notes:

- 1) The share prices in the table above are adjusted for the effect of the Capital Reorganisation.
 - 2) Trading in the Shares was suspended from 24 December 2014 to 8 January 2015.
- A: The Adjusted Shares are further adjusted for the capital reorganisation, the rights issue and the bonus issue of the Company as announced in the joint announcement of the Company dated 19 December 2013.

As shown in the table above, the average daily closing price of the Adjusted Shares ranged from HK\$0.856 to HK\$8.456 per Adjusted Share which was recorded in February 2015 and March 2014 respectively. We note that the highest average daily closing price per Adjusted Share represents a premium of over 887% over the lowest average daily closing price per Adjusted Share. Such difference indicates that the market prices of the Adjusted Share were rather volatile during the Review Period.

Furthermore, we note that the trading price of Adjusted Shares was in a downward trend in year 2014 since reaching the average daily closing price of HK\$8.456 per Adjusted Share in March 2014 during the Review Period. As illustrated in the table above, the average daily closing price of the Adjusted Shares has been decreasing each month since March 2014 and up to February 2015.

b. Comparison with other rights issues

To further evaluate the fairness and reasonableness of the terms of the Rights Issue, we have also considered a comparison of rights issues conducted by companies listed on the Main Board of the Stock Exchange. We have identified 15 rights issue transaction comparables (i) announced by other companies that are listed on the Main Board of the Stock Exchange during the six months immediately before the date of the Underwriting Agreement; (ii) has market capitalisation of less than HK\$1 billion as at the date of their respective rights issue announcement, being similar in market capitalisation to the of the Company; and (iii) did not offer bonus shares or bonus warrants in the rights issue transactions, for reference (refer to collectively as the “**Comparables**”). Furthermore, having considered the recent volatility of the Hong Kong stock market and that the Comparables (i) adequately covered the prevailing market conditions and sentiments in the Hong Kong stock market; (ii) such period represented the recent structure of the rights issues in Hong Kong; and (iii) allowed the Shareholders to have general understanding of the recent rights issue transactions being conducted in the Hong Kong stock market, we considered that the size of the Comparables is adequate.

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We confirm that the list of Comparables is an exhaustive list and the Comparables are fair, sufficient and representative samples to illustrate the recent trend and terms of the rights issue transactions under common market practice, even though the Shareholders should note that the businesses, operations and prospects of the Company are not the same as the Comparables and we have not conducted any in-depth investigation into their respective businesses and operations. The Comparables are hence only used to provide a general reference for the common market practice in rights issue transactions of companies listed on the Stock Exchange.

Company (stock code)	Market capitalisation (in HK\$ million) <i>(Note 1)</i>	Date of announcement	Basis of entitlement (%)	Discount/ (Premium) of effective subscription price to the closing price on the last trading date (%)	Discount/ (Premium) of effective subscription price to the theoretical ex-entitlement price (%)	Maximum dilution (%)	Underwriting commission
Applied Development Holdings Ltd (519)	492.9	3-Jul-14	1 for 2	67.29	57.84	33.33	2.50
Opes Asia Development Ltd (810)	160.6	11-Jul-14	4 for 1	67.21	29.08	80.00	2.50
REX Global Entertainment Holdings Ltd (164)	743.2	13-Jul-14	2 for 1	59.79	49.75	33.33	1.00
SMI Culture Group Holdings Ltd (2366)	590.7	8-Aug-14	8 for 1	83.33	35.71	88.89	4.50
South East Group Ltd (726)	127.7	11-Aug-14	8 for 1	71.43	21.74	88.89	2.50
China New Economy Fund Ltd (80)	133.3	12-Aug-14	1 for 2	36.36	27.59	33.33	2.50
China Renji Medical Group Ltd (648)	386.0	17-Aug-14	1 for 2	52.63	42.55	33.33	4.00
China Yunnan Tin Minerals Group Co. Ltd (263)	134.4	18-Aug-14	9 for 1	65.22	15.79	90.00	3.00
Realord Group Holdings Ltd (1196)	711.6	27-Aug-14	1 for 4	10.71	8.76	20.00	2.00
Midas International Holdings Ltd (1172)	415.0	2-Sep-14	1 for 2	46.81	36.97	33.33	2.50
Easyknit Enterprises Holdings Ltd (616)	205.4	5-Sep-14	8 for 1	80.82	31.89	88.89	1.00
China Strategic Holdings Ltd (235)	883.4	22-Oct-2014	1 for 2	59.80	49.79	33.33	2.50
Shanghai Tonva Petrochemical Co., Ltd (1103) — H Shares (Note 2)	674.1	22-Oct-2014	4.5 for 10	6.02	2.26	31.03	1.00
China Environmental Energy Investment Ltd (986)	267.5	20-Nov-14	8 for 1	82.43	34.27	88.89	1.00
Kantone Holdings Ltd (1059) (Note 3)	660.2	29-Nov-14	3 for 10	(14.94)	(11.11)	23.08	2.50
Average				56.42	31.71	53.31	2.33
Maximum				83.33	57.84	90.00	4.50
Minimum				6.02	2.26	20.00	1.00
The Company	369.0	8-Jan-15	8 for 1	82.48	34.35	88.89	2.50

Source: website of Stock Exchange

Notes:

- 1) The market capitalisation is calculated based on the number of issued shares and trading price as at the last trading date of the rights issue announcement.
- 2) Shanghai Tonva Petrochemical Co., Ltd announced the details of the proposed rights issue on 17 February 2015.
- 3) As Kantone Holdings Limited is the only rights issue transaction with subscription price being a premium to the closing price on the last trading and the theoretical ex-entitlement price, therefore, it is not included in the calculation of the of the average, maximum and minimum of the discount to the closing price on the last trading and the theoretical ex-entitlement price of the Comparables.

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As shown in the above table, the subscription prices of the Comparables ranged from discounts of approximately 6.02% to 83.33% to the respective closing prices of their shares on the last trading days prior to the release of the rights issue announcements (the “**LTD Market Range**”). The Subscription Price, which represents a discount of approximately 82.48% to the closing price of the Adjusted Shares on the last trading day prior to the publication of the Announcement, whilst falls within the LTD Market Range, is in the high end range of the LTD Market Range and is significantly above the average LTD Market Range of approximately 56.42%.

Moreover, the subscription prices of the Comparables ranged from discounts of approximately 2.26% to 57.84% to the respective theoretical ex-rights prices of their shares on their respective last trading days prior to the release of the rights issue announcements (the “**TERP Market Range**”). The Subscription Price, which represents a discount of approximately 34.35% to the theoretical ex-rights price of the Adjusted Shares on the last trading day prior to the publication of the Announcement, falls within the TERP Market Range and is only slightly above the average TERP Market Range of approximately 31.71%.

In addition, whilst the Subscription Price is set at a deep discount to the closing price of Share prior to the 8 January Joint Announcement, the Subscription Price and the subscription ratio was a commercial decision made by the Company after arm’s length negotiation between the Company and the Underwriters. In particular, we consider that (i) the Rights Issue would strengthen the Company’s capital base by approximately 35.41%, details of which are discussed in the section headed “Financial effects of the Rights Issue on the Group” of this letter below; and (ii) the Independent Shareholders are offered a chance to express their view on the terms of the Rights Issue (including the Underwriting Agreement), the Special Deal and the Whitewash Waiver through their votes at the SGM. Furthermore, as a factor to consider, when structuring the Rights Issue, reference has been made to the rights issue of the Company previously completed in March 2014 (the “**Previous Rights Issue**”) which shared similar offering characteristics to the Rights Issue. As the Previous Rights Issue was completed within the prior 12-month period (see the section headed “Fund raising activities of the Company in the past 12-month period” of this letter), it provides a recent and relevant precedent for the Company to structure the Rights Issue in a way that could be well received by the Shareholders and also is in the interests of the Company and Shareholders as a whole. As demonstrated in the Previous Rights Issue, it offered a comparatively higher subscription ratio of fifteen (15) for one (1) with subscription price being a discount of approximately 89.71% to the then last trading day before the publication of the rights issue announcement and was conducive to being oversubscribed, with the Company receiving valid acceptances and applications for approximately 107.42% of the total number of rights shares then available and issued. We consider that the offering structure under the Previous Rights Issue is a relevant reference for structuring the Rights Issue as in addition to being completed in a recent 12-month period, it also shows the results of the reception of the Shareholders to similar rights issue transactions.

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Furthermore, it is a common market practice that, in order to enhance the attractiveness of a rights issue and to encourage the existing shareholders to participate in the rights issue, the subscription price of a rights issue normally represents a discount to the prevailing market prices of the relevant shares. With the closing price of the Adjusted Shares in general on a decreasing trend, the Subscription Price being set at a discount to the prevailing market prices of the Adjusted Shares is in line with the general practice and is acceptable. However, Shareholders should note that a deep discount of the Subscription Price means that a greater number of rights shares would be issued in order to raise the intended proceeds from the Rights Issue at a lower price. Whilst for those Qualifying Shareholders who subscribe to their pro-rata provisional entitlement of the Rights Shares will be able to maintain shareholding interests in the Company, for those Qualifying Shareholders who do not accept the Rights Issue and thus the Underwriters are obligated to take up the unsubscribed Rights Shares, their shareholding in the Company may be subject to a maximum dilution of approximately 88.89% and the price per Share they hold will be lower due to the deep discount offered to the Subscription Price.

Despite the Subscription Price being in the high end range of the LTD Market Range and is significantly above the average LTD Market Range, having considered (i) the Subscription Price was determined at after arm's length negotiations between the Company and the Underwriters; (ii) the closing price of the Adjusted Shares in general is on a decreasing trend; (iii) the discounts as represented by the Subscription Price still fall within the LTD Market Range and the TERP Market Range which are in line with recent market trends; (iv) the Rights Issue would strengthen the Company's capital base; (v) the Independent Shareholders are offered a chance to express their view on the terms of the Rights Issue (including the Underwriting Agreement), the Special Deal and the Whitewash Waiver through their votes at the SGM; (vi) the Rights Issue shares similar offering characteristics to the Previous Rights Issue which had received over subscription; and (vii) the discount would attract the Shareholders to participate in the Rights Issue and accordingly maintain their shareholding interests in the Company and participate in the future growth of the Group, we are of the view that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

6. Underwriting Agreement

Set out below are the principal terms of the Underwriting Agreement. Further details of the terms of the Underwriting Agreement are set out in the Letter from the Board.

Date : 23 December 2014 (as varied on 8 and 28 January 2015)

Parties : (i) the Company;

(ii) WYT Underwriter;

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(iii) WYT; and

(iv) Kingston.

Total number of Underwritten Shares : 1,207,975,520 Rights Shares, being the total number of Rights Share to be issued by the Company minus the maximum aggregate number of Rights Shares to be subscribed and paid for by Onger Investments pursuant to the PNG Irrevocable Undertaking and on the basis that no further the Company Share or Adjusted Share will be issued or repurchased on or before the Record Date.

Underwriting obligation of each Underwriter : WYT Underwriter has agreed to underwrite the first 660,000,000 Underwritten Shares (assuming no further Share or Adjusted Share will be issued or repurchased on or before the Record Date).

The WYT Underwriter Subscription Amount, rounded down to the nearest HK\$500,000, will be set-off, on a dollar for-dollar basis, in accordance with the terms of the Underwriting Agreement, against the outstanding aggregate principal amount owing by the Company to Winning Rich under the 2019 CAP Bonds.

To the extent that the WYT Underwriter Subscription Amount exceeds the amount set-off as mentioned above, WYT Underwriter shall pay to the Company such excess in cash.

Kingston has agreed to fully underwrite, in cash, all remaining Underwritten Shares that have not been taken up by WYT Underwriter, being 547,975,520 Rights Shares.

No sub-underwriting arrangement will be made by WYT Underwriter and as at the Latest Practicable Date, Kingston does not have any sub-underwriting arrangements in place.

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Commission : 2.50% of the aggregate Subscription Price in respect of the respective maximum number of Underwritten Shares agreed to be underwritten by each of the Underwriters, payable to each of the Underwriters.

As set out in the table above, the underwriting commission is 2.50% and was determined after arm's length negotiations between the Company and the Underwriters. As illustrated in the table set out in the sub-section "Comparison with other rights issues" of this letter above, the underwriting commissions of the Comparables ranged from 1.00% to 4.50%. Given that the 2.50% underwriting commission falls within the range of underwriting commissions of the Comparables and is very close to the average underwriting commission of 2.33%, the underwriting commission is in line with the market practice and therefore we consider that it is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

As set out in the Letter from the Board, the Company has not approached any independent underwriters to consider underwriting of this Rights Issue, other than Kingston, for the following reasons:

- (i) the Company is a company with a small market capitalisation, being approximately HK\$369.0 million immediately before the Shares were suspended from trading before the publication of the 8 January Joint Announcement. There are not many underwriters in the market who would like to take up rights issue underwriting for listed companies of this size and given the overall historical and ongoing litigation status and financial condition of the Company, the Directors believe that the Company's ability to secure other independent underwriters without incurring additional costs or altering terms of the Rights Issue is limited;
- (ii) the Company has a long working relationship with Kingston whom it believes is a reputable securities firm that is willing to engage with companies similar to the size of the Company and has a track record of completing capital market deals with the Company; and
- (iii) the Company is mindful of the laws and regulations in Hong Kong pertaining to the need to keep inside information confidential pending an announcement and not putting any person in a privileged dealing position. As the Rights Issue is a piece of highly material and price sensitive information, the Company did not consider approaching various underwriters with whom it does not have a prior business relationship to be conducive to compliance with the relevant laws and regulations.

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In this respect, we concur with the Company's reasons in not approaching other independent underwriters as stated above and in particular that:

- (i) the terms of the Underwriting Agreement was determined after arm's length negotiations;
- (ii) the underwriting commission charged by the Underwriters is in line with market practice;
- (iii) the Company and Kingston, the independent Underwriter, have prior established working relationships (i.e., Kingston was one of the underwriters for the Previous Rights Issue);
- (iv) engaging other independent underwriters will likely incur additional time and cost for negotiation and due diligence and may also eventually not reaching any underwriting agreement due to the Company's specific circumstances mentioned above;
- (v) Kingston is experienced in underwriting rights issue for listed companies similar in market capitalisation to the Company. We noted that Kingstone was engaged as underwriter for three of the Comparables, namely, the rights issue of Opes Asia Development Ltd (stock code: 810), South East Group Ltd (stock code: 726) and Midas International Holdings Ltd (stock code: 1172). Therefore, Kingston has an established track record in completing rights issue transactions similar in size and characteristics to the Rights Issue, by companies with a similar market capitalisation to the Company; and
- (vi) it is prudent for the Company to limit the number of parties to be exposed to the possibilities of the Rights Issue before its announcement and in particular when the engagement with other independent underwriters would likely to be just tentative.

In light of the above, we consider that the Board's decision not to approach other independent underwriters, other than Kingston, in the course of discussing the Underwriting Agreement and the Rights Issue, is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

7. Financial effects of the Rights Issue on the Group

(a) Working capital

Following completion of the Rights Issue, the net proceeds are estimated to be approximately HK\$501.7 million (subject to a portion equal to the WYT Underwriter Subscription Amount that may be set-off against the outstanding aggregate principal amount owing by the Company to Winning Rich under the 2019 CAP Bonds, depending on whether WYT Underwriter is required to take up any of the Underwritten Shares that

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it has agreed to underwrite). As such, immediately upon completion of the Rights Issue, the cash level of the Group will be increased and hence it is expected to have a positive effect on the working capital of the Group.

(b) Net tangible assets

According to the pro forma statement of adjusted consolidated net tangible assets of the Group as set out in Appendix II to the Circular, assuming completion of the Rights Issue had taken place on 31 December 2014, the Group's consolidated net tangible assets would have been increased by approximately 35.41% from approximately HK\$1,416.8 million to approximately HK\$1,918.5 million. Such increase is attributable to the effect of the net proceeds from the Rights Issue. This improvement in the financial position of the Group is beneficial to the Company and the Shareholders as a whole.

8. Effect of the Rights Issue on the shareholding of the Company

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their entitlements in full under the Rights Issue, their shareholding interests in the Company will remain unchanged after the completion of the Rights Issue.

Qualifying Shareholders who do not accept the Rights Issue and thus the Underwriters are obligated to take up the unsubscribed Right Shares, the maximum dilution effect on the Qualifying Shareholders' shareholding interests will be approximately 88.89%. Details of such dilution effect are presented in the Letter from the Board.

Meanwhile, Qualifying Shareholders who wish to increase their shareholding interests in the Company through the Rights Issue may apply for excess Rights Shares.

We are aware of the aforementioned potential dilution to the Independent Shareholders' shareholding interests in the Company. Nonetheless, we consider that the foregoing should be balanced against by the following factors:

- the Independent Shareholders are offered a chance to express their view on the terms of the Rights Issue (including the Underwriting Agreement), the Special Deal and the Whitewash Waiver through their votes at the SGM;
- the Qualifying Shareholders have their choice whether to accept the Rights Issue or not;
- the Qualifying Shareholders have the opportunity to realise their nil-paid Rights Shares to subscribe for the Rights Shares in the market (subject to availability); and

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- the Rights Issue offers the Qualifying Shareholders a chance to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical and prevailing market prices of Shares.

In addition, we note from the Comparables as detailed in the table under the previous section of this letter that the maximum dilution to the existing Shareholders as a result of the rights issue transactions ranged from a minimum of 20.00% to a maximum of 90.00%. The maximum dilution of 88.89% to the existing Shareholders as a result of the Rights Issue still falls within the said market range.

Furthermore, as a relevant reference and a factor to consider, we noted that the Previous Rights Issue, which offered comparatively higher subscription ratio of fifteen (15) for one (1) was conducive to being oversubscribed, with the Company receiving valid acceptances and applications for approximately 107.42% of the total number of rights shares then available and issued. As the Previous Rights Issue was completed within the prior 12-month period (see the section headed “Fund raising activities of the Company in the past 12-month period” of this letter), it demonstrated that the structure of the Previous Rights Issue, being similar in characteristics to the Rights Issue, has broad appeal amongst Shareholders and adopting a similar structure for the Rights Issue is therefore in the interest of the Company and the Shareholders as a whole.

Having considered all the above, and in particular that (i) the Independent Shareholders are able to vote on the Rights Issue (including the Underwriting Agreement), the Special Deal and the Whitewash Waiver at the SGM; (ii) the Qualifying Shareholders have their choice whether to accept the Rights Issue or not; (iii) subject to availability, the Qualifying Shareholders have the opportunity to realise their nil-paid Rights Shares to subscribe for the Rights Shares in the market; (iv) the Rights Issue offers the Qualifying Shareholders a chance to subscribe for their pro-rata Rights Shares to maintain their respective existing shareholding interests in the Company; (v) the maximum dilution of 88.89% is still within range of the maximum dilution of the Comparables; and (vi) the Rights Issue shares similar offering characteristics to the Previous Rights Issue which had received over subscription, we consider the potential dilution effect on the shareholding interests of the Independent Shareholders, which may only happen when the Qualifying Shareholders do not subscribe for their pro-rata Rights Shares, to be acceptable.

II. SPECIAL DEAL

The repayment by the Company of indebtedness owed to the WOG Group and the PNG Group (see the subsection headed “Allocation of proceeds for repayment of indebtedness and the Special Deal” of this letter above) constitutes a “special deal” under Rule 25 of the Takeovers Code and will be conditional upon obtaining the consent of the Executive under Note 5 to Rule 25 of the Takeovers Code. Such consent, if granted, will be conditional upon the approval of the Independent Shareholders by way of a poll at the SGM and the independent financial adviser publicly stating in its opinion that the terms of the Special Deal are fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

An application has been made to the Executive for consent to the Special Deal pursuant to Note 5 to Rule 25 of the Takeovers Code. The Concert Group and persons who are involved in, or interested in, the Rights Issue, the Underwriting Agreement, the PNG Irrevocable Undertaking, the Special Deal and/or the Whitewash Waiver are required under the Takeovers Code to abstain from voting on the resolutions to be proposed at the SGM to approve the Special Deal.

Taking into consideration (i) the net proceeds from the Rights Issue intended to be applied by the Company towards the repayment by the Company of indebtedness owed to the WOG Group and the PNG Group is a commercial decision of the Company and has the effect of reducing the Company's gearing and strengthening its capital base; (ii) approximately a total of HK\$51.4 million of interest payment will be due on 31 May 2015 as set out in paragraph (b)(i) in the subsection headed "Allocation of proceeds for repayment of indebtedness and the Special Deal" of this letter above which is only around 4 months away from the publication of the 8 January Joint Announcement and these interest payment have already been extended on 28 November 2014 previously; (iii) approximately a total of HK\$68.5 million of interest payment will be due on 28 May 2015 as set out in paragraph (b)(ii) in the subsection headed "Allocation of proceeds for repayment of indebtedness and the Special Deal" of this letter above which is only around 4 months away from the publication of the 8 January Joint Announcement; and (iv) whilst it is the Company's intention to use its existing cash balance to finance its working capital needs, the Company would still need to utilise other cash resources of the Company if the net proceeds of the Rights Issue is not applied for the repayment of indebtedness owed to the WOG Group and the PNG Group, we are of the view that the Special Deal is an arm's length transaction on normal commercial terms and that it is fair and reasonable so far as the Independent Shareholders are concerned and is in the interest of the Company and the Shareholders as a whole.

III. THE WHITEWASH WAIVER

As at the Latest Practicable Date, the Concert Group holds in aggregate 346,660,228 Shares, representing approximately 20.11% of the issued share capital and voting rights of the Company. Under the Rights Issue, if no Shareholder other than Onger Investments takes up any Rights Shares, the voting rights in the Company held by the Concert Group will increase from approximately 20.11% to approximately 62.87%.

The Concert Group will, as a result of this acquisition of additional voting rights in the Company by taking up the underwriting commitments, incur an obligation to make a mandatory offer for all the Adjusted Shares other than those held or agreed to be acquired by the Concert Group, unless the Whitewash Waiver is granted. The grant of the Whitewash Waiver is a condition precedent to the Rights Issue, which may not be waived. If the Whitewash Waiver is not granted, the Underwriting Agreement will not become unconditional and the Rights Issue will not proceed.

The Concert Group has made an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders at the SGM by way of poll.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Concert Group and persons who are involved in, or interested in, the Rights Issue, the Underwriting Agreement, the PNG Irrevocable Undertaking, the Special Deal and/or the Whitewash Waiver are required under the Takeovers Code to abstain from voting on the resolutions to be proposed at the SGM to approve the Whitewash Waiver.

Having considered (i) the Rights Issue is considered the most commercially viable means in raising capital for the Company to pursue its various business activities as analysed above; (ii) the Rights Issue serves to provide funding for the Group's development of agricultural produce exchange in the PRC and to reduce its outstanding and upcoming financial indebtedness; (iii) the Rights Issue allows the Shareholders to maintain their shareholding interests in the Company and to participate in the future growth of the Group; and (iv) the obligation to make a mandatory offer is due to the taking up of Shares arising from WYT Underwriter's share underwriting commitments, we are of the view that the approval of the Whitewash Waiver, which is a prerequisite for the completion of the Rights Issue, is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

RECOMMENDATIONS

Having considered the principal factors discussed above and, in particular the following:

- (i) financing requirements of the capital commitment and indebtedness of the Group as set out in "Financial information of the Group" of this letter above;
- (ii) the Rights Issue would strengthen the Company's capital base and will have positive impact on the working capital and net assets of the Group;
- (iii) the Rights Issue is the most viable fund raising method as compared to other financing means whilst allowing the Shareholders to maintain their shareholding interests in the Company and to participate in the future growth of the Group;
- (iv) the Subscription Price was determined at after arm's length negotiations between the Company and the Underwriters;
- (v) the closing price of the Adjusted Shares in general is on a decreasing trend during the Review Period;
- (vi) the discounts as represented by the Subscription Price fall within the LTD Market Range and the TERP Market Range which are in line with recent market trends;
- (vii) the discount to the Subscription Price would attract the Shareholders to participate in the Rights Issue and accordingly maintain their shareholding interests in the Company and participate in the future growth of the Group;
- (viii) the Rights Issue shares similar offering characteristics to the Previous Rights Issue which had been oversubscribed;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ix) the Independent Shareholders are offered a chance to express their view on the terms of the Rights Issue (including the Underwriting Agreement), the Special Deal and the Whitewash Waiver through their votes at the SGM;
- (x) the net proceeds from the Rights Issue intended to be applied by the Company towards the outstanding indebtedness of the Company owed to the WOG Group and the PNG Group, namely the Special Deal, would enable the Group to reduce its gearing and interest payments; and
- (xi) the Whitewash Waiver is to facilitate the implementation of the Rights Issue which has merits mentioned in this letter,

We consider the terms of the Rights Issue (including the Underwriting Agreement), the Special Deal and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to approve the Rights Issue (including the Underwriting Agreement), the Special Deal and the Whitewash Waiver at the SGM.

Yours faithfully,
For and on behalf of
Beijing Securities Limited
Charles Li
Director

1. FINANCIAL INFORMATION

The audited consolidated financial statements of the Group for the years ended 31 December 2012, 31 December 2013, 31 December 2014, including the notes thereto, have been published in the annual reports of the Company for the years ended 31 December 2012 (pages 35 to 111) (<http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0415/LTN20130415780.pdf>), 31 December 2013 (pages 39 to 127) (<http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0411/LTN201404111181.pdf>) and 31 December 2014 (pages 47 to 123) (<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0302/LTN201503021037.pdf>) respectively, which are incorporated by reference into this circular. The said annual reports of the Company are available on the Company's website at <http://www.cnagri-products.com> and the website of the Stock Exchange at www.hkexnews.hk.

The Company's auditors, HLB Hodgson Impey Cheng Limited, have not issued any qualified opinion on the Group's financial statements, however, significant of doubt on the Group's ability to continue its operation on a going concern basis were emphasized in the independent auditor's report for the financial years ended 31 December 2012, 2013 and 2014.

The following is a summary of the consolidated financial information of the Group for the three years ended 31 December 2012, 2013 and 2014, as extracted from the relevant annual reports of the Company.

	For the year ended		
	31 December		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Turnover	287,482	408,544	298,043
Cost of operation	<u>(126,900)</u>	<u>(216,561)</u>	<u>(83,970)</u>
Gross profit	160,582	191,983	214,073
Other revenue and other net income	5,328	9,645	42,222
Net gain in fair value of investment properties	538,287	671,065	77,686
General and administrative expenses	(236,234)	(245,895)	(287,670)
Selling expenses	<u>(12,654)</u>	<u>(42,774)</u>	<u>(106,389)</u>
Profit/(loss) from operations	455,309	584,024	(60,078)
Finance costs	<u>(103,337)</u>	<u>(164,848)</u>	<u>(231,990)</u>
Profit/(loss) before taxation	351,972	419,176	(292,068)
Income tax	<u>(135,488)</u>	<u>(198,457)</u>	<u>(44,001)</u>
Profit/(loss) for the year	216,484	220,719	(336,069)
Other comprehensive income/(loss), net of income tax			
Exchange differences on translating foreign operations	18,684	83,530	(82,077)
Total comprehensive income/(loss) for the period/year	235,168	304,249	(418,146)
Profit/(loss) attributable to:			
Owners of the Company	145,678	154,980	(340,420)
Non-controlling interests	<u>70,806</u>	<u>65,739</u>	<u>4,351</u>
	<u>216,484</u>	<u>220,719</u>	<u>(336,069)</u>

	For the year ended		
	31 December		
	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Total comprehensive income/(loss)			
attributable to:			
Owners of the Company	161,923	228,795	(413,170)
Non-controlling interests	73,245	75,454	4,976
	<u>235,168</u>	<u>304,249</u>	<u>(418,146)</u>
Earnings/(loss) per share			
— Basic	HK\$1.97 <i>(restated)</i>	HK\$2.10	(0.31)
	<u>HK\$1.97</u>	<u>HK\$2.10</u>	<u>(0.31)</u>
— Diluted	HK\$1.97 <i>(restated)</i>	HK\$2.10	(0.31)
	<u>HK\$1.97</u>	<u>HK\$2.10</u>	<u>(0.31)</u>
Total assets	4,331,898	5,698,794	6,906,025
Total liabilities	(3,064,392)	(4,077,946)	(5,029,767)
	<u>1,267,506</u>	<u>1,620,848</u>	<u>1,876,258</u>
Attributable to:			
Owners of the Company	917,680	1,199,589	1,423,291
Non-controlling interests	349,826	421,259	452,967
	<u>1,267,506</u>	<u>1,620,848</u>	<u>1,876,258</u>

There were no dividends declared or paid for the three years ended 31 December 2012, 2013 and 2014. There were no items that are exceptional because of size, nature or incidence during each of the three years ended 31 December 2012, 2013 and 2014.

2. AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE TWO YEARS ENDED 31 DECEMBER 2014

Set out below are the audited financial statements of the Group for the two years ended 31 December 2013 and 2014 which are published in the Company's annual report published on 3 March 2015.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Turnover	5	298,043	408,544
Cost of operation		<u>(83,970)</u>	<u>(216,561)</u>
Gross profit		214,073	191,983
Other revenue and other net income	6	42,222	9,645
Net gain in fair value of investment properties		77,686	671,065
General and administrative expenses		(287,670)	(245,895)
Selling expenses		<u>(106,389)</u>	<u>(42,774)</u>
(Loss)/profit from operations		(60,078)	584,024
Finance costs	7(a)	<u>(231,990)</u>	<u>(164,848)</u>
(Loss)/profit before taxation	7	(292,068)	419,176
Income tax	8	<u>(44,001)</u>	<u>(198,457)</u>
(Loss)/profit for the year		(336,069)	220,719
Other comprehensive (loss)/income, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		<u>(82,077)</u>	<u>83,530</u>
Other comprehensive (loss)/income for the year, net of Income tax		<u>(82,077)</u>	<u>83,530</u>
Total comprehensive (loss)/income for the year, net of income tax		<u><u>(418,146)</u></u>	<u><u>304,249</u></u>
(Loss)/profit attributable to:			
Owners of the Company		(340,420)	154,980
Non-controlling interests		<u>4,351</u>	<u>65,739</u>
		<u><u>(336,069)</u></u>	<u><u>220,719</u></u>
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(413,170)	228,795
Non-controlling interests		<u>(4,976)</u>	<u>75,454</u>
		<u><u>(418,146)</u></u>	<u><u>304,249</u></u>
(Loss)/earnings per share			
— Basic (restated)	14(a)	<u><u>HK\$(0.31)</u></u>	<u><u>HK\$0.87</u></u>
— Diluted (restated)	14(b)	<u><u>HK\$(0.31)</u></u>	<u><u>HK\$0.87</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	<i>16</i>	72,546	45,412
Investment properties	<i>17</i>	3,554,194	3,420,587
Goodwill	<i>18</i>	6,444	6,444
		<u>3,633,184</u>	<u>3,472,443</u>
Current assets			
Stock of properties	<i>20</i>	2,715,778	1,646,691
Trade and other receivables	<i>21</i>	231,749	293,903
Loan receivables	<i>22</i>	27,173	12,789
Financial assets at fair value through profit or loss	<i>23</i>	4,792	5,546
Pledged bank deposits	<i>24</i>	92,962	—
Cash and cash equivalents	<i>24</i>	200,387	267,422
		<u>3,272,841</u>	<u>2,226,351</u>
Current liabilities			
Deposits and other payables	<i>25</i>	973,209	989,606
Deposit receipts in advance		445,415	99,620
Bank and other borrowings	<i>26</i>	434,534	961,128
Government grants	<i>27</i>	—	2,941
Promissory notes	<i>29</i>	376,000	376,000
Income tax payable	<i>30(a)</i>	41,413	36,801
		<u>2,270,571</u>	<u>2,466,096</u>
Net current assets/(liabilities)		<u>1,002,270</u>	<u>(239,745)</u>
Total assets less current liabilities		<u>4,635,454</u>	<u>3,232,698</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)**As at 31 December 2014*

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Non-current liabilities			
Bonds	28	1,503,117	—
Bank and other borrowings	26	731,620	1,104,876
Deferred tax liabilities	30(b)	524,459	506,974
		<u>2,759,196</u>	<u>1,611,850</u>
Net assets		<u><u>1,876,258</u></u>	<u><u>1,620,848</u></u>
Capital and reserves			
Share capital	31(c)	17,242	29,510
Reserves		1,406,049	1,170,079
		<u>1,423,291</u>	<u>1,199,589</u>
Total equity attributable to owners of the Company		<u>1,423,291</u>	<u>1,199,589</u>
Non-controlling interests		452,967	421,259
		<u>1,876,258</u>	<u>1,620,848</u>
Total equity		<u><u>1,876,258</u></u>	<u><u>1,620,848</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to Owners of the Company								Non-controlling interests	Total equity	
	Share capital	Share premium	Capital redemption reserve	Contributed surplus	Shareholders' contribution	Other reserve	Exchange reserve	Accumulated losses			
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	
At 1 January 2013	24,610	1,552,994	945	2,215,409	664	(15,021)	136,969	(2,998,890)	917,680	349,826	1,267,506
Exchange differences on translation into presentation currency	—	—	—	—	—	—	73,815	—	73,815	9,715	83,530
Other comprehensive income for the year	—	—	—	—	—	—	73,815	—	73,815	9,715	83,530
Profit for the year	—	—	—	—	—	—	—	154,980	154,980	65,739	220,719
Total comprehensive income for the year	—	—	—	—	—	—	73,815	154,980	228,795	75,454	304,249
Placing of shares	4,900	49,980	—	—	—	—	—	—	54,880	—	54,880
Transaction cost relating to placing of shares	—	(1,766)	—	—	—	—	—	—	(1,766)	—	(1,766)
Dividend paid to non-controlling interest	—	—	—	—	—	—	—	—	—	(4,021)	(4,021)
At 31 December 2013	<u>29,510</u>	<u>1,601,208</u>	<u>945</u>	<u>2,215,409</u>	<u>664</u>	<u>(15,021)</u>	<u>210,784</u>	<u>(2,843,910)</u>	<u>1,199,589</u>	<u>421,259</u>	<u>1,620,848</u>
At 1 January 2014	29,510	1,601,208	945	2,215,409	664	(15,021)	210,784	(2,843,910)	1,199,589	421,259	1,620,848
Exchange differences on translation into presentation currency	—	—	—	—	—	—	(72,750)	—	(72,750)	(9,327)	(82,077)
Other comprehensive loss for the year	—	—	—	—	—	—	(72,750)	—	(72,750)	(9,327)	(82,077)
(Loss)/profit for the year	—	—	—	—	—	—	—	(340,420)	(340,420)	4,351	(336,069)
Total comprehensive loss for the year	—	—	—	—	—	—	(72,750)	(340,420)	(413,170)	(4,976)	(418,146)
Capital reduction for the year	(28,772)	—	—	—	—	—	—	28,772	—	—	—
Placing of shares	4,700	137,200	—	—	—	—	—	—	141,900	—	141,900
Transaction cost relating to placing of shares	—	(4,231)	—	—	—	—	—	—	(4,231)	—	(4,231)
Rights issue	11,066	503,512	—	—	—	—	—	—	514,578	—	514,578
Bonus issue	738	(738)	—	—	—	—	—	—	—	—	—
Transaction cost relating to rights issue and bonus issue	—	(15,375)	—	—	—	—	—	—	(15,375)	—	(15,375)
Capital injected by non-controlling interest	—	—	—	—	—	—	—	—	—	43,706	43,706
Dividend paid to non-controlling interest	—	—	—	—	—	—	—	—	—	(7,022)	(7,022)
At 31 December 2014	<u>17,242</u>	<u>2,221,576</u>	<u>945</u>	<u>2,215,409</u>	<u>664</u>	<u>(15,021)</u>	<u>138,034</u>	<u>(3,155,558)</u>	<u>1,423,291</u>	<u>452,967</u>	<u>1,876,258</u>

CONSOLIDATED STATEMENT OF CASH FLOWS*For the year ended 31 December 2014*

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Operating activities			
(Loss)/profit for the year		(336,069)	220,719
Adjustments for:			
Income tax expense recognised in statement of profit or loss and other comprehensive income		44,001	198,457
Depreciation and amortisation	<i>7(c)</i>	10,554	6,543
Unrealised loss/(gain) on financial assets through profit or loss		754	(133)
Net gain in fair value on investment properties		(77,686)	(671,065)
Finance costs	<i>7(a)</i>	231,990	164,848
Bank and other interest income	<i>6</i>	(4,750)	(1,268)
Loss on disposal of property, plant and equipment	<i>7(c)</i>	184	52
Operating loss before changes in working capital		(131,022)	(81,847)
Decrease/(increase) in trade and other receivables		61,897	(93,022)
Increase in loan receivables		(14,384)	(12,789)
Increase of stock of properties		(1,111,525)	(342,882)
Increase/(decrease) in deposit receipts in advance		345,795	(35,434)
Decrease in government grants		(2,941)	—
Decrease in deposits and other payables		(51,475)	(15,335)
Cash used in operations		(903,655)	(581,309)
Tax paid			
PRC enterprise income tax paid		(15,882)	(19,992)
Net cash used in operating activities		<u>(919,537)</u>	<u>(601,231)</u>

CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)**For the year ended 31 December 2014*

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Investing activities			
Payments for purchases of property, plant and equipment		(39,026)	(20,462)
Proceed from disposal of property, plant and equipment		—	88
Payments for investment properties		(88,859)	(243,455)
Bank interest received		5,007	1,018
		<hr/>	<hr/>
Net cash used in investing activities		(122,878)	(262,811)
Financing activities			
Proceeds from new bank borrowings		768,701	548,967
Proceeds from new other borrowings		—	995,000
Net proceeds from issue of bonds		97,565	—
Repayments of bank borrowings		(250,094)	(356,638)
Repayment of other borrowings		(5,000)	(380,000)
Net proceeds from placing of shares		137,669	53,114
Net proceed from rights issue		499,203	—
Increase in pledged bank deposit		(92,962)	—
Interest paid		(185,754)	(107,806)
Dividend paid to non-controlling interest		(7,022)	(4,021)
		<hr/>	<hr/>
Net cash generated from financing activities		(962,306)	748,616
Net decrease in cash and cash equivalents		(80,109)	(115,426)
Cash and cash equivalents at 1 January	<i>24</i>	267,422	393,954
Effect of foreign exchange rate changes		13,074	(11,106)
		<hr/>	<hr/>
Cash and cash equivalents at 31 December	<i>24</i>	200,387	267,422
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS*For the year ended 31 December 2014***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 agricultural produce exchange markets in the People’s Republic of China (“**PRC**”).

2. SIGNIFICANT ACCOUNTING POLICIES**(a) Statement of compliance**

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations (the “**Interpretations**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and accounting principles generally accepted in Hong Kong, in addition, the consolidated financial statements include applicable disclosures required by the Hong Kong Companies Ordinance and by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

(b) Basis of preparation of financial statements**(i) Going concern basis**

As disclosed in note 35 to the consolidated financial statements, the Supreme People’s Court of the PRC ordered that, inter alia, the share transfer agreements filed with the Ministry of Commerce (“**MOFCOM**”) of the PRC and the Wuhan Administration of Industry and Commerce (“**Hubei AIC**”) in relation to the acquisition of Wuhan Baisazhou Agricultural By-product Grand Market Company Limited (“**Baisazhou Agricultural**”) were void. As advised by the PRC legal advisor of the Company, the judgement will not lead to immediate change of the ownership of Baisazhou Agricultural and the Company continues to be the legal owner of Baisazhou Agricultural until and unless the revocation of the approval from the MOFCOM and the registration of the transfer of shareholding by the Hubei AIC. The Company will take all necessary actions in the PRC as advised by its PRC legal advisor in response to the judgement.

The Group incurred a net loss of approximately HK\$336,069,000 and the net operating cash outflow of approximately HK\$919,537,000. 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 cashflow position of the Group.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***(b) Basis of preparation of financial statements** *(Continued)***(i) Going concern basis** *(Continued)***(1) Alternative sources of external funding**

On 23 December 2014, the Company entered into the underwriting agreement with, among other, the underwriters, whereby the Company proposes to raise gross proceeds of approximately HK\$517.3 million, before expenses, by way of the rights issue. The Company may allot and issue 1,724,168,248 rights shares at the subscription price of HK\$0.30 per rights share. For the details, please refer to the Company's announcements dated 8 January 2015, 29 January 2015 and 13 February 2015, respectively.

On 13 February 2015, the Company entered into a loan agreement with Double Leads Investments Limited ("**Double Leads**"), an indirect wholly-owned subsidiary of Wang On Group Limited. Under the agreement, Double Leads agreed to advance 1-year unsecured loan of HK\$110,000,000 to the Company at an annual interest rate of 12.0%. For the details, please refer to the Company's announcement dated 13 February 2015.

(2) Attainment of profitable and positive cash flow operations

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

(3) Necessary facilities

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***(b) Basis of preparation of financial statements** *(Continued)***(i) Going concern basis** *(Continued)***(4) Writ issued by the Company against Ms. Wang and Tian Jiu** *(Continued)*

The Instruments are recorded at book value at approximately HK\$376,000,000, together with interest payable in the amount of approximately HK\$518,700,000 as at 31 December 2014.

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

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

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

(ii) Basis of measurement

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***(b) Basis of preparation of financial statements** *(Continued)***(ii) Basis of measurement** *(Continued)*

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.

(iv) Use of estimates and judgements

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***(c) Basis of consolidation**

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

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; 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 member of the Group are eliminated in full on consolidation.

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

Allocation of total comprehensive income to non-controlling interests

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***(c) Basis of consolidation** *(Continued)****Changes in the Group's ownership interests in existing subsidiaries***

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

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

(i) Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***(c) Basis of consolidation** *(Continued)***(i) Business combinations** *(Continued)*

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

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

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

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

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***(c) Basis of consolidation** *(Continued)***(i) Business combinations** *(Continued)*

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

(ii) Goodwill

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

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

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

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

(d) Investment property

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

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***(d) Investment property** *(Continued)*

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

(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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***(f) Leasing**

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

(i) The Group as lessor

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

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

(ii) The Group as 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***(g) Impairment of assets****(i) Impairment of receivables**

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

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological market, economic or legal environment that have an adverse effect on the debtor.

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***(g) Impairment of assets** *(Continued)***(ii) Impairment of other assets**

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

- property, plant and equipment;
- investment in subsidiaries (except for those classified as held for sale (or included in a disposal group that is classified as held for sale)); and
- goodwill.

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

- Calculation of recoverable amount

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

- Recognition of impairment losses

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

- Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there 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 in which the reversals are recognised.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***(g) Impairment of assets** *(Continued)***(iii) Interim financial reporting and impairment**

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

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

(h) Stock of properties

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

(i) Trade and other receivables

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

(j) Financial instruments

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***(j) Financial instruments** *(Continued)***(i) Financial assets**

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss, held-to-maturity financial assets and loans and receivables. All regular way purchases or sales of financial assets are recognised and 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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***(j) Financial instruments** *(Continued)***(ii) Financial liabilities and equities** *(Continued)**Financial liabilities*

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

Effective interest method

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

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

Financial guarantee contracts

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***(j) Financial instruments** *(Continued)***(iii) Derecognition**

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

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 comprehensive income.

(iv) Derivative financial instruments

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

Embedded derivatives

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

(k) Interest-bearing borrowings

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

(l) Deposits and other payables

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***(m) Cash and cash equivalents**

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

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

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

(ii) Share-based payments

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

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)***(o) Income tax**

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

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

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

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse 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 of 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 expected 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)***(o) 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.

(p) Provisions and contingent liabilities**(i) Contingent liabilities acquired in business combinations**

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

(ii) Other provisions and contingent liabilities

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

Where it is not probable than 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)***(q) Revenue recognition**

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

(i) Rental income from operating leases

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

(ii) Revenue from properties sale

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

(iii) Revenue from property ancillary services

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

(iv) Commission income from agricultural exchange market

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

(v) Interest income

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

(vi) 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.

(vii) Dividend income

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***(r) Translation of foreign currencies**

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

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.

(s) Borrowing costs

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

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

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

(t) Related parties

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

- (1) A person or entity that is preparing the consolidated financial statements of the Group;
- (2) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (ii) is a member of the key management personnel of the Group or of a parent of the Group.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***(t) Related parties** *(Continued)*

- (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 and fellow 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 a 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 are 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).

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

(u) Segment reporting

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Government grants

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

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

In the current year, the Company has applied, for the first time, the following new standard, amendments and interpretations (“**new HKFRSs**”) issued by the HKICPA, which are effective for the Company’s financial year beginning 1 January 2014. A summary of the new HKFRSs are set out as below:

HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities
HKAS 36	Recoverable Amount and Disclosures for Non-Financial Assets
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)-Int 21	Levies

The nature of the impending changes in accounting policy on adoption is described below.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The Group has applied the amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities for the first time in the current year. The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)**Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities (Continued)**

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity (assessed based on the criteria set out in HKFRS 10 as at 1 January 2014), the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group’s consolidated financial statements.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to HKAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’ and ‘simultaneous realisation and settlement’.

The amendments have been applied retrospectively. The Group has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments has had no impact on the amounts recognised in the Group’s consolidated financial statements.

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The Group has applied the amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets for the first time in the current year. The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by HKFRS 13 Fair Value Measurements.

The application of these amendments has had no material impact on the disclosures in the Group’s consolidated financial statements.

Amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The Group has applied the amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting for the first time in the current year. The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

The amendments have been applied retrospectively. As the Group does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the Group’s consolidated financial statements.

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

HK(IFRIC) - Int 21 Levies

The Group has applied HK(IFRIC) — Int 21 Levies for the first time in the current year. HK(IFRIC) - Int 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

HK(IFRIC) — Int 21 has been applied retrospectively. The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Group’s consolidated financial statements.

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

HKFRS 9	Financial Instruments ¹
HKFRS 14	Regulatory Deferral Accounts ²
HKFRS 15	Revenue from Contracts with Customers ³
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations ⁵
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation ⁵
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants ⁵
HKAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions ⁴
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements ⁵
HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle ⁶
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle ⁴
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle ⁵

¹ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted

² Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted

³ Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted

⁴ Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted

⁵ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted

⁶ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)**HKFRS 9 Financial Instruments**

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described below:

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

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

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

The Directors anticipate that HKFRS 9 that will be adopted in the Group’s consolidated financial statements for the annual period beginning 1 January 2018 and that the application of new standard may have a significant impact on amounts reported in respect of Group’s financial assets. However, it is not practical to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 14 Regulatory Deferral Accounts

HKFRS 14 Regulatory Deferral Accounts, describes regulatory deferral account balances as amounts of expense or income that would not be recognised as assets or liabilities in accordance with other standards, but that qualify to be deferred in accordance with IFRS/HKFRS 14 because the amount is included, or is expected to be included, by the rate regulator in establishing the price(s) that an entity can charge to customers for rate regulated goods or services.

The amendments to HKFRS 14 apply prospectively for annual periods beginning on or after 1 January 2016. The Directors do not anticipate that the application of these amendments to HKFRS 14 will have a material impact on the Group’s consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)**HKFRS 15 Revenue from Contracts with Customers**

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

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

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

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

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

Amendments to HKFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to HKFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in HKFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards (e.g. HKAS 36 Impairment of Assets regarding impairment testing of a cash generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by HKFRS 3 and other standards for business combinations.

The amendments to HKFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. The Directors do not anticipate that the application of these amendments to HKFRS 11 will have a material impact on the Group’s consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)**Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation**

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- a) when the intangible asset is expressed as a measure of revenue; or
- b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The Directors believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the Directors do not anticipate that the application of these amendments to HKAS 16 and HKAS 38 will have a material impact on the Group’s consolidated financial statements.

Amendments to HKAS 16 and HKAS 41 Agriculture: Bearer Plants

The amendments to HKAS 16 and HKAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with HKAS 16, instead of HKAS 41. The produce growing on bearer plants continues to be accounted for in accordance with HKAS 41.

The Directors do not anticipate that the application of these amendments to HKAS 16 and HKAS 41 will have a material impact on the Group’s consolidated financial statements as the Group is not engaged in agricultural activities.

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions

The amendments to HKAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees’ periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees’ periods of service.

The Directors do not anticipate that the application of these amendments to HKAS 19 will have a significant impact on the Group’s consolidated financial statements as the Group does not have any defined benefit plans.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)**Amendments to HKAS 27 Equity Method in Separate Financial Statements**

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

- At cost
- In accordance with HKFRS 9 Financial Instruments (or HKAS 39 Financial Instruments: Recognition and Measurement for entities that have not yet adopted HKFRS 9), or
- Using the equity method as described in HKAS 28 Investments in Associates and Joint Ventures.

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to HKAS 27, there are consequential amendments to HKAS 28 to avoid a potential conflict with HKFRS 10 Consolidated Financial Statements and to HKFRS 1 First time Adoption of Hong Kong Financial Reporting Standards.

The Directors do not anticipate that the application of these amendments to HKAS 27 will have a material impact on the Group’s consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to HKAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.
- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor’s financial statements.
- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)**Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Continued)**

Amendments to HKFRS 10:

- An exception from the general requirement of full gain or loss recognition has been introduced into HKFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.
- New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent’s profit or loss only to the extent of the unrelated investors’ interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent’s profit or loss only to the extent of the unrelated investors’ interests in the new associate or joint venture.
- The Directors do not anticipate that the application of these amendments to HKFRS 10 and HKAS 28 will have a material impact on the Group’s consolidated financial statements.

Annual Improvements to HKFRSs 2010-2012 Cycle

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of ‘vesting condition’ and ‘market condition’; and (ii) add definitions for ‘performance condition’ and ‘service condition’ which were previously included within the definition of ‘vesting condition’. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have ‘similar economic characteristics’; and (ii) clarify that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)**Annual Improvements to HKFRSs 2010-2012 Cycle (Continued)**

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The Directors do not anticipate that the application of these amendments will have a material effect on the Group’s consolidated financial statements.

Annual Improvements to HKFRSs 2011-2013 Cycle

The Annual Improvements to HKFRSs 2011-2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

- (a) the property meets the definition of investment property in terms of HKAS 40; and
- (b) the transaction meets the definition of a business combination under HKFRS 3.

The Directors do not anticipate that the application of these amendments will have a material effect on the Group’s consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)**Annual Improvements to HKFRSs 2012-2014 Cycle**

The Annual Improvements to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments apply prospectively.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to HKFRS 7 Disclosure - Offsetting Financial Assets and Financial Liabilities issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with HKAS 34 Interim Financial Reporting.

The amendments to HKAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained earnings at the beginning of that period.

The amendments to HKAS 34 clarify the requirements relating to information required by HKAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The Directors do not anticipate that the application of these will have a material effect on the Group’s consolidated financial statements.

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.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)**(a) Key sources of estimation uncertainty**

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

(i) Impairment of property, plant and equipment

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

(ii) Valuation of investment properties

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

The methodology and assumptions adopted in the property valuations are mentioned in note 17(a).

(iii) Impairment for goodwill

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

(iv) Impairment for trade and other receivables

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

4. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)***(a) Key sources of estimation uncertainty** *(Continued)***(v) 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.

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

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

Going Concern

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

- i) According to the court order announced by the Supreme Court of the PRC, the share transfer agreements filed with the MOFCOM of the PRC and the Hubei AIC in relation to the acquisition of Baisazhou Agricultural were void. After the directors obtained the legal opinion from the PRC legal advisor and gave careful consideration, the judgement will not lead to immediate change the ownership of Baisazhou Agricultural and the Company continues to be the legal owner of Baisazhou Agricultural until and unless have revocation of the approval from the MOFCOM and the registration of the transfer of shareholding by the Hubei AIC;
- ii) the directors also considered that the Group will be able to generate adequate cash flows from its operations, issue shares and secure the necessary facilities from the from the banks in the next twelve months to enable the Group to operate as a going concern.

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

5. TURNOVER

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

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Property rental income	166,887	137,824
Revenue from property ancillary services	50,385	39,064
Commission income from agricultural produce exchange market	71,574	62,037
Revenue from property sales	9,197	169,619
	<u>298,043</u>	<u>408,544</u>

6. OTHER REVENUE AND OTHER NET INCOME

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Other revenue		
Bank and other interest income	4,750	1,268
Unrealised gain on financial assets at fair value through profit or loss	—	133
PRC government subsidies (<i>note 6(a)</i>)	35,519	5,379
Others	1,953	2,865
	<u>42,222</u>	<u>9,645</u>

(a) PRC government subsidies

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

7. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived after (crediting)/charging:

(a) Finance costs

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Interest on bank and other borrowings wholly repayable within five years	186,314	145,941
Interest on bank and other borrowings wholly repayable over five years	15,645	4,982
Interest on promissory notes	25,238	23,500
Interest on bonds	19,326	—
Less: — Amounts classified as capitalised into investment properties under construction	—	(8,768)
— Amounts classified as capitalised into stock of properties	(14,533)	(807)
	<u>231,990</u>	<u>164,848</u>

The weight average capitalisation rate on borrowing is 7.0% per annum (2013: 7.0%).

(b) Staff costs (including directors' emoluments)

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Contributions to defined contribution retirement plans	897	685
Salaries, wages and other benefits	132,029	98,191
	<u>132,926</u>	<u>98,876</u>

7. (LOSS)/PROFIT BEFORE TAXATION (Continued)

(c) Other items

	2014 HK\$'000	2013 HK\$'000
Depreciation and amortisation	10,554	6,543
Loss on disposal on property, plant and equipment	184	52
Auditors' remuneration		
— audit services	1,600	1,200
— other services	200	200
Operating lease charges: minimum lease payments		
— property rental	4,219	3,389
Unrealised loss on financial assets at fair value through profit or loss	754	—
Cost of stock of properties	10,212	135,928
	<u>10,212</u>	<u>135,928</u>

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

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

	2014 HK\$'000	2013 HK\$'000
Current tax		
— PRC enterprise income tax	23,423	53,508
Over provision in prior year	(8,317)	—
Deferred tax		
Origination and reversal of temporary difference	28,895	144,949
	<u>44,001</u>	<u>198,457</u>

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 2014 and 2013. PRC Enterprise Income Tax is computed according to the relevant legislation interpretations and practices in respect thereof during the year. PRC subsidiaries are subject to PRC Enterprise Income Tax rate is 25% (2013: 25%).

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

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

	2014		2013	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
(Loss)/profit before taxation	(292,068)		419,176	
Notional tax on (loss)/profit before taxation calculation at the rates applicable to (loss)/profit in the jurisdictions concerned	(73,017)	(25.0)	104,794	25.0
Effect of different tax rates in other tax jurisdiction	22,789	7.8	19,840	4.7
Tax effect non-deductible expenses and temporary difference	110,201	37.7	73,021	17.4
Tax effect of non-taxable income	(26)	—	(25)	—
Tax effect on tax losses utilised	(10,255)	(3.5)	—	—
Over provision in prior year	(8,317)	(2.8)	—	—
Tax loss not recognised	2,626	0.9	827	0.2
Income tax expense for the year	<u>44,001</u>	<u>15.1</u>	<u>198,457</u>	<u>47.3</u>

9. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to Section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap 622) are as follows:

	Directors' fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Retirement scheme contributions <i>HK\$'000</i>	Total 2014 <i>HK\$'000</i>
Executive directors:				
Chan Chun Hong, Thomas (Chairman and chief executive officer) (note 9(a))	1,026	3,134	17	4,177
Leung Sui Wah, Raymond	1,433	582	17	2,032
Wong Koon Kui, Lawrence (Former chief executive officer) (note 9(b))	671	1,019	6	1,696
Yau Yuk Shing	888	316	44	1,248
Independent non-executive directors:				
Ng Yat Cheung	140	—	—	140
Lau King Lung (note 9(d))	140	—	—	140
Lam Ka Jen, Katherine	140	—	—	140
	<u>4,438</u>	<u>5,051</u>	<u>84</u>	<u>9,573</u>

	Directors' fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Retirement scheme contributions <i>HK\$'000</i>	Total 2013 <i>HK\$'000</i>
Executive directors:				
Chan Chun Hong, Thomas (Chairman and former Chief executive officer) (note 9(a))	1,005	1,539	15	2,559
Leung Sui Wah, Raymond	1,387	313	15	1,715
Wong Koon Kui, Lawrence (Chief executive officer) (note 9(b))	1,759	412	15	2,186
Yau Yuk Shing	789	276	39	1,104
Independent non-executive directors:				
Ng Yat Cheung	120	—	—	120
Lee Chun Ho (note 9(c))	45	—	—	45
Lau King Lung (note 9(d))	75	—	—	75
Lam Ka Jen, Katherine	120	—	—	120
	<u>5,300</u>	<u>2,540</u>	<u>84</u>	<u>7,924</u>

9. DIRECTORS' EMOLUMENTS *(Continued)*

During the years ended 31 December 2014 and 2013, no emoluments were paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. No directors of the Company waived or agreed to waive any emoluments during the year.

Notes:

- (a) Director was resigned as chief executive officer on 20 March 2013 and appointed as chief executive officer on 8 May 2014.
- (b) Director was appointed on 1 December 2012 and appointed as chief executive officer on 20 March 2013 and resigned as Director and chief executive officer on 8 May 2014.
- (c) Director was retired upon the conclusion of annual general meeting held on 16 May 2013.
- (d) Director was appointed upon the conclusion of the annual general meeting held on 16 May 2013 and was re-elected in the special general meeting held on 17 February 2014.

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

- (a) Of the five individuals with the highest emoluments, four (2013: four) are directors whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the remaining one (2013: one) individual are as follows:

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and other benefits	1,048	908
Retirement schemes contributions	17	15
	<u>1,065</u>	<u>923</u>

The emoluments of one (2013: one) individual with the highest emoluments are within the following bands:

	2014	2013
	<i>Number of</i>	<i>Number of</i>
	<i>individuals</i>	<i>individuals</i>
Nil to HK\$1,000,000	—	1
HK\$1,000,001 to HK\$1,500,000	1	—
	<u>1</u>	<u>1</u>

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS *(Continued)*(a) *(Continued)*

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

	2014	2013
	<i>Number of senior management</i>	<i>Number of senior management</i>
Nil to HK\$1,000,000	5	7
HK\$1,000,000 to HK\$1,500,000	1	—
	<u>6</u>	<u>7</u>

During the years ended 31 December 2014 and 2013, no emoluments were paid by the Group to any of the highest paid individuals 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 increased from HK\$25,000 to HK\$30,000 since 1 June 2014. 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. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company includes a loss of approximately HK\$183,733,000 (2013: approximately HK\$220,060,000) which has been dealt with in the financial statements of the Company.

13. DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the years ended 31 December 2014 and 2013 respectively.

14. (LOSS)/EARNINGS PER SHARE**(a) Basic (loss)/earnings per share**

The calculation of basic (loss)/earnings per share is based on the loss for the year attributable to owners of the Company of approximately HK\$340,420,000 (2013: profit attributable to owners of the Company of approximately HK\$154,980,000) and the weighted average number of 1,105,197,153 ordinary shares (2013 (Restated): 178,349,736 ordinary shares) in issue during the year.

For the year ended 31 December 2013, the weighted average number of ordinary shares for the purpose of basic earnings per share has been restated and adjusted with the effect of rights issue and bonus issue which were occurred during the current year.

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share for the year ended 31 December 2014 and 2013 were the same as basic (loss)/earnings per share as there was no diluted event during the year.

15. 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.

15. SEGMENT REPORTING (Continued)

Segment revenue and results

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

	Agricultural produce exchange market operation		Property sales		Unallocated		Consolidated	
	2014	2013	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover								
External sales	288,846	238,925	9,197	169,619	—	—	298,043	408,544
Result								
Segment result	(95,309)	(3,307)	(1,026)	6,648	—	—	(96,335)	3,341
Other revenue and other income	39,970	8,873	—	13	2,252	759	42,222	9,645
Net gain in fair value of investment properties	77,686	671,065	—	—	—	—	77,686	671,065
Unallocated corporate expenses							(83,651)	(100,027)
(Loss)/profit from operations							(60,078)	584,024
Finance costs	(43,832)	(21,880)	(731)	—	(187,427)	(142,968)	(231,990)	(164,848)
(Loss)/profit before taxation							(292,068)	419,176
Income tax							(44,001)	(198,457)
(Loss)/profit for the year							(336,069)	220,719

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

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year (2013: Nil).

15. SEGMENT REPORTING (Continued)

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	
	2014 HK\$ '000	2013 HK\$ '000	2014 HK\$ '000	2013 HK\$ '000	2014 HK\$ '000	2013 HK\$ '000
Assets						
Segment assets	4,103,168	3,922,216	2,715,778	1,646,691	6,818,946	5,568,907
Unallocated corporate assets					87,079	129,887
Consolidated total assets					<u>6,906,025</u>	<u>5,698,794</u>
Liabilities						
Segment liabilities	2,134,593	1,542,528	535,721	469,812	2,670,314	2,012,340
Unallocated corporate liabilities					2,359,453	2,065,606
Consolidated total liabilities					<u>5,029,767</u>	<u>4,077,946</u>

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

- all assets are allocated to reportable segments other than corporate assets. Goodwill is allocated to agriculture produce exchange market operation.
- all liabilities are allocated to reportable segments other than bonds, promissory notes and corporate liabilities.

15. 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	
	2014	2013	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital expenditure - others (Note i)	169,378	259,730	—	—	2,213	4,187	171,591	263,917
Net gain in fair value of investment properties	77,686	671,065	—	—	—	—	77,686	671,065
Unrealised (loss)/gain on financial assets at fair value through profit or loss	—	—	—	—	(754)	133	(754)	133
Depreciation and amortisation	8,914	5,800	—	—	1,640	743	10,554	6,543

Note:

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

Information about major customers

For the year ended 2014 and 2013, no other single customers contributed 10% or more to the Group's revenue.

Geographical information

As at the end of reporting period, the entire of 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.

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Furniture, equipment and motor vehicles	Leasehold improvements	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost:				
At 1 January 2013	2,356	39,945	1,288	43,589
Exchange adjustments	67	1,345	78	1,490
Additions	—	17,302	3,160	20,462
Written off upon disposal	—	(966)	—	(966)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2013 and 1 January 2014	2,423	57,626	4,526	64,575
Exchange adjustments	(107)	(1,419)	(106)	(1,632)
Additions	10,124	27,686	1,216	39,026
Written off upon disposal	—	(997)	—	(997)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2014	12,440	82,896	5,636	100,972
	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation:				
At 31 January 2013	578	11,423	1,013	13,014
Exchange adjustments	17	377	38	432
Charge for the year	61	5,786	696	6,543
Written off upon disposal	—	(826)	—	(826)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2013 and 1 January 2014	656	16,760	1,747	19,163
Exchange adjustments	(15)	(418)	(45)	(478)
Charge for the year	300	9,108	1,146	10,554
Written off upon disposal	—	(813)	—	(813)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2014	941	24,637	2,848	28,426
	<hr/>	<hr/>	<hr/>	<hr/>
Carrying amount:				
At 31 December 2014	<u>11,499</u>	<u>58,259</u>	<u>2,788</u>	<u>72,546</u>
At 31 December 2013	<u>1,767</u>	<u>40,866</u>	<u>2,779</u>	<u>45,412</u>

17. INVESTMENT PROPERTIES

	The Group	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Completed investment properties	<u>3,554,194</u>	<u>3,420,587</u>
	The Group	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January	3,420,587	3,408,915
Additions	132,565	243,455
Transferred to stock of properties	—	(998,586)
Fair value gain	77,686	671,065
Exchange adjustments	<u>(76,644)</u>	<u>95,738</u>
At 31 December	<u>3,554,194</u>	<u>3,420,587</u>

(a) Valuation of investment properties

The investment properties amounted of approximately HK\$3,554,194,000 of the Group were stated at fair value as at 31 December 2014. The fair value were arrived at based on the valuations carried out by an independent firm of qualified professional valuers, RHL appraisal limited, (“**RHL**”), who have among their staff members of the Hong Kong Institute of Surveyors with recent experience in the location and category of the properties being valued. The valuations conform to the Valuation Standards 2012 Edition published by the Hong Kong Institute of Surveyors.

RHL have valued the properties on the basis of capitalisation of the net income derived from properties rental. In the course of their valuation, RHL have also made reference to the comparable market transactions as available.

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 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% (2013: 6.5% to 8.0%) while the ranges of reversionary yield were from 8.0% to 9.0% (2013: 7.5% to 9.0%). A slight increase in the term yield and reversionary yield used would result in a significant decrease in fair value measurement of the investment properties, and vice versa.

The other 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 RMB 8 to RMB 57 (2013: RMB 8 to RMB 51). A significant increase in the s.q.m. per month used would result in a significant increase in fair value, and vice versa.

17. INVESTMENT PROPERTIES (Continued)

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

	2014 HK\$'000	2013 HK\$'000
In the PRC		
— medium-term leases	3,554,194	3,420,587

(c) Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2014 and 2013 are as follows:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Fair value as at 2014 HK\$'000
Investment property unit located in PRC	—	—	3,554,194	3,554,194
	—	—	3,420,587	3,420,587

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 an agricultural exchange market 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\$3,767,000 (2013: approximately HK\$4,784,000) amounted to approximately HK\$163,120,000 (2013: approximately HK\$133,040,000).

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

	2014 HK\$'000	2013 HK\$'000
Within 1 year	47,146	85,933
After 1 year but within 5 years	64,602	55,589
Over 5 years	—	274
	111,748	141,796

17. INVESTMENT PROPERTIES *(Continued)***(d) Investment properties leased out under operating leases** *(Continued)*

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 2014, the land use rights in respect of investment properties with a total carrying amount of approximately HK\$1,559,808,000 (2013: approximately HK\$1,665,293,000) were pledged to banks for the Group's bank borrowings, details of which are set out in note 26.

At 31 December 2014, 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.

18. GOODWILL

	The Group	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost:		
At 1 January and 31 December	25,017	25,017
Accumulated impairment losses:		
At 1 January and 31 December	18,573	18,573
Carrying amount:		
At 31 December	6,444	6,444

Note:

At the end of the reporting period, the Group assessed the recoverable amount of goodwill, and determined that no impairment has been provided for goodwill associated with certain of the Group's property rental activities of agricultural produce exchange market operation for the year ended 31 December 2014 (2013: Nil). The recoverable amount of the property rental activities was assessed by reference to the relevant cash-generating unit's value in use. A discount factor of 12% (2013: 12%) per annum was applied in the value in use model.

Particulars of impairment testing on goodwill are disclosed below.

18. GOODWILL (Continued)**Impairment testing on goodwill**

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

- Agricultural produce exchange market operation

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

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Agricultural produce exchange market operation	6,444	6,444
	<u>6,444</u>	<u>6,444</u>

Property rental

The recoverable amount of this cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the Directors covering a five-year period, and a discount rate of approximately 12% (2013: approximately 12%) per annum. Cash flows covering that five year period have been extrapolated using a steady 3% growth rate. This growth rate does not exceed the long term average growth rate for the market. The Directors believe that any reasonably possible further change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the unit to exceed its recoverable amount.

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

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

19. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted, at cost	1,053,933	1,005,433
Less: Impairment loss (<i>note (i)</i>)	(734,353)	(734,353)
	<u>319,580</u>	<u>271,080</u>

Note:

- (i) Due to the poor performance of subsidiaries, the carrying amounts of the investments in subsidiaries are reduced to their recoverable amounts which are determined by reference to the estimation of future cash flows expected to be generated from the respective subsidiaries.

19. INVESTMENTS IN SUBSIDIARIES (Continued)

(a) General information of subsidiaries

Name of Company	Place of Incorporation/ registration and operation	Particulars of issued and fully paid ordinary share capital/ registered capital	Proportion of ownership interest and voting power held			Principal activities
			Group's effective interest	Held by the Company	Held by subsidiaries	
Novel Talent Limited	British Virgin Islands/ Hong Kong	US\$1	100.0%	100.0%	—	Investment holding
徐州源洋商貿發展有限公司 (note 19(a)(i))	The PRC	RMB61,220,000	51.0%	—	51.0%	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	100.0%	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	65.0%	—	65.0%	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	100.0%	—	100.0%	Agricultural produce exchange market operation
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	100.0%	—	100.0%	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	100.0%	—	100.0%	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	100.0%	—	100.0%	Agricultural produce exchange market operation and property sales
洛陽利寶置業有限公司 (note 19(a)(iii))	The PRC	RMB10,000,000	100.0%	—	100.0%	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	75.0%	—	75.0%	Agricultural produce exchange market operation
盤錦宏進農副產品批發市場有限公司 (note 19(a)(ii))	The PRC	USD9,999,988	100.0%	—	100.0%	Agricultural produce exchange market operation and property sales

19. INVESTMENTS IN 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	Group's effective interest	Proportion of ownership interest and voting power held		Principal activities
				Held by the Company	Held by subsidiaries	
淮安宏進農副產品物流有限公司 (note 19(a)(ii))	The PRC	USD2,520,000	100.0%	—	100.0%	Agricultural produce exchange market operation and property sales

Notes:

- (i) Registered as a sino-foreign equity joint venture under the laws of the PRC.
- (ii) Registered as a wholly-owned foreign enterprise under the laws of the PRC.
- (iii) Registered as a domestic-funded enterprise under the laws of the PRC.

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

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

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

Name of Company	Place of incorporation/ registration and operation	Proportion of ownership interests and voting rights held by non-controlling interests	(Loss)/profit allocated to non-controlling interests		Accumulated non-controlling interests	
			2014	2013	2014	2013
			HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
徐州源洋商貿發展有限公司	The PRC	49.0%	19,071	62,093	219,550	212,156
玉林宏進農副產品批發市場有限公司	The PRC	35.0%	(4,616)	3,646	198,206	209,103

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

19. INVESTMENTS IN SUBSIDIARIES (Continued)

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

(i) 徐州源洋商貿發展有限公司

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current assets	46,140	53,120
Non-current assets	585,234	567,832
Current liabilities	85,282	89,290
Non-current liabilities	98,030	95,486
Equity attributable to owners of the Company	228,512	224,020
Non-controlling interests	219,550	212,156
	<u>228,512</u>	<u>224,020</u>
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	63,981	66,077
Other gain	23,345	130,614
Expenses	(48,405)	(69,971)
	<u>38,921</u>	<u>126,720</u>
Profit for the year	38,921	126,720
	<u>38,921</u>	<u>126,720</u>
Profit attributable to owners of the Company	19,850	64,627
Profit attributable to owners of the non-controlling Interests	19,071	62,093
	<u>38,921</u>	<u>126,720</u>
Profit for the year	38,921	126,720
	<u>38,921</u>	<u>126,720</u>
Total comprehensive income attributable to owners of the Company	14,992	69,757
Total comprehensive income attributable to owners of the non-controlling interests	14,404	67,021
	<u>29,396</u>	<u>136,778</u>
Total comprehensive income for the year	29,396	136,778
	<u>29,396</u>	<u>136,778</u>
Dividend paid to non-controlling interest	7,022	4,021
	<u>7,022</u>	<u>4,021</u>
Net cash inflow from operating activities	39,545	33,071
Net cash outflow from investing activities	(13,297)	(3,986)
Net cash outflow from financing activities	(26,965)	(22,332)
	<u>(717)</u>	<u>6,753</u>
Net cash (outflow)/inflow	(717)	6,753
	<u>(717)</u>	<u>6,753</u>

19. INVESTMENTS IN SUBSIDIARIES (Continued)

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

(ii) 玉林宏進農副產品批發市場有限公司

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current assets	29,800	41,137
Non-current assets	716,924	772,929
Current liabilities	62,643	78,680
Non-current liabilities	117,777	142,388
Equity attributable to owners of the Company	368,098	383,895
Non-controlling interests	198,206	209,103
	<u>2014</u>	<u>2013</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	37,615	194,448
Other gain	20,792	19,091
Expenses	(71,596)	(203,121)
(Loss)/profit for the year	<u>(13,189)</u>	<u>10,418</u>
(Loss)/profit attributable to owners of the Company	(8,573)	6,772
(Loss)/profit attributable to owners of the non-controlling interests	<u>(4,616)</u>	<u>3,646</u>
(Loss)/profit for the year	<u>(13,189)</u>	<u>10,418</u>
Total comprehensive (loss)/income attributable to owners of the Company	(17,351)	15,662
Total comprehensive (loss)/income attributable to owners of the non-controlling interests	<u>(9,343)</u>	<u>8,433</u>
Total comprehensive (loss)/income for the year	<u>(26,694)</u>	<u>24,095</u>
Net cash inflow from operating activities	19,164	40,375
Net cash outflow from investing activities	(1,659)	(4,718)
Net cash outflow from financing activities	<u>(21,371)</u>	<u>(30,244)</u>
Net cash (outflow)/inflow	<u>(3,866)</u>	<u>5,413</u>

20. STOCK OF PROPERTIES

	The Group	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Completed properties	53,412	35,225
Properties under development	2,662,366	1,611,466
	<u>2,715,778</u>	<u>1,646,691</u>

Properties under development amounting to approximately HK\$2,662,366,000 (2013: approximately HK\$1,611,466,000) are expected to be recovered within twelve months.

As at 31 December 2014, the stock of properties of approximately HK\$904,357,000 (2013: approximately HK\$170,658,000) were pledged to bank for the Group's bank borrowings, details of which are set out in note 26.

21. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2014	2013	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade debtors, net	6,002	250	—	—
Amounts due from subsidiaries (<i>note 21 (c)</i>)	—	—	2,648,424	1,923,463
	<u>6,002</u>	<u>250</u>	<u>2,648,424</u>	<u>1,923,463</u>
Deposit for land acquisition	116,605	234,167	—	—
Other deposits	7,483	4,666	—	—
Prepayments	48,385	19,047	247	596
Amount due from non-controlling interest	12,572	14,394	—	—
Other receivables	40,702	21,379	—	—
Trade and other receivables, net	<u>231,749</u>	<u>293,903</u>	<u>2,648,671</u>	<u>1,924,059</u>

(a) Ageing analysis

Included in trade and other receivables are trade debtors with the following ageing analysis as of the end of reporting period:

	The Group	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Less than 90 days	4,668	229
More than 90 days but less than 180 days	896	11
More than 180 days	438	10
	<u>6,002</u>	<u>250</u>

21. TRADE AND OTHER RECEIVABLES (Continued)**(a) Ageing analysis (Continued)**

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

	The Group	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Less than 90 days past due	896	11
More than 90 days past due	438	10
	<u>1,334</u>	<u>21</u>

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

(c) Amounts due from subsidiaries

An analysis of the amounts due from subsidiaries is listed below:

	The Group	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Due from subsidiaries	3,075,063	2,350,102
Less: Provision for impairment	(426,639)	(426,639)
	<u>2,648,424</u>	<u>1,923,463</u>

The amounts due from subsidiaries are unsecured, interest-free and recoverable on demand. Impairment losses provided for amounts due from subsidiaries are due to the subsidiaries are in prolonged net liabilities position. These loss events have impacts on the estimated future cashflows of the amounts due from subsidiaries.

21. TRADE AND OTHER RECEIVABLES *(Continued)***(c) Amounts due from subsidiaries** *(Continued)*

The movement in the provision for impairment during the year is as follows:

	The Group	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January	426,639	347,075
Impairment loss recognised	—	79,564
	<u>426,639</u>	<u>426,639</u>
At 31 December	<u><u>426,639</u></u>	<u><u>426,639</u></u>

22. LOAN RECEIVABLES

	The Group	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current portion	<u>27,173</u>	<u>12,789</u>

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 5.6% (2013: 7.2%).

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Listed investments:		
— Equity securities listed in Hong Kong	<u>4,792</u>	<u>5,546</u>
Fair value	<u><u>4,792</u></u>	<u><u>5,546</u></u>

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/PLEDGED BANK DEPOSITS

	The Group		The Company	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash at banks and in hand (note 24(a))	200,387	267,422	20,750	65,556
Pledged bank deposits (note 24(b))	92,692	—	—	—

- (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 0.001% to 3.1% (2013: 0.1% to 3.1%) per annum and have original maturity of three months or less.

Included in cash at banks and in hand as at 31 December 2014 is an amount denominated in Renminbi (“RMB”) of approximately RMB122,959,000 (equivalent to approximately HK\$153,760,000) (2013: approximately RMB112,138,000 (equivalent to approximately HK\$143,343,000)), Renminbi is not freely convertible into other currencies.

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

- (c) During the reporting period, the Group entered into the following non-cash transaction:

The Group has issued the two batches of bonds with the aggregate principal amount of HK\$200,000,000 and HK\$1,200,000,000 respectively. The proceeds from the new bonds were used to offset HK\$1,400,000,000 of the other borrowings with the aggregate principal amount of HK\$1,405,000,000. For details, please refer to Note 28.

25. DEPOSITS AND OTHER PAYABLES

	The Group		The Company	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts due to subsidiaries (note 25(a))	—	—	80,681	74,481
Accrued charges	47,929	29,804	23,201	1,945
Construction payables	346,307	484,837	—	—
Deposit received	70,345	—	—	—
Interest payable	212,225	171,541	209,150	168,256
Other tax payables	34,261	44,485	—	—
Other payables	262,142	258,939	13	13
	973,209	989,606	313,045	244,695

- (a) The amounts due to subsidiaries was unsecured, interest-free and repayable on demand.

26. BANK AND OTHER BORROWINGS

	The Group		The Company	
	2014	2013	2014	2013
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
Secured bank borrowings (note 26(c))	1,048,629	542,059	108,700	—
Unsecured bank borrowings	62,525	63,945	—	—
Secured other borrowings (note 26(d))	—	880,000	—	880,000
Unsecured other borrowings (note 26(e))	55,000	580,000	—	525,000
	<u>1,166,154</u>	<u>2,066,004</u>	<u>108,700</u>	<u>1,405,000</u>
Carrying amount repayable:				
Within one year or on demand	434,534	961,128	108,700	745,000
More than one year, but within two years	219,289	216,816	—	100,000
More than two years, but within five years	436,645	785,124	—	560,000
More than five years	75,686	102,936	—	—
	<u>1,166,154</u>	<u>2,066,004</u>	<u>108,700</u>	<u>1,405,000</u>
Less: amounts due within one year shown under current liabilities	<u>(434,534)</u>	<u>(961,128)</u>	<u>(108,700)</u>	<u>(745,000)</u>
	<u>731,620</u>	<u>1,104,876</u>	<u>—</u>	<u>660,000</u>

(a) Included in the above balances are bank borrowings of variable-rate of approximately HK\$1,111,154,000 (2013: approximately HK\$606,004,000). The average rate charged by the banks during the year ranged from 2.7% to 8.4% (2013: 6.4% to 9.8% per annum) per annum. Interest is re-priced every 30 days. The other borrowings of HK\$55,000,000 (2013: approximately HK\$1,460,000,000) were obtained from one (2013: five) party and carry interest fixed at 12% (2013: from approximately 10% to 12% per annum) per annum.

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

	2014	2013
Effective interest rate:		
Fixed-rate borrowings	10% to 12%	10% to 12%
Variable-rate borrowings	<u>2.7% to 8.4%</u>	<u>6.4% to 9.8%</u>

(c) The secured bank borrowings are secured by (i) the land use rights included in properties; (ii) pledged bank deposit; (iii) stock of properties and (iv) floating charges of assets of the subsidiary of the company with a carrying amount of approximately HK\$2,604,647,000 (2013: HK\$1,835,951,000) as set out in notes 17, 20 and 24.

(d) The secured other borrowings are secured by (i) share charges in respect of the equity interests of three subsidiaries of the Company; (ii) floating charges of assets of the aforesaid three subsidiaries; and (iii) a loan assignment by way of charge executed by the Company on loans owned by the aforesaid three subsidiaries to it.

(e) During the year 31 December 2014, the Company has settled the unsecured other borrowings of HK\$200,000,000 to Peony Finance Limited, a wholly owned subsidiary of PNG Resources Holdings Limited, a shareholder of the Company with significant influence.

27. GOVERNMENT GRANTS

During the year ended 31 December 2014, the Group has recognised all government grants of approximately RMB2,300,000, equivalent to approximately HK\$2,891,000 (2013: Nil). At 31 December 2014, the Group has no unused government grants (2013: unused government grants of approximately RMB2,300,000, equivalent to approximately HK\$2,941,000) in relation to the construction of qualifying assets.

28. BONDS

The Group and the Company

	Non-listed bond maturity in 2016 ("Bonds 2016") HK\$'000 (Note 1)	Non-listed bond maturity in 2019 ("Bonds 2019") HK\$'000 (Note 1)	Listed bond maturity in 2024 ("Listed bonds 2024") HK\$'000 (Note 2)	Total HK\$'000
At 1 January 2014	—	—	—	—
Issue of bonds, net of transaction cost	193,426	1,160,551	143,588	1,497,565
Interest charge	1,806	11,388	6,132	19,326
Less: Interest paid/payable	(1,582)	(11,172)	(1,020)	(13,774)
	<u>193,650</u>	<u>1,160,767</u>	<u>148,700</u>	<u>1,503,117</u>
At 31 December 2014	<u>193,650</u>	<u>1,160,767</u>	<u>148,700</u>	<u>1,503,117</u>

Notes:

- 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 that 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 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.

The effectively interest rate of Bonds 2016 and Bonds 2019 were 10.3% and 10.9% per annum respectively.

- On 19 May 2014, the Company announced that China-Agri Products Exchange Limited has made application to The Stock Exchange of Hong Kong Limited for the listing of the HK\$1,000,000,000 medium term note program during the 12 months from 19 May 2014 by way of debt issue to professional investors only. The Company further announced that interest on the notes will be payable annually in arrears as 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.

28. BONDS *(Continued)***The Group and the Company** *(Continued)**Notes: (Continued)*2. *(Continued)*

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 bondholders:	Twelve specified redemption dates from 30 September 2021 to 30 June 2024
Redemption amount on mature date:	HK\$387,400,000 (96.85% of principal amount)

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

3. As described in note 26(e), the Company has settled the unsecured other borrowing of HK\$200,000,000 by issuing the same principal amount of non-listed bond to Peony Finance Limited, a wholly owned subsidiary of PNG Resources Holdings Limited, a shareholder of the company with significant influence.

29. PROMISSORY NOTES**The Group and the Company**

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 Baisazhou Agricultural (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 2014 is set out below:

	2014	2013
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
At 1 January and 31 December	<u>376,000</u>	<u>376,000</u>

The effective interest rate of the Promissory Notes is 12.23% per annum.

During the year ended 31 December 2014, the Group was pursuing a litigation regarding the Promissory Notes. For details, please refer to note 35.

30. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

(b) **Deferred taxation recognised:***The Group*

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year ended 31 December 2014 are as follows:

	Fair value adjustments of investment properties and stock of properties HK\$ '000	
Deferred tax arising from:		
At 1 January 2013		350,188
Exchange adjustments		11,837
Change in fair value of investment properties		167,766
Release upon sale of stock of properties		<u>(22,817)</u>
At 31 December 2013 and 1 January 2014		506,974
Exchange adjustments		(11,411)
Change in fair value of investment properties		30,422
Release upon sale of stock of properties		<u>(1,526)</u>
At 31 December 2014		<u><u>524,459</u></u>
	2014	2013
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Net deferred tax liabilities recognised in the consolidated statement of financial position	<u><u>524,459</u></u>	<u><u>506,974</u></u>

(c) **Deferred taxation not recognised**

At the end of the reporting period, the Group and the Company has obtained the tax assessment in regarding to the accumulated tax losses. In accordance to the tax assessment, tax losses of approximately HK\$103,587,000 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 and the Company had no other significant deferred tax assets/liabilities not recognised as at the end of reporting period.

31. CAPITAL AND RESERVES

(a) The Group

Details of movements in capital and reserves of the Group are set out in the consolidated statement of changes in equity on page 52.

(b) The Company

	Share capital	Share premium	Capital redemption reserve	Contributed surplus	Shareholders contribution	Accumulated losses	Total
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
At 1 January 2013	24,610	1,552,994	945	588,812	664	(1,766,079)	401,946
Placing of shares	4,900	49,980	—	—	—	—	54,880
Transaction costs related to placing of shares	—	(1,766)	—	—	—	—	(1,766)
Loss for the year	—	—	—	—	—	(220,060)	(220,060)
At 31 December 2013 and 1 January 2014	29,510	1,601,208	945	588,812	664	(1,986,139)	235,000
Capital reduction for the year	(28,772)	—	—	—	—	28,772	—
Placing of shares	4,700	137,200	—	—	—	—	141,900
Transaction costs related to placing of shares	—	(4,231)	—	—	—	—	(4,231)
Rights issue	11,066	503,512	—	—	—	—	514,578
Transaction costs related to rights issue and bonus issue	—	(15,375)	—	—	—	—	(15,375)
Bonus issue	738	(738)	—	—	—	—	—
Loss for the year	—	—	—	—	—	(183,733)	(183,733)
At 31 December 2014	17,242	2,221,576	945	588,812	664	(2,141,100)	688,139

31. CAPITAL AND RESERVES (Continued)

(c) Authorised and issued share capital

	Notes	2014		2013	
		Number of shares	Nominal value HK\$'000	Number of shares	Nominal value HK\$'000
Authorised:					
Ordinary shares of HK\$0.01 (2013: 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		2,950,984,135	29,510	2,460,984,135	24,610
Share consolidation and capital reduction	(i)	(2,877,209,532)	(28,772)	—	—
Issue of shares upon rights issue	(ii)	1,106,619,045	11,066	—	—
Issue of shares upon bonus issue	(ii)	73,774,603	738	—	—
Issue of shares upon placing	(iii)	250,000,000	2,500	490,000,000	4,900
Issue of shares upon placing	(iv)	220,000,000	2,200	—	—
At 31 December		1,724,168,251	17,242	2,950,984,135	29,510

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 regard to the Company's residual assets.

Notes:

- (i) On 19 December 2013, the Company announced that a share consolidation whereby every forty shares of nominal value of HK\$0.01 each in the issued share capital of the Company would be consolidated into one consolidated share (the "Adjusted Share") of nominal value of HK\$0.40; then a capital reduction whereby: (a) the nominal value of all the issued consolidated shares would be reduced from HK0.40 each to HK\$0.01 and the issued share capital would be reduced by HK\$0.39 per consolidated share in issue; and (b) any fractional consolidated share in the issued share capital arising from the share consolidation and the credit arising from the capital reduction has been cancelled and set off with the accumulated loss of the Company respectively. Details of the share consolidation and capital reduction were disclosed in the announcements of the Company dated 19 December 2013, 13 January 2014, 22 January 2014, 23 January 2014, and 20 February 2014 respectively.
- (ii) On 4 December 2013, the Company entered into the underwriting agreement to issue 1,106,619,045 rights shares at the subscription price of HK\$0.465 per rights share, on the basis of fifteen Adjusted Shares for every one Adjusted Share held at 4:00 p.m. on 28 February 2014. Upon satisfaction of the conditions of the rights issue, 73,774,603 bonus shares has been issued on the basis of one bonus share for every fifteen rights shares taken up under the rights issue. Details of the rights issue were disclosed in the announcements of the Company dated 19 December 2013, 13 January 2014, 22 January 2014, 23 January 2014, 20 February 2014, 24 March 2014 and 11 July 2014 respectively.

31. CAPITAL AND RESERVES (Continued)**(c) Authorised and issued share capital (Continued)**

Notes: (Continued)

- (iii) On 22 August 2014, the Company entered into the placing agreement to place a total of 250,000,000 shares to not less than six independent third parties at a price of HK\$0.33 per share. All conditions of the placing have been fulfilled and the completion of the placing took place on 3 September 2014. Details of the placing were disclosed in the announcements of the Company dated 22 August 2014 and 3 September 2014 respectively.
- (iv) On 24 October 2014, the Company entered into the placing agreement to place a total of 220,000,000 shares to not less than six independent third parties at a price of HK\$0.27 per share. All conditions of the placing have been fulfilled and the completion of the placing took place on 6 November 2014. Details of the placing were disclosed in the announcements of the Company dated 24 October 2014 and 6 November 2014 respectively.

(d) 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.

31. CAPITAL AND RESERVES *(Continued)***(d) Nature and purpose of reserves** *(Continued)***(v) Exchange reserve**

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

(vi) Other reserve

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

(e) Distributability of reserves

At 31 December 2014, the aggregate amount of reserves available for distribution to equity shareholders of the Company was nil (2013: Nil).

(f) 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 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.

31. CAPITAL AND RESERVES (Continued)

(f) Capital management (Continued)

The gearing ratio as at 31 December 2014 and 2013 was as follows:

	Notes	2014 HK\$'000	2013 HK\$'000
Current liabilities			
— Bank and other borrowings	26	434,534	961,128
— Promissory notes	29	376,000	376,000
Total current debts		810,534	1,337,128
Non-current liabilities			
— Bank and other borrowings	26	731,620	1,104,876
— Bonds	28	1,503,117	—
Total non-current debts		2,234,737	1,104,876
Total debt		3,045,271	2,442,004
Less: Cash and cash equivalents	24	(200,387)	(267,442)
Net debt		2,844,884	2,174,562
Total equity		1,876,258	1,620,848
Net debt-to-capital ratio		151.6%	134.2%

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

32. EQUITY SETTLED SHARE-BASED TRANSACTIONS

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

- (a) the official closing price of the shares as stated in the daily quotations sheets of the Stock Exchange on the offer date which must be a business day (and for this purpose, shall be taken to be the date of the Board meeting at which the Board proposes to grant the options);
- (b) the average of the official closing price of the shares as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the offer date; and
- (c) the nominal value of a share.

32. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

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 125,416,825 shares, representing approximately 7.27% 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 2014 and 2013.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Exposure to credit, liquidity and market risks (including interest rate, currency risk and equity price risk) arises in the normal course of the Group's business.

These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation, and arises principally from the carrying amount of the respective financial assets as stated in the consolidated statement of financial position after deducting any impairment allowance.

In order to minimise the credit risk in relation to each class of recognised financial assets as stated in the consolidated financial statements, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt and non-trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)***(a) Credit risk** *(Continued)*

The Group has a concentration of credit risk in certain individual customers. At the end of the reporting period, the five largest receivable balances accounted for approximately 19% (2013: approximately 55%) of the trade receivables and the largest trade receivable was approximately 12% (2013: approximately 22%) of the Group's total trade receivables. The Group seeks to minimise its risk by dealing with counterparties which have good credit history. Majority of the trade receivables that are neither past due nor impaired have no default payment history.

The Group's concentration of credit risk by geographical location is mainly in the PRC.

In relation to the Group's deposits with bank, the Group limits its exposure to credit risk by placing deposits with financial institutions with high credit rating and no recent history of default. The Directors consider that the Group's credit risk on the bank deposits is low. Management continues to monitor the position and will take appropriate action if their ratings should change. As at 31 December 2014 and 2013, the Group has no significant concentration of credit risk in relation to deposits with bank.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 21.

(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 2014 and 2013, there were no unutilised banking facilities.

The following table details the remaining contractual maturities at the end of reporting period of the Group's and the Company'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:

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Liquidity risk (Continued)

The Group

At 31 December 2014

	Carrying amount <i>HK\$ '000</i>	Total contractual undiscounted cash flows <i>HK\$ '000</i>	Within 1 year or on demand <i>HK\$ '000</i>	More than 1 year but less than 2 years <i>HK\$ '000</i>	More than 2 years but less than 5 years <i>HK\$ '000</i>	More than 5 years <i>HK\$ '000</i>
Deposit and other payables	925,280	925,280	925,280	—	—	—
Bank and other borrowings	1,166,154	1,324,966	411,436	351,495	501,546	60,489
Bonds	1,503,117	2,461,401	140,911	341,286	1,571,804	407,400
Promissory notes	376,000	376,000	376,000	—	—	—
	<u>3,970,551</u>	<u>5,087,647</u>	<u>1,853,627</u>	<u>692,781</u>	<u>2,073,350</u>	<u>467,889</u>

At 31 December 2013

	Carrying amount <i>HK\$ '000</i>	Total contractual undiscounted cash flows <i>HK\$ '000</i>	Within 1 year or on demand <i>HK\$ '000</i>	More than 1 year but less than 2 years <i>HK\$ '000</i>	More than 2 years but less than 5 years <i>HK\$ '000</i>	More than 5 years <i>HK\$ '000</i>
Deposit and other payables	959,802	959,802	959,802	—	—	—
Bank and other borrowings	2,066,004	2,432,766	1,128,648	319,514	863,490	121,114
Promissory notes	376,000	376,000	376,000	—	—	—
	<u>3,401,806</u>	<u>3,768,568</u>	<u>2,464,450</u>	<u>319,514</u>	<u>863,490</u>	<u>121,114</u>

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Liquidity risk (Continued)

The Company

	Carrying amount <i>HK\$ '000</i>	2014				
		Total contractual undiscounted cash flows <i>HK\$ '000</i>	Within 1 year or on demand <i>HK\$ '000</i>	More than 1 year but less than 2 years <i>HK\$ '000</i>	More than 2 years but less than 5 years <i>HK\$ '000</i>	More than 5 years <i>HK\$ '000</i>
Other payables	289,844	289,844	289,844	—	—	—
Bank and other borrowings	108,700	111,566	22,514	89,052	—	—
Bonds	1,503,117	2,461,401	140,911	341,286	1,571,804	407,400
Promissory notes	376,000	376,000	376,000	—	—	—
	<u>2,277,661</u>	<u>3,238,811</u>	<u>829,269</u>	<u>430,338</u>	<u>1,571,804</u>	<u>407,400</u>
		2013				
	Carrying amount <i>HK\$ '000</i>	Total contractual undiscounted cash flow <i>HK\$ '000</i>	Within 1 year or on demand <i>HK\$ '000</i>	More than 1 year but less than 2 years <i>HK\$ '000</i>	More than 2 years but less than 5 years <i>HK\$ '000</i>	More than 5 years <i>HK\$ '000</i>
Other payables	242,750	242,750	242,750	—	—	—
Bank and other borrowings	1,405,000	1,640,854	875,922	175,090	589,842	—
Promissory notes	376,000	376,000	376,000	—	—	—
	<u>2,023,750</u>	<u>2,259,604</u>	<u>1,494,672</u>	<u>175,090</u>	<u>589,842</u>	<u>—</u>

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank and other borrowings, bonds, promissory notes, pledged bank deposits and cash and cash equivalents.

Cash and cash equivalents comprise mainly cash at banks and in hand, with the annual interest rates ranging from approximately 0.001% to 3.1% as at 31 December 2014 (2013: approximately 0.1% to 3.1%).

The interest rates of the Group's bank and other borrowings, bonds and promissory notes are disclosed in notes 26, 28 and 29 respectively.

The Group is exposed to fair value interest rate risk in relation to fixed-rate other borrowings, bonds and promissory notes (see notes 26, 28 and 29 for details).

The Group is exposed to cash flow interest rate risk in respect of its variable-rate bank and other borrowings (see note 26), pledged bank deposits (see note 24) and bank balances (see note 24) due to changes of interest rates. It is the Group's present policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The Group currently does not have any interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant fixed-rate bank and other borrowings should the need arise.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)***(c) Interest rate risk** *(Continued)****Sensitivity analysis***

At 31 December 2014, 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 (loss)/profit after tax and increase/decrease accumulated losses by approximately HK\$10,730,000 (2013 approximately HK\$17,986,000). Other components of equity would not be affected (2013: 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 2013.

(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 (loss)/profit for the year would increase/decrease by approximately HK\$240,000 (2013: approximately HK\$277,000). This is mainly due to the changes in financial assets at fair value through profit or loss.

(f) Fair value of financial instrument

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

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

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(f) Fair value of financial instrument (Continued)

Fair value measurements recognised in the consolidated statement of financial position

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 2014 and 2013.

- 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 2014				
Financial assets at fair value through profit or loss	4,792	—	—	4,792
	<u>4,792</u>	<u>—</u>	<u>—</u>	<u>4,792</u>
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 31 December 2013				
Financial assets at fair value through profit or loss	5,546	—	—	5,546
	<u>5,546</u>	<u>—</u>	<u>—</u>	<u>5,546</u>

There were no transfer between Level 1 and 2 in both years.

34. COMMITMENTS

- (a) Capital commitments outstanding at 31 December 2014 not provided for in the financial statements were as follows:

	The Group	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure authorised and contracted for in respect of:		
— acquisition of properties	270,716	590,515
	<u>270,716</u>	<u>590,515</u>

- (b) At 31 December 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	1,963	1,735
After one year but within five years	4,285	4,024
	<u>6,248</u>	<u>5,759</u>

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.

35. LITIGATION

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

On 7 January 2011, the Company received a writ (the “**Writ**”) issued by Ms. Wang and Tian Jiu (as plaintiffs) against the Company (as defendant) and filed with the Higher People’s Court of Hubei Province (“**Hubei Court**”), the PRC, together with the related court summons dated 4 January 2011 (the “**Summons**”). The Writ also joined 武漢白沙洲農副產品大市場有限公司 (Wuhan Baisazhou Agricultural By-product Grand Market Company Limited*) (“**Baisazhou Agricultural**”) as third party to such civil proceeding.

35. LITIGATION (Continued)

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

Major allegations of Ms. Wang and Tian Jiu as set out in the Writ are as follows:

- (a) it is alleged that Baisazhou Agricultural forged a share transfer agreement (the “**Contended Agreement**”) in relation to the acquisition of Baisazhou Agricultural (the “**Acquisition**”) wherein the consideration for the Acquisition was understated and the manner of settlement of the consideration was inaccurately described;
- (b) it is alleged that Baisazhou Agricultural forged the related documentation for filing with the MOFCOM and 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.

According to the Writ, Ms. Wang and Tian Jiu were seeking an order from the court that the Contended Agreement 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.

On 18 November 2011, the Hubei Court made an interim order that the 8 per cent. 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 per cent. to 1.3 per cent. As advised by the Company’s PRC legal advisers, the Board was of the view that the freezing order did not affect the daily operation and management of Baisazhou exchange, or the operation of Baisazhou Agricultural and thus of no material effect on the Group as a whole.

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

On 4 July 2014, the Company received the notice of appeal to the Supreme People’s Court of the PRC (the “**Supreme People’s Court**”) from Ms. Wang and Tian Jiu regarding the PRC Action No. 1 (the “**Appeal**”). In the Appeal, Ms. Wang and Tian Jiu were seeking an order from the court that the Contended Agreement is void.

On 20 November 2014, the parties to the proceedings attended the trial of the Appeal.

On 13 January 2015 the Company received the judgment dated 31 December 2014 handed down from the Supreme People’s Court in relation to the Appeal (“**Beijing Judgment**”). In the Beijing Judgment, the Supreme People’s Court ordered that (a) the Hubei Court Judgment be revoked; and (b) the Contended Agreement was void.

35. LITIGATION (Continued)

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

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 from MOFCOM; and
 - (ii) the registration of the transfer of shareholding by the Hubei AIC.
- (c) The Company can apply for re-trial within a period of 6 months from the date of receipt of the Beijing Judgment.

After receiving the Beijing Judgment up to the date hereof, the Company has not received any further order from the Supreme People’s Court on this case.

The Company will take all necessary actions in the PRC as advised by its PRC legal adviser in response to the Beijing Judgment.

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

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

On 16 October 2014 the Company applied to the Higher People’s Court of Hubei Province to withdraw its claim in the proceedings. The Company’s application was granted on 22 October 2014.

(C) Writ issued in PRC by Wuhan Long Xiang Trading Development Limited and Wubei Zhong An Enterprise Investment Company Limited

On 1 July 2011, Baisazhou Agricultural received a writ issued by Wuhan Long Xiang Trading Development Limited (“**Long Xiang**”) (as plaintiff) against Baisazhou Agricultural (as defendant) (“**Long Xiang Action**”) and filed it with the Wuhan Intermediate People’s Court, the PRC, together with the related court summons dated 20 June 2011. It was alleged that Baisazhou Agricultural is obliged to make payment under a settlement agreement dated 16 August 2010 and a supplemental settlement agreement dated 19 August 2010 (the “**Settlement Agreements**”) entered into between Long Xiang, Baisazhou Agricultural and another party known as Wubei Zhong An Enterprise Investment Company Limited.

35. LITIGATION (Continued)

(C) Writ issued in PRC by Wuhan Long Xiang Trading Development Limited and Wubei Zhong An Enterprise Investment Company Limited (Continued)

On 20 April 2012, the Wuhan Intermediate People's Court, which is the first instance court of that case in the PRC, granted a judgment in favour of Long Xiang pursuant to which Baisazhou Agricultural was obliged to repay RMB20,659,176 together with interest at the borrowing rate offered by the People's Bank of China for the period from 19 August 2010 to 16 May 2011 to Long Xiang as damages for economic loss suffered.

On 16 May 2012, Baisazhou Agricultural appealed to the Higher People's Court of Hubei Province.

On 19 October 2013 the Higher People's Court of Hubei Province handed down the final judgment of the Long Xiang Action. The Court found against Baisazhou Agricultural that it was liable to make repayment to Long Xiang.

On 16 April 2014, the Wuhan Intermediate People's Court granted a Notice of Enforcement to Baisazhou Agricultural. In the said notice, it was stated that on 3 April 2014, Long Xiang applied to the Wuhan Intermediate People's Court to enforce the judgment against Baisazhou Agricultural.

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

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 sale and purchase agreement (the "**Sale and Purchase Agreement**") for the Acquisition.

On 5 October 2012, the Company obtained a court order from the Court to the effect that undertakings (the "**Undertakings**") were given by Ms. Wang and Tian Jiu not to indorse, assign, transfer or negotiate the 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. Under the Undertakings, the Instruments will no longer fall due for payment by the Company on 5 December 2012.

The Instruments are recorded at book value at approximately HK\$376,000,000, together with interest payable in the amount of approximately HK\$518,700,000 as at 31 December 2014.

(E) Writ issued in PRC by Mr. Yeung

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 construction payment RMB3,816,707 together with interest since August 2009. The parties exchanged evidence in August 2013 and the case is still on-going.

Save as disclosed above, as at the latest practicable date, being the date for the 2014 annual report of the Company, so far as the Directors were aware, the Group was not engaged in any litigation or claims of material importance, and so far as the Directors are aware, no litigation or claims of material importance is pending or threatened against the Group.

36. 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:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Short-term employee benefits	10,538	8,748
Post-employment benefits	100	99
	<u>10,638</u>	<u>8,847</u>

Total remuneration is included in "staff costs" (see note 7(b)).

(b) Balances with related parties

Details of the balances with related parties as at 31 December 2014 and 2013 are set out in notes 21, 26 and 28.

(c) Material related party transaction

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Peony Finance Limited		
— Unsecured other borrowing interest	19,951	—
— Interest on bond	1,396	—
	<u>21,347</u>	<u>—</u>

37. EVENTS AFTER THE REPORTING PERIOD

- On 23 December 2014, the Company entered into the underwriting agreement with, among other, the underwriters, whereby the Company proposes to raise gross proceeds of approximately HK\$517.3 million, before expenses, by way of the rights issue. The Company may allot and issue 1,724,168,248 rights shares at the subscription price of HK\$0.30 per rights share. For the detail, please refer to the Company's announcements date 8 January 2015, 29 January 2015 and 13 February 2015 respectively.

On 8 January 2015, the Company also announced that the net proceeds of the rights issue is approximately HK\$501.7 million.

- On 13 February 2015, the Company entered into a loan agreement with Double Leads, an indirectly wholly-owned subsidiary of Wang On Group Limited. Under the agreement, Double Leads agreed to advance 1-year unsecured loan of HK\$110,000,000 to the Company at an annual interest rate of 12.0%. For the details, please refer to the Company's announcement date 13 February 2015.

38. COMPARATIVE FINANCIAL INFORMATION

Certain comparative figures have been restated to conform with current year's presentation.

39. AUTHORISATION FOR ISSUE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 17 February 2015.

3. INDEBTEDNESS STATEMENT

Borrowings

As at close of business on 31 January 2015, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately HK\$1,205,660,000. These borrowings comprised (i) secured bank borrowings of approximately HK\$1,088,647,000; (ii) unsecured bank borrowings of approximately HK\$62,013,000; and (iii) unsecured interest-bearing loans of HK\$55,000,000. The bank borrowings with variable interest rates carry interest rates ranging from 2.7% to 7.8% per annum. The interest borrowing loans carry interest fixed at 12.0% per annum.

Securities

The aforesaid secured bank borrowings of approximately HK\$1,088,647,000 were secured by the investment properties, stock of properties and pledged bank deposits with a carrying amount of approximately HK\$1,547,023,000, HK\$844,858,000 and HK\$114,525,000 respectively or secured by pledged shares of a subsidiary of the Company.

Bonds

As at close of business on 31 January 2015, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had issued 40 lots of listed bonds with the carrying amounts of approximately HK\$149,827,000. The listed bonds bear interest at 1% per annum and are repayable in mature on 30 September 2024. The Group had also issued three tranches of private bonds which mature on 28 November 2016, 28 November 2019 and 18 February 2020 respectively (the “2016 Bonds”, “2019 Bonds” and “2020 Bonds”) with the carrying amounts of approximately HK\$1,361,779,000. The 2016 Bonds, 2019 Bonds and 2020 Bonds were borne coupon rates at 8.5%, 10% and 7.3% per annum respectively.

Promissory notes

As at close of business on 31 January 2015, being the Latest Practicable Date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had two issued promissory notes with an aggregate amount of HK\$376,000,000. According to their terms, the promissory notes bear interest at 5 % per annum and would be repayable in five years from the date of issue i.e. 5 December 2012. On 5 October 2012, the Company obtained a court order to the effect that undertakings were given by Ms. Wang and Tian Jiu not to, among others, enforce payment by presentation of the promissory notes until the final determination of the relevant court action or further court order. As such, the promissory notes were no longer due for payment by the Company on 5 December 2012.

Contingent liabilities

Save as disclosed in this circular, so far at the Directors were aware, the Group was not engaged in any litigation or claims of material importance, and so far as the Directors are awarded, no litigation or claims of material importance is pending or threatened against the Group.

As at close of business on 31 January 2015, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had no other material contingent liabilities outstanding.

Disclaimer

Save as aforesaid and apart from intra-group liabilities and normal trade payables, at the close of business on 31 January 2015, the Group did not have any loan capital issued or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade payables) or acceptance credits, debentures, mortgages, charges, financial lease, hire purchases commitments, guarantees or other material contingent liabilities.

Foreign currency amounts have been translated into Hong Kong dollars at the exchange rates prevailing as at close of business on 31 January 2015.

Save as disclosed above, the Directors were not aware of any material changes in the indebtedness and contingent liabilities of the Group after 31 January 2015 and up to the Latest Practicable Date.

4. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, in the absence of unforeseen circumstances, the Group will have sufficient working capital for its requirements for the next 12 months from the date of this circular.

5. MATERIAL CHANGE

Save as disclosed in note 35 to the consolidated financial statements of the Group for the year ended 31 December 2014 in relation to the litigation by Ms. Wang Xiu Qun and Wuhan Tian Jin Industrial and Commercial Development Co., Ltd. against the Company, further information of which is set out in paragraph headed “8. Litigation” in Appendix IV of this circular, as at the Latest Practicable Date, the Directors confirm that there was no material change in the financial or trading position or outlook of the Group since 31 December 2014, being the date to which the latest published audited financial statements of the Group were made up, up to and including the Latest Practicable Date.

6. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in the business of property rental and property sale in respect of agricultural produce exchange in the PRC.

For the year ended 31 December 2014

For the year ended 31 December 2014, the Group recorded a turnover of approximately HK\$298.0 million, a decrease of approximately HK\$110.5 million or approximately 27% from approximately HK\$408.5 million for the previous financial year. The decrease was mainly attributable to the drop of properties sales of Yulin Market but slightly offset by the increase of income of other agricultural produce exchange projects. The gross profit of the Group increased by

approximately 12% to approximately HK\$214.1 million from approximately HK\$192.0 million for the previous financial year. The gross profit margin of the Group for the financial year was approximately 72% as compared to approximately 47% for the previous financial year. The sharp rise of gross profit margin was mainly due to that the property sale margin is lower than that of agricultural produce exchange market operation.

The loss attributable to owners of the Company for the year was approximately HK\$340.4 million as compared to last year of profit of approximately HK\$155.0 million. The loss was mainly due to the sales recognition of shops in Yulin Market in 2013 but that effect decreased in 2014 as well as increase in administrative and selling expenses, finance cost and decrease in the growth rate of net gain in fair value of investment properties.

As at 31 December 2014, the Group had total cash and cash equivalents amounting to approximately HK\$200.4 million (2013: approximately HK\$267.4 million) whilst total assets and net assets were approximately HK\$6,906.0 million (2013: approximately HK\$5,698.8 million) and approximately HK\$1,876.3 million (2013: approximately HK\$1,620.8 million), respectively.

The Group's gearing ratio as at 31 December 2014 was approximately 1.5 (2013: approximately 1.3), being a ratio of total bank and other borrowings, bonds and promissory notes of approximately HK\$3,045.3 million (2013: approximately HK\$2,442.0 million, being the total of bank and other borrowings and promissory notes), net of cash and cash equivalents of approximately HK\$200.4 million (2013: approximately HK\$267.4 million) to shareholders' funds of approximately HK\$1,876.3 million (2013: approximately HK\$1,620.8 million).

Looking forward to 2015, the Group will strive 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. The Group has commenced the operations of Kaifeng Market in Henan and Qinzhou Market in Guangxi, bringing driving force of business development in 2015. The Group also expects that the commencement of operations of Huai'an Market in Jiangsu Province and Panjin Market in Liaoning Province in 2015 will be another force of momentum to the Group's business development.

Once again, agricultural issue is still the first policy for consecutive years by the PRC central government in 2015 under the document (the "**Document**") name of "the Number 1 Policy of 2015". The Document reflects the PRC government's intention to upgrade and invest in agricultural produce market, expand agricultural produce network, build logistic infrastructure and storage of agriculture and improve regional cold storage infrastructure. By capturing the opportunity brought by the government policy, the Group will continue to focus on intensifying its investment in agricultural by-products wholesale markets in the PRC.

Pioneering the strategic position of agricultural produce markets, the Group will endeavor to negotiate, build and expand the network of sizable wholesale market platform by establishing partnership or direct investment in the various provinces in the PRC. Combining the competitive strategic choice of successful business model and our professional experience in leading position in the industry coupling with the significant increment of land bank, the Group is confident that this strategy and business model will deliver long term benefits to the shareholders of the Company.

The following is the text of a report, prepared for the sole purpose of incorporation in this circular and received from the independent reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong.



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

13 March 2015

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN AN
INVESTMENT CIRCULAR**

To the Board of Directors of China Agri-Products Exchange Limited

We have completed our assurance engagement to report on the pro forma financial information of China Agri-Products Exchange Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) by the directors for illustrative purposes only. The pro forma Financial Information consists of the pro forma statements of adjusted consolidated net tangible assets of the Group as at 31 December 2014 and related notes as set out on page II-4 to II-5 of the circular issued by the Company dated 13 March 2015 (the “**Circular**”). The applicable criteria on the basis of which the directors have compiled the pro forma financial information are described on page II-4 to II-5 of the Circular.

The pro forma Financial Information has been compiled by the directors to illustrate the impact of the proposed rights issue of 1,724,168,248 rights shares of HK\$0.01 each at HK\$0.3 per rights share on the basis of eight right shares for every one adjusted share of the Company (the “**Rights Issue**”) on the Group’s financial position as at 31 December 2014 as if the Rights Issue had taken place at 31 December 2014. As part of this process, information about the Group’s financial position has been extracted by the directors from the Group’s consolidated financial statements for the period ended 31 December 2014, on which an audit report has been published.

Directors' Responsibility for the Pro Forma Financial Information

The directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the respective dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“**HKSAE**”) 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in the Circular is solely to illustrate the impact of a significant event transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Rights Issue at 31 December 2014 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Wong Sze Wai, Basilia
Practising Certificate Number: P05806
Hong Kong

PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The pro forma financial information of the Group attributable to equity shareholders of the Company is prepared by the Directors in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of the proposed Rights Issue of 1,724,168,248 of HK\$0.01 each at HK\$0.3 per rights share on the basis of eight right shares for every one adjusted share on the consolidated net tangible assets of the Group as if the Rights Issue had been completed on 31 December 2014.

The pro forma financial information of the Group is prepared for illustrative purposes only, based on the judgments and assumptions of the Directors, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group following the Rights Issue as at the date to which it is made up or at any future date.

The pro forma financial information of the Group is prepared based on the audited consolidated net tangible assets attributable to equity shareholders of the Company as at 31 December 2014 and adjusted to reflect the effect of the Rights Issue:

Audited consolidated net tangible assets of the Group as at 31 December 2014 <i>(note 1)</i> HK\$'000	Estimated net proceeds from the Rights Issue <i>(note 2)</i> HK\$'000	Pro forma adjusted consolidated net tangible assets of the Group HK\$'000	Unaudited consolidated net tangible assets of the Group per Adjusted Shares as at 31 December 2014 prior to the completion of the Rights Issue <i>(note 3)</i>	Unaudited consolidated net tangible assets of the Group per Share upon completion of the Rights Issue <i>(note 4)</i>
1,416,847	501,700	1,918,547	HK\$6.57 Adjusted Share	HK\$0.99 Adjusted Share

Notes:

- (1) The consolidated net tangible assets of the Group as at 31 December 2014 is calculated based on the capital and reserves attributable to the owners of the Company as at 31 December 2014 of approximately HK\$1,423,291,000 after deducting goodwill of approximately HK\$6,444,000 as at 31 December 2014 as extracted from the published annual report of the Company for the year ended 31 December 2014.

- (2) The estimated net proceeds from the Rights Issue are based on 1,724,168,248 Rights Shares of HK\$0.01 each at HK\$0.3 per Rights Share on the basis of eight Adjusted Shares for every one Adjusted Share of the Company held as at the Latest Practicable Date, after deducting the estimated underwriting commission and other related expenses of approximately HK\$15.6 million to be incurred by the Company.
- (3) The number of Adjusted Shares used for the calculation of this amount is 215,521,031 representing shares in issue as at 31 December 2014, which have been adjusted for the Capital Reorganisation as if the Capital Reorganisation had taken place as at 31 December 2014.
- (4) The number of shares used for the calculation of this amount is 1,939,689,279, representing 215,521,031 Adjusted Shares, and 1,724,168,248 Rights Shares. The number of 215,521,031 Adjusted Shares in issue as at 31 December 2014 and adjusted for the Capital Reorganisation which involves, among others, the consolidation of every eight issued Shares into one Consolidated Share and the reduction of the par value of each issued Consolidated Share from HK\$0.08 to HK\$0.01.
- (5) No adjustment other than those adjusted above has been made to reflect any trading results or other transactions of the Group subsequent to 31 December 2014.

The following is the text of a letter and valuation certificates, prepared for the purpose of incorporation in this circular received from RHL Appraisal Limited., an independent valuer, in connection with its valuation as at 31 December 2014 of the Properties held by China Agri-Products Exchange Limited.



永利行評值顧問有限公司
RHL Appraisal Limited
Corporate Valuation & Advisory

T +852 2730 6212
F +852 2736 9284

Room 1010, 10/F, Star House,
Tsimshatsui, Hong Kong

13 March 2015

The Board of Directors
China Agri-Products Exchange Limited
5th Floor,
Wai Yuen Tong Medicine Building,
9 Wang Kwong Road,
Kowloon Bay,
Kowloon,
Hong Kong

Dear Sirs/Madam,

INSTRUCTIONS

We refer to your instruction for us to value the properties interests (“the **Properties**”) held by China Agri-Products Exchange Limited (the “**Company**”) or its subsidiaries (together referred as the “**Group**”) located in the People’s Republic of China (the “**PRC**”). We confirm that we have carried out property inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the such property interest as at 31 December 2014 (the “**Valuation Date**”).

This letter which forms part of our valuation report explains the basis and methodologies of valuation, clarifying assumptions, valuation considerations, title investigations and limiting conditions of this valuation.

BASIS OF VALUATION

The valuation is our opinion of the market value (“**Market Value**”) which we would define as intended to mean the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably prudently, and without compulsion.

Market Value is understood as the value of an asset or liability estimated regardless of the costs of sale or purchase and without offset for any associated taxes or potential taxes.

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

VALUATION METHODOLOGY

We have valued the property interests of Nos.1-4 of Group I and Nos. Property 5-7 and 9-10 of Group II, with direct comparison method which is adopted based on the principle of substitution, where comparison is made based on prices realized on actual sales and/or asking prices of comparable properties. Comparable properties of similar size, scale, nature, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market value. And where appropriate, on the basis of capitalization of the net income shown on the documents handed to us. We have allowed for outgoings and, in appropriate case, made provisions for reversionary income potential.

In valuing property No. 8, we have assigned no commercial value to the property as no required approvals and permits from the relevant bureaus related to the rights of owner and usage of the property have been provided yet, hence no explicit market value shall be allocated.

VALUATION CONSIDERATIONS

In valuing the property interests, we have complied with all the requirements contained in Rule 11 of the Codes on Takeovers and Mergers and Share Repurchases of the Securities and Futures Commission; Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards 2012 Edition.

VALUATION ASSUMPTIONS

In our valuation, unless otherwise stated, we have assumed that:

- a. all necessary statutory approvals for the Properties or the subject buildings of which the Properties form of their use have been obtained;
- b. transferable land use rights in respect of the Properties for specific terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid;
- c. the owners of the Properties have enforceable titles to the Properties and have free and uninterrupted rights to use, occupy or assign the Properties for the whole of the respective unexpired terms as granted;

- d. no deleterious or hazardous materials or techniques have been used in the construction of the Properties;
- e. the Properties are not subject to any unusual or especially onerous restrictions, encumbrances or outgoing and that good titles can be shown;
- f. the Properties are connected to main services and sewers which are available on normal terms;
- g. the cost of repair and maintenance to the buildings of which the Properties are shared among all owners of the buildings, and that there are no onerous liabilities outstanding; and
- h. the owner sells the Properties on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to affect the property values.

Other special assumptions of the Properties, if any, have been stated in the footnote of the valuation certificate of the Properties.

TITLE INVESTIGATION

We have been shown copies of various documents relating to the property interests. However, we have not examined the original documents to verify the existing titles to the property interests or any amendment which does not appear on the copies handed to us. We have relied considerably on the information given by the Group's PRC legal advisers, the Truth Leading Law Firm, Guangdong, concerning the validity of the titles to the property interests.

LIMITING CONDITIONS

We have conducted on-site inspections to the Properties in January 2015 by our staff Mr. Kevin Mok. During the course of our inspections, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report whether the properties are free from rot infestation or any other defects. No tests were carried out on any of the services. Moreover, we have not carried out investigations on site to determine the suitability of the ground conditions and the services etc., for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and no extraordinary expenses or delay will be incurred during the development period.

We have not carried out detailed on-site measurement to verify the correctness of the areas in respect of the Properties but have assumed that the areas shown on the documents handed to us are correct. All dimensions, measurements and areas are approximate.

We have relied to a considerable extent on information provided by the Group and accepted advices given to us on such matters, in particular, but not limited to tenure, planning approvals, statutory notices, easements, particulars of occupancy, sizes and floor areas and all other relevant matters in the identification of the Properties.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also been advised by the Group that no material fact has been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

No allowance has been made in our report for any charges, mortgages or amounts owing on the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

The reported market value only applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

For properties located at the PRC under Group I and Group II, we have been advised by the Group that the potential tax liabilities include land Appreciation Tax at progressive tax rates from 30% to 60%, Business Tax at 5% of sales amount, related surcharge at 11% of Business Tax, and Income Tax at 25% on profit before tax. The exact amount of tax payable upon realization of the relevant properties in the PRC will be subject to the formal tax advice issued by the relevant tax authorities at the time of disposal of relevant properties upon presentation of the relevant transaction documents. There are potential tax liability which might arise on the disposal of the Properties.

REMARKS

We have valued the Properties in Renmibi (RMB).

We enclose herewith the summary of values and the valuation certificates.

Yours faithfully,
For and on behalf of
RHL Appraisal Ltd.

Serena S. W. Lau
FKHIS, AAPI, MRICS, RPS(GP), MBA(HKU)
Managing Director

Jessie X. Chen
MRICS, MSc (Real Estate), BEcon
Associate Director

Ms. Serena S. W. Lau is a Registered Professional Surveyor (GP) with over 19 years' experience in valuation of properties in HKSAR, Macau SAR, mainland China and the Asia Pacific Region. Ms. Lau is a Professional Member of The Royal Institution of Chartered Surveyors, an Associate of Australian Property Institute, a Fellow of The Hong Kong Institute of Surveyors as well as a registered real estate appraiser in the PRC.

Ms. Jessie Chen is a Professional Member of The Royal Institution of Chartered Surveyors with over 5 years' experience in valuation of properties in HKSAR, Macau SAR, mainland China and the Asia Pacific Region.

SUMMARY OF VALUES

	Market Value in existing state as at 31 December 2014 <i>RMB</i>	Interest attribute to the Group	Market Value in existing state attributable to the Group as at 31 December 2014 <i>RMB</i>	
Group I – Property interests held by the Group for Investment purpose in the PRC				
1.	Xuzhou Agricultural By-products Wholesale Market, Yingbin Main Road East, Quanshan District, Xuzhou City, Jiangsu Province, the PRC	468,000,000	51%	238,680,000
2.	Yulin Agricultural By-products Wholesale Market, South of Er’huan North Road, Yulin Urban District, Yulin City, Guangxi Zhuang Autonomous Region, the PRC	584,000,000	65%	379,600,000
3.	Yulin Agricultural By-products Wholesale Market II, South of Er’huan North Road and North West of Longbiao River, Yulin Urban District, Yulin City, Guangxi Zhuang Autonomous Region, the PRC	389,000,000	100%	389,000,000
4.	Wuhan Baisazhou Agricultural By-products Grand Market, Qingling Country, Hongshan District, Wuhan City, Hubei Province, the PRC	1,436,000,000	100%	1,436,000,000
	Sub-total:	<u>2,877,000,000</u>		<u>2,443,280,000</u>

		Market Value in existing state as at 31 December 2014 <i>RMB</i>	Interest attribute to the Group	Market Value in existing state attributable to the Group as at 31 December 2014 <i>RMB</i>
Group II – Property interests held by the Group under development in the PRC				
5.	Luoyang Agricultural By-products Wholesale Market, West of Luoji Expressway, Old town district, Luoyang City, Henan Province, the PRC	832,000,000	100%	832,000,000
6.	Qinzhou Agricultural By-products wholesale market Southwest of Junction of Xihuan Road and Nanhuan Road, North of Jinhaiwan West Street, Qinzhou City, Guangxi Zhuang Autonomous Region, the PRC	499,000,000	100%	499,000,000
7.	Agricultural wholesale market located at south of Kaiqi Gong Lu and east of Xilin Gong Mu, Kaifeng City, Henan Province, the PRC	577,000,000	100%	577,000,000
8.	Puyang Agricultural By-products Wholesale Market, Wangzhu Town, Puyang Economic Development Zone, Puyang City, Henan Province, the PRC	No commercial value	75%	No commercial value

	Market Value in existing state as at 31 December 2014 <i>RMB</i>	Interest attribute to the Group	Market Value in existing state attributable to the Group as at 31 December 2014 <i>RMB</i>
9. Three parcels of land located at Xihu Village, Hujia Town, Panshan County, Panjin City, Liaoning Province, the PRC	131,000,000	100%	131,000,000
10. Two parcels of land located at north of Bei Huan Lu and east of Hai Nan Lu, Qing Pu District, Huaian, Jiangsu Province, the PRC	120,000,000	100%	120,000,000
Sub-total:	2,159,000,000		2,159,000,000
Total:	5,036,000,000		4,602,280,000

Group I – Property interests held by the Group for investment purpose in the PRC

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 December 2014 <i>RMB</i>
1. Xuzhou Agricultural By-products Wholesale Market, Yingbin Main Road East, Quanshan District, Xuzhou City, Jiangsu Province, the PRC	<p>The property comprises a wholesale market erected on a parcel of land with a site area of approximately 193,673.91 sq.m (2,084,706 sq.ft.).</p> <p>As advised, the total gross floor area of the property is approximately 108,302 sq.m. (1,165,762 sq.ft.) completed before 2011 for commercial use.</p> <p>The land use rights of the property were granted for a term expiring on 27 November 2057 for warehouse and logistics uses.</p>	<p>As at valuation date, the property is mainly operated as an agricultural products and by-products wholesale market.</p> <p>Property with a total gross floor area of about 102,514 sq.m. are subject to various tenancy agreements with a total annual rental income of approximately RMB48,800,000.</p>	<p>468,000,000 (RENMINBI FOUR HUNDRED AND SIXTY EIGHT MILLION ONLY) <i>(see Note 3)</i> 51% interest attributed to the Group: RMB238,680,000</p>

Notes:

- Pursuant to a State Land Use Rights Contract – Xu Tu Guo Rang (He) Zi (2007) No. 104 (徐土國讓(合)字(2007)104號), the land use rights of the property with a total site area of approximately 193,673 sq.m. is granted to Xuzhou Yuanyang Trading Development Company Limited (徐州源洋商貿發展有限公司) (“Xuzhou Yuanyang”), a 51% owned subsidiary of the Company.
- Pursuant to the State-owned Land Use Rights Certificate Xu Tu Guo Yong (2008) Di No. 12888 dated 26 May 2008 issued by the State Land Resources Bureau, the land use rights of the property with a site area of approximately 193,673.91 sq.m. were granted to Xuzhou Yuanyang Trading Development Company Limited (徐州源洋商貿發展有限公司) (“Xuzhou Yuanyang”), a 51% owned subsidiary of the Company, for a term of 50 years for warehouse and logistic uses.
- Pursuant to a Building Ownership Certificate – Xu Fang Quan Zheng Yun Long Zi Di No. 56520, the building ownership of portion of the property with a gross floor area of approximately 6,746.94 sq.m. is vested in Xuzhou Yuanyang.
- As advised by the Group, Xuzhou Yuanyang is in the process of applying the title certificates for buildings with a total gross floor area of approximately 101,555.06 sq.m. According to the Group’s PRC legal adviser, the Truth Leading Law Firm, Guangdong, there will be no legal impediments for Xuzhou Yuanyang to obtain such title certificates, therefore in course of our valuation, we have included the market value of such buildings.
- The property is situated at the northeast of Ying Bin Da Dao, where the area is concentrated with commercial developments including wholesale markets.

6. We have been provided with a legal opinion by the Group's PRC legal adviser, the Truth Leading Law Firm, Guangdong, regarding the legal title of the property, which contains, inter alia, the followings:
- i. Xuzhou Yuanyang has obtained the State-owned Land Use Rights Certificate for the property, the land use rights is legally held by Xuzhou Yuanyang;
 - ii. Xuzhou Yuanyang has obtained the building ownership certificate for portion of the property with a total gross floor area of approximately 6,746.94 sq.m. and is entitled to transfer, lease, mortgage or dispose of such portion of the property freely in the market;
 - iii. Xuzhou Yuanyang is in the process of obtaining the title certificates of remaining portions the property. There is no legal impediments for Xuzhou Yuanyang to obtain such title certificates and upon obtaining such relevant certificates, Xuzhou Yuanyang is entitled to transfer, lease, mortgage or dispose of such portion of the property freely in the market
 - iv. the property subject to a mortgage in favour of China Communication Bank; and
 - v. except for the mortgages mentioned in Note 6 iv above, the property is free from any mortgages or third parties' encumbrances.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 December 2014 RMB
2. Yulin Agricultural By-products Wholesale Market, South of Er’huan North Road, Yulin Urban District, Yulin City, Guangxi Zhuang Autonomous Region, the PRC	<p>The property comprises a wholesale market erected on 5 parcels of contiguous land with a total site area of approximately 273,884.07 sq.m (2,948,088 sq.ft.).</p> <p>The completed portion of the property comprises various blocks of 2 to 6-storey buildings completed in about mid of 2013 with a total gross floor area of approximately 106,914 sq.m. (1,150,822 sq.ft.) for commercial use. While the remaining portion, (“uncompleted portion”) is vacant and pending for future development.</p> <p>The land use rights of the property were granted for a term expiring on 18 July 2047 for commercial uses.</p>	<p>As at valuation date, the property is mainly operated as an agricultural products and by-products wholesale market.</p> <p>Completed portion with a total gross floor area of about 96,623 sq.m. are subject to various tenancy agreements with a total annual rental income of approximately RMB23,300,000.</p>	<p>584,000,000 (RENMINBI FIVE HUNDRED AND EIGHTY FOUR MILLION ONLY) <i>(see Note 3)</i></p> <p>65% interest attributed to the Company: RMB379,600,000</p>

Notes:

- Pursuant to a State Land Use Rights Contract – Yu Guo Rang Zi (2007) Di No. 7 (玉國讓字(2007)第7號), the land use rights of the property with a total site area of approximately 273,884 sq.m. is granted to Yulin Hongjin Agriculture By-products Wholesale Market Company Limited (玉林宏進農副產品批發市場有限公司) (“Yulin Hongjin”), a 65% owned subsidiary of the Company.
- Pursuant to 5 State-owned Land Use Rights Certificates – Yu Guo Yong (2007) Di Nos. A807, A808, A809, A913 and A914 all issued by the People’s Government of Yulin in 2007, the land use rights of 5 parcels of land with a total site area of 273,884.07 sq.m. were granted to Yulin Hongjin Agriculture By-products Wholesale Market Company Limited (玉林宏進農副產品批發市場有限公司) (“Yulin Hongjin”), a 65% owned subsidiary of the Company for a land use term expiring on 18 July 2047 for commercial services uses.
- Pursuant to 25 Real Estate Title Certificates, the building ownerships of portions of the property with a total gross floor area of approximately 88,039.48 sq.m. are vested in Yulin Hongjin.
- As advised by the Group, Yulin Hongjin is in the process of applying the title certificates for buildings with a gross floor area of approximately 18,874.52 sq.m. According to the Group’s PRC legal adviser, the Truth Leading Law Firm, Guangdong, there will be no legal impediments for Yulin Hongjin to obtain such title certificates, therefore, in course of our valuation, we have included the market value of such buildings.
- The property is located close to Bei Huan Er Lu, where the area is concentrated with commercial and residential developments.

6. We have been provided with a legal opinion by the Group's PRC legal adviser, the Truth Leading Law Firm, Guangdong, regarding the legal title of the property, which contains, inter alia, the followings:
- i. Yulin Hongjin has obtained the State-owned Land Use Rights Certificate for the property, the land use rights of property is legally held by Yulin Hongjin;
 - ii. the property is subject to various mortgages in favour of Yulin branch of Agricultural Development Bank of China and Changxi branch of Yulin Rural Credit Cooperatives;
 - iii. Yulin Hongjin has obtained the building ownership certificate for portion of the property with a total gross floor area of approximately 88,039.48 sq.m. and is entitled to transfer, lease, mortgage or dispose of such portion of the property freely in the market;
 - iv. Yulin Hongjin is in the process of obtaining the title certificates of remaining portions the property. There is no legal impediments for Yulin Hongjin to obtain such title certificates and upon obtaining such relevant certificates, Yulin Hongjin is entitled to transfer, lease, mortgage or dispose of such portion of the property freely in the market; and
 - v. except for the mortgages mentioned in Note 6 ii above, the property is free from any other mortgages or third parties' encumbrances.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 December 2014 <i>RMB</i>
3. Yulin Agricultural By-products Wholesale Market II, South of Er'huan North Road and North West of Longbiao River, Yulin Urban District, Yulin City, Guangxi Zhuang Autonomous Region, the PRC	The property comprises a parcel of land with a site area of approximately 141,529.79 sq.m. (1,523,427 sq.ft.) The completed portion of the property with a total gross floor area of approximately 78,883 sq.m. (849,097 sq.ft.) is completed in about 2014 for commercial use. While the remaining portion (“uncompleted portion”) is vacant and pending for future development. The land use rights of the property have been granted for a term expiring on 2 March 2061 for wholesale and retail uses.	As at valuation date, the property is mainly operated as an agricultural products and by-products wholesale market. Completed portion with a total gross floor area of about 73,313 sq.m. are subject to various tenancy agreements with a total annual rental income of approximately RMB11,700,000.	389,000,000 (RENMINBI THREE HUNDRED AND EIGHTY NINE MILLION ONLY) <i>(see Note 3)</i> 100% interest attributed to the Group: RMB389,000,000

Notes:

- Pursuant to a State Land Use Rights Contract – Yu Tu Chu (2011) No. 006 (玉土出(2011)第006號), the land use rights of the property with a total site area of approximately 141,607 sq.m. is granted to Yulin Hong Jin Logistics Development Company Limited (玉林宏進物流發展有限公司) (“Yulin Hong Jin Logistics”), a wholly owned subsidiary of the Company.
- Pursuant to 2 State-owned Land Use Rights Certificates – Yu Guo Yong (2011) No. 01000449 and No. 01000452 dated 17 May 2011, the land use rights of the property with a total site area of approximately 141,529.79 sq.m. are granted to Yulin Hong Jin Logistics Development Company Limited (玉林宏進物流發展有限公司) (“Yulin Hong Jin Logistics”), a wholly owned subsidiary of the Company for a term expiring on 2 March 2061 for wholesale and retail uses. As advised by the Company, the subject land was acquired on 2 March 2011 at a land premium of RMB62,720,000.
- Pursuant to 704 Real Estate Title Certificates, the building ownerships of portions of the property with a total gross floor area of approximately 47,343.17 sq.m. are vested in Yulin Hong Jin Logistics.
- As advised by the Group, Yulin Hong Jin Logistics is in the process of applying the title certificates for buildings with a gross floor area of approximately 31,539.83 sq.m. According to the Group’s PRC legal adviser, the Truth Leading Law Firm, Guangdong, there will be no legal impediments for Yulin Hong Jin Logistics to obtain such title certificates, therefore, in course of our valuation, we have included the market value of such buildings.
- The property is located close to Bei Huan Er Lu, where the area is concentrated with commercial and residential developments

6. We have been provided with a legal opinion by the Group's PRC legal adviser, he Truth Leading Law Firm, Guangdong, regarding the legal title of the property, which contains, inter alia, the followings:
- i. Yulin Hong Jin Logistics has obtained the State-owned Land Use Rights Certificate for the property, the land use rights of property is legally held by Yulin Hong Jin Logistics;
 - ii. the property is subject to various mortgages in favour of Yulin branch of Agricultural Development Bank of China and Changxi branch of Yulin Rural Credit Cooperatives;
 - iii. Yulin Hong Jin Logistics has obtained the building ownership certificate for portion of the property with a total gross floor area of approximately 47,343.17 sq.m. and is entitled to transfer, lease, mortgage or dispose of such portion of the property freely in the market;
 - iv. Yulin Hong Jin Logistics is in the process of obtaining the title certificates of remaining portions the property. There is no legal impediments for Yulin Hong Jin Logistics to obtain such title certificates and upon obtaining such relevant certificates, Yulin Hong Jin Logistics is entitled to transfer, lease, mortgage or dispose of such portion of the property freely in the market; and
 - v. except for the mortgages mentioned in Note 6 ii above, the property is free from any other mortgages or third parties' encumbrances.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 December 2014 <i>RMB</i>
4. Wuhan Baisazhou Agricultural By-products Grand Market, Qingling Country, Hongshan District, Wuhan City, Hubei Province, the PRC	<p>The property comprises a wholesale market erected on 2 parcel of land with a total site area of approximately 313,869.86 sq.m (3,378,495 sq.ft.).</p> <p>As advised, the total gross floor area of the property is approximately 187,965 sq.m. (2,023,255 sq.ft.) completed before 2011 for commercial use.</p> <p>The land use rights of one parcel of the land were granted for a term expiring on 20 December 2046 for commercial uses.</p>	<p>As at valuation date, the property is mainly operated as an agricultural products and by-products wholesale market.</p> <p>Property with a total gross floor area of about 164,163 sq.m. are subject to various tenancy agreements with a total annual rental income of approximately RMB124,600,000.</p>	<p>1,436,000,000 (RENMINBI ONE THOUSAND FOUR HUNDRED AND THIRTY SIX MILLION ONLY) <i>(see Note 3)</i></p> <p>100% interest attributed to the Group: RMB 1,436,000,000</p>

Notes:

- Pursuant to a State Land Use Rights Contract No. WCG-2006-042, the land use rights of the property with a total site area of approximately 268,882 sq.m. is granted to Wuhan Baisazhou Agricultural By-products Grand Market Company Limited (武漢白沙洲農副產品大市場有限公司) (“Baisazhou Agricultural”), a wholly owned subsidiary of the Company.
- Pursuant to a State Land Use Rights Contract No. WH-2014-B096, the land use rights of the property with a total site area of approximately 44,987.62 sq.m. is granted to Baisazhou Agricultural, with a maximum gross floor area is approximately 10656.5 sq.m..
- Pursuant to a State-owned Land Use Rights Certificate Wu Guo Yong (2009) Di No. 431 dated 22 July 2009, the land use rights of the property with a site area of approximately 268,882.24 sq.m. were granted to Wuhan Baisazhou Agricultural, for a term expiring on 20 December 2046 for commercial uses.
- Pursuant to a State-owned Land Use Rights Certificate Wu Guo Yong (2014) Di No. 225 dated 25 August 2014, the land use rights of the property with a site area of approximately 44987.62 sq.m. were granted to Baisazhou Agricultural, for a term expiring on 6 July 2054 for commercial uses.
- Pursuant to 41 Real Estate Title Certificates, the building ownerships of portions of the property with a total gross floor area of approximately 135,368.52 sq.m. are vested in Baisazhou Agricultural.

6. As advised by the Group, Wuhan Baisazhou is in the process of applying the title certificates for buildings with a gross floor area of approximately 52,596.36 sq.m.. According to the Group's PRC legal adviser, the Truth Leading Law Firm, Guangdong, there will be no legal impediments for Wuhan Baisazhou to obtain such title certificates, therefore, in course of our valuation, we have included the market value of such buildings.
7. The property is situated at the western side of Bai Sha Zhou Da Dao, where the area is concentrated with residential and commercial developments.
8. We have been provided with a legal opinion by the Group's PRC legal adviser, the Truth Leading Law Firm, Guangdong, regarding the legal title of the property, which contains, inter alia, the followings:
 - i. Wuhan Baisazhou has obtained the State-owned Land Use Rights Certificate for the property, the land use rights of property is legally held by Wuhan Baisazhou;
 - ii. the property is subject to two mortgages in favour of Baisazhou branch of China Construction Bank;
 - iii. Wuhan Baisazhou has obtained the building ownership certificate for portion of the property with a total gross floor area of approximately 135,368.52 sq.m. and is entitled to transfer, lease, mortgage or dispose of such portion of the property freely in the market;
 - iv. Wuhan Baisazhou is in the process of obtaining the title certificates of remaining portions the property. There is no legal impediments for Wuhan Baisazhou to obtain such title certificates and upon obtaining such relevant certificates, Wuhan Baisazhou is entitled to transfer, lease, mortgage or dispose of such portion of the property freely in the market; and
 - v. except for the mortgages mentioned in Note 8 ii above, the property is free from any other mortgages or third parties' encumbrances.

Group II – Property interest held by the Group under development in the PRC

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 December 2014 <i>RMB</i>
5. Luoyang Agricultural By-products Wholesale Market, West of Luoji Expressway, Old town district, Luoyang City, Henan Province, the PRC	<p>The property comprises a wholesale market erected on two parcels of land with a total site area of approximately 255,655.85 sq.m. (2,751,880 sq.ft.).</p> <p>As advised, the total gross floor area of the property is approximately 169,483.7 sq.m. (1,824,323 sq.ft.) completed in about 2014 for commercial use. While the remaining portion (“uncompleted portion”) is vacant and pending for future development.</p> <p>The land use rights of the property have been granted for a term expiring on 10 September 2052 and 30 October 2053 for wholesale and logistic uses. <i>(see Note 1)</i></p>	<p>As at valuation date, the property is mainly operated as an agricultural products and by-products wholesale market.</p> <p>Property with a total gross floor area of about 145,550 sq.m. are subject to various tenancy agreements with a total yearly rental income of approximately RMB10,200,000.</p>	<p>832,000,000 (RENMINBI EIGHT HUNDRED AND THIRTY TWO MILLION ONLY) <i>(see Note 2)</i></p> <p>100% interest attributed to the Group: RMB832,000,000</p>

Notes:

- Pursuant to a State Land Use Rights Contract — Luo Zheng Tu (2012) No. 188 (洛政土(2012)188號), the land use rights of the property with a total site area of approximately 133,408 sq.m. is granted to Luoyang Hongjin Agricultural By-products Wholesale Market Company Limited (洛陽宏進農副產品批發市場有限公司) (“Luoyang Hongjin”), a wholly owned subsidiary of the Company.
- Pursuant to State-owned Land Use Rights Certificates – Luo Shi Guo Yong (2012) Di No. 02001226 (洛市國用(2012)第02001226號), the land use rights of the property with a site area of approximately 133,408.5 sq.m. (1,436,009 sq.ft.) was granted to Luoyang Hongjin Agricultural By-products Wholesale Market Company Limited (洛陽宏進農副產品批發市場有限公司) (“Luoyang Hongjin”), a wholly owned subsidiary of the Company, a wholly owned subsidiary of the Company for a term expiring on 10 September 2052 for wholesale and logistic uses. As advised by the Company, the subject land was acquired on 17 September 2012 at a land premium of RMB46,025,930.
- Pursuant to State-owned Land Use Rights Certificates – Luo Shi Guo Yong (2014) Di No. 02000247 (洛市國用(2014)第02000247號), the land use rights of the property with a site area of approximately 122,247.1 sq.m. (1,315,868 sq.ft.) was granted to Luoyang Hongjin Agricultural By-products Wholesale Market Company Limited (洛陽宏進農副產品批發市場有限公司) (“Luoyang Hongjin”), a wholly owned subsidiary of the Company, a wholly owned subsidiary of the Company for a term expiring on 30 October 2053 respectively for wholesale and logistic uses. As advised by the Company, the subject land was acquired on 30 October 2013 at a land premium of RMB43,092,091.

4. As advised by the Group, Luoyang Hongjin is in the process of applying the title certificates for buildings with a gross floor area of approximately 169,483.7 sq.m. According to the Group's PRC legal adviser, the Truth Leading Law Firm, Guangdong, there will be no legal impediments for Luoyang Hongjin to obtain such title certificates, therefore, in course of our valuation, we have included the market value of such buildings.
5. The property is situated at the western side of Louji Expressway where the area is concentrated with residential and commercial developments.
6. We have been provided with a legal opinion by the Group's PRC legal adviser, the Truth Leading Law Firm, Guangdong, regarding the legal title of the property, which contains, inter alia, the followings:
 - i. Luoyang Hongjin has obtained the State-owned Land Use Rights Certificate for the property, the land use rights of property is legally held by Luoyang Hongjin;
 - ii. subject to the release of the mortgage mentioned in Note 6 iv below and the approval of the relevant government authority, the property is entitle to transfer;
 - iii. Luoyang Hongjin is in the process of obtaining the title certificates of the property. There is no legal impediments for Luoyang Hongjin to obtain such title certificates and upon obtaining such relevant certificates, Luoyang Hongjin is entitled to transfer, lease, mortgage or dispose of such portion of the property freely in the market; and
 - iv. the property is subject to a mortgage in favour of ZhongXin Bank;
 - v. except for the mortgages mentioned in Note 6 iv above, the property is free from any other mortgages or third parties' encumbrances.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 December 2014 RMB
6. Qinzhou Agricultural By-products Wholesale Market, Southwest of Junction of Xihuan Road and Nanhuan Road, North of Jinhaiwan West Street, Qinzhou City, Guangxi Zhuang Autonomous Region, the PRC	<p>The property comprises a wholesale market erected on two parcels of adjoining land with a total site area of approximately 266,630.15 sq.m. (2,870,007 sq.ft.)</p> <p>As advised, the total gross floor area of the property is approximately 189,097.83 sq.m. (2,035,449 sq.ft.) completed in about 2014 for commercial use. While the remaining portion (“uncompleted portion”) is vacant and pending for future development.</p> <p>The land use rights of the property have been granted for a term expiring on 10 September 2052 and 30 October 2053 for wholesale and logistic uses. (<i>see Note 1</i>)</p>	<p>As at valuation date, the property is mainly operated as an agricultural products and by-products wholesale market.</p> <p>Property with a total gross floor area of about 58,619 sq.m. are subject to various tenancy agreements with a total annual rental income of approximately RMB5,700,000.</p>	<p>499,000,000 (RENMINBI FOUR HUNDRED AND NINETY NINE MILLION ONLY)</p> <p>100% interest attributed to the Group: RMB499,000,000</p>

Notes:

- Pursuant to two State Land Use Rights Contract – Qin Shi Tu Chu Zi (2011) No. 47 (欽市土出字(2011)47號 and Qin Shi Tu Chu Zi (2012) No. 45 (欽市土出字(2012)45號), the land use rights of the property with a total site area of approximately 266,630.15 sq.m. is granted to Qinzhou Hongjin Agricultural By-products Wholesale Market Company Limited (欽州宏進農副產品批發市場有限公司) (“Qinzhou Hongjin”), a wholly owned subsidiary of the Company.
- Pursuant to State-owned Land Use Rights Certificate – Qin Guo Yong (2011) Di No. A1932 (欽國用(2011)第A1932號), the land use rights of the property with a site area of approximately 149,814.97 sq.m. was granted to Qinzhou Hongjin Agricultural By-products Wholesale Market Company Limited (欽州宏進農副產品批發市場有限公司) (“Qinzhou Hongjin”), a wholly owned subsidiary of the Company, for a term expiring on 13 November 2051 for wholesale and retail uses. As advised by the Company, the subject land was acquired on 30 October 2012 at a land grant premium of RMB21,650,000.
- Pursuant to State-owned Land Use Rights Certificate – Qin Guo Yong (2013) Di No. A1215 (欽國用(2013)第A1215號), the land use rights of the property with a site area of approximately 116,815.18 sq.m. was granted to Qinzhou Hongjin, for a term expiring on 29 October 2052 for wholesale and retail uses. As advised by the Company, the subject land was acquired on 30 October 2012 at a land grant premium of RMB17,050,000.
- Pursuant to 4 Real Estate Title Certificates, the building ownerships of portions of the property with a total gross floor area of approximately 9,443.98 sq.m. are vested in Qinzhou Hongjin.

5. As advised by the Group, Qinzhou Hongjin is in the process of applying the title certificates for buildings with a gross floor area of approximately 179,653.85 sq.m. According to the Group's PRC legal adviser, the Truth Leading Law Firm, Guangdong, there will be no legal impediments for Qinzhou Hongjin to obtain such title certificates, therefore, in course of our valuation, we have included the market value of such buildings.
6. The property is situated at the northern side of Jinhaiwan West Street where the area is concentrated with residential and commercial developments.
7. We have been provided with a legal opinion by the Group's PRC legal adviser, the Truth Leading Law Firm, Guangdong, regarding the legal title of the Property, which contains, inter alia, the followings:
 - i. Qinzhou Hongjin has obtained the State-owned Land Use Rights Certificate for the property mentioned in Notes 1 and 2, the land use rights of property is legally held by Qinzhou Hongjin; and
 - ii. the property is subject to a mortgage.
 - iii. except for the mortgage mentioned in Note 7 ii above, the property is free from any mortgages or third parties' encumbrances.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 December 2014 <i>RMB</i>
7. Agricultural wholesale market located at south of Kaiqi Gong Lu and east of Xilin Gong Mu, Kaifeng City, Henan Province, the PRC	<p>The property comprises a wholesale market erected on 5 parcels of adjacent land with a total site area of approximately 408,080.1 sq.m. (4,392,574 sq.ft.)</p> <p>As advised by the Company. The Property will be developed into 2 phases (“Phase 1” and “Phase 2”) for commercial use.</p> <p>The planned total gross floor area of Phase 1 is approximately 100,824.46 sq.m. (1,085,274 sq.ft.) completed in about mid of 2014. While the remaining portion (“uncompleted portion”) is vacant and pending for future development.</p> <p>The land use rights of the property have been granted for a term expiring on 14 May 2053 for wholesale and retail uses.</p>	<p>The property is mainly operated as an agricultural products and by-products wholesale market.</p> <p>Portions with a total gross floor area of about 56,167 sq.m. are subject to various tenancy agreements with a total annual rental income of approximately RMB7,500,000.</p>	<p>577,000,000 (RENMINBI FIVE HUNDRED AND SEVENTY SEVEN MILLION ONLY)</p> <p>100% interest attributed to the Group: RMB577,000,000</p>

Notes:

- Pursuant to five State Land Use Rights Contract – Yu Bian Chu Rang (2013) Nos. 0345 to 0349(豫汴出讓字(2013)第0345至0349號), the land use rights of the property with a total site area of approximately 408,080.1 sq.m. is granted to Kaifeng Hong-Jin Agricultural By-Products Wholesale Marketplace Limited (開封宏進農副產品批發市場有限公司) (“Kaifeng Hongjin”), an indirect wholly-owned subsidiary of the Company.
- Pursuant to 5 State-owned Land Use Rights Certificates – Bian Fang Di Chan Quan Zheng Di Nos. 252097, 252098, 252099, 252100 and 252101(汴房地產權証第252097, 252098, 252099, 252100, 252101號), the land use rights of the property with a total site area of approximately 408,080.1 sq.m. was granted to Kaifeng Hong-Jin Agricultural By-Products Wholesale Marketplace Limited (開封宏進農副產品批發市場有限公司) (“Kaifeng Hongjin”), an indirect wholly-owned subsidiary of the Company for a term expiring on 14 May 2053 for wholesale and retail uses. As advised by the Company, the subject land parcels were acquired on 23 January 2013 at a total land grant premium at RMB116,302,830.
- The property is situated at the southern side of Kaidi Gong Road where the area is concentrated with village developments.
- According to the information provided by the Company, as at date of valuation, the total development cost incurred as at date of valuation is about RMB 435,300,000.

5. We have been provided with a legal opinion by the Group's PRC legal adviser, the Truth Leading Law Firm, Guangdong, regarding the legal title of the Property, which contains, inter alia, the followings:
- i. Kaifeng Hongjin has obtained the State-owned Land Use Rights Certificate for the property, the land use rights of property is legally held by Kaifeng Hongjin
 - ii. the property is subject to two mortgages in favour of Kaifeng Commercial Bank and Pufa Bank; and
 - iii. except for the mortgages mentioned in Note 5 ii above, the property is free from any mortgages or third parties' encumbrances.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 December 2014 RMB
8. Puyang Agricultural By-products Wholesale Market, Wangzhu Town, Puyang Economic Development Zone, Puyang City, Henan Province, the PRC	The property comprise a agricultural by-products wholesale market (the “Market”) with a total gross floor area of 45,595.64 sq.m. (490,791 sq.ft.). The Market comprises various blocks of 1 to 2-storey buildings, cold storages, canopies and workshops completed in around 2004.	The property is operated as an agricultural products and by-products wholesale market.	No commercial value

Notes:

- Pursuant to three sets of supplementary tenancy agreement entered into among Tianhao Food Company (天昊食品有限公司) (“Party A”), Villager Committee of Xi Er Street, Chengguan Town, Puyang, Villager Committee of Qian Nan Wang Village, Wan Zhu Xiang Town, Puyang and Villager Committee of Le Zhao Zhai Village, Wan Zhu Xiang Town, Hi-tech District, Puyang (“Party B”) which act as Lessor in each agreement and Puyang Hongjin Agricultural Bi-product Wholesale Market Limited Company (“Puyang Hongjin”) (“Party C”), land parcels with total site area of 130.42 Mu (86947.1 sq.m.) had been leased from Party B to Party C which replace the previous lessee, Party A. Details as below:

Lessor	Site Area	Period	Annul Rental
Villager Committee of Xi Er Street, Chengguan Town, Puyang 濮陽縣城關鎮西二街村民委員會	63.26 Mu	1 Oct 2008 — 30 Sep 2018	RMB1300/Mu
Villager Committee of Qian Nan Wang Village, Wan Zhu Xiang Town, Puyang 濮陽市市區王助鄉前南旺村村民委員會	35.76 Mu	1 Oct 2008 — 30 Sep 2038	RMB1300 / Mu
Wan Zhu Xiang Town, Hi-tech District, Puyang 濮陽高新區王助鄉趙寨村村民委員會	31.4 Mu	1 Oct 2008 — 30 Sep 2037	RMB1300/Mu

- We have been provided with a legal opinion by the Group’s PRC legal adviser, the Truth Leading Law Firm, Guangdong, regarding the legal title of the Property, which contains, inter alia, the following:
 - No documents show that the Lessor is entitled to freely transfer, lease or dispose the property;
 - The existing use of property may not comply with relevant PRC laws; and
 - The existing tenant period may exceed the approved maximum tenancy period which is 20 years under current PRC laws.

Based on the comment by PRC lawyer, we have attributed no commercial value to the property interest held by the Company.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 December 2014 <i>RMB</i>
9. Three parcels of land located at Xihu Village, Hujia Town, Panshan County, Panjin City, Liaoning Province, the PRC	The property comprises 3 parcels of adjacent land with a total site area of approximately 159,774 sq.m. (1,719,807 sq.ft.) The planned total gross floor area is approximately 259,518 sq.m. (2,793,451 sq.ft.) while the construction of 61,817.54 sq.m. has been approved. The land use rights of the property have been granted for terms expiring on 19 March 2054 for commercial use and 9 March 2084 for residential use.	As advised by the Company, the property is under development.	131,000,000 (RENMINBI ONE HUNDRED AND THIRTY ONE MILLION ONLY) 100% interest attributed to the Group: RMB131,000,000

Notes:

- Pursuant to three State-Owned Land Use Rights Contracts dated 14 March 2014, the land use rights of the property with a total site area of approximately 259,518 sq.m. is granted to Panjin Hong-Jin Agricultural By-Products Wholesale Marketplace Limited (盤錦宏進農副產品批發市場有限公司) (“Panjin Hong-Jin”) with details listed below:

Site Area (<i>sq.m.</i>)	Usage	Permitted Maximum Plot Ratio	Permitted Gross Floor Area (<i>sq.m.</i>)
41,245.00	Commercial Service	1.5	61,867.50
78,816.00	Commercial Service	1.5	118,224.00
39,713.00	Residential and Commercial	2	79,426.00

2. Pursuant to 3 State-owned Land Use Rights Certificates – Pan Shan Guo Yong (2014) Di No. 000015 – 000017(盤山國用(2014)第000015-000017號), the land use rights of the property with a total site area of approximately 259,518 sq.m. was granted to Panjin Hong-Jin with details listed below:

Site Area (sq.m.)	Usage	Land Use Right Expired Date
41,245.00	Commercial Service	19 March 2054
78,816.00	Commercial Service	19 March 2054
39,713.00	Residential and Commercial	19 March 2054 for commercial use; 19 March 2084 for residential use

3. As advised, the total incurred cost of the property as at the Valuation Date is approximately RMB79,000,000. We have taken into account such cost in our valuation.
4. Pursuant to 3 sets of Construction Project Planning Permit, total gross floor area of approximately 61,817.54 sq.m. of construction works have been approved. As advised by the Company, the total outstanding construction cost is approximately RMB77,000,000 and the construction is planned to be completed at around July 2015.
5. We have been provided with a legal opinion by the Group's PRC legal adviser, the Truth Leading Law Firm, Guangdong, regarding the legal title of the Property, which contains, inter alia, the followings:
- i. Panjin Hong-Jin has obtained the State-owned Land Use Rights Certificate for the property, the land use rights of property is legally held by Panjin Hong-Jin; and
 - ii. Panjin Hong-Jin is entitled to freely transfer, lease, mortgage or disposal of the property.
 - iii. the property is free from any mortgages or third parties' encumbrances.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 December 2014 RMB
10. Two parcels of land located at north of Bei Huan Lu and east of Hai Nan Lu, Qing Pu District, Huaian, Jiangsu Province, the PRC	The property comprises 2 parcels of adjacent land with a total site area of approximately 101,630.6 sq.m. (1,093,952 sq.ft.) The planned total gross floor area is approximately 101,086 sq.m. (1,088,090 sq.ft. sq.ft.) to be completed in about 2016 while the construction of 21,853.21 sq.m. has been approved. The land use rights of the property have been granted for a term expiring latest on 23 October 2054 for wholesale and retail uses.	As advised by the Company, the property is under development.	120,000,000 (RENMINBI ONE HUNDRED AND TWENTY MILLION ONLY) 100% interest attributed to the Group: RMB120,000,000

Notes:

- Pursuant to three State-Owned Land Use Rights Contracts dated 29 January 2013, the land use rights of the property with a total site area of approximately 111,321 sq.m. is granted to Huaian Hong-Jin Agricultural By-Products Wholesale Marketplace Limited (淮安宏進農副產品批發市場有限公司) (“Huaian Hong-Jin”) with details listed below:

Site Area (sq.m.)	Usage	Permitted Maximum Plot Ratio	Permitted Gross Floor Area (sq.m.)
53,178.00	Wholesale Market and Commercial	1.2	63,813.60
48,452.60	Wholesale Market	1.2	58,143.12

- Pursuant to State-owned Land Use Rights Certificates - Huai Guo Yong (2014) Di No. 17295 (淮國用(2014)第17295號), the land use rights of the property with a total site area of approximately 48,452.6 sq.m. was granted to Huaian Hong-Jin Agricultural By-Products Wholesale Marketplace Limited (淮安宏進農副產品批發市場有限公司) (“Huaian Hong-Jin”), an indirect wholly-owned subsidiary of the Company for a term expiring on 23 October 2054 for wholesale and retail uses. As advised by the Company, the subject land parcels were acquired on 4 September 2014 at a total land grant premium at RMB44,000,000.
- Pursuant to State-owned Land Use Rights Certificates - Huai Guo Yong (2014) Di No. 11012 (淮國用(2014)第11012號), the land use rights of the property with a total site area of approximately 53,178 sq.m. was granted to Huaian Hong-Jin Agricultural By-Products Wholesale Marketplace Limited (淮安宏進農副產品批發市場有限公司) (“Huaian Hong-Jin”), an indirect wholly-owned subsidiary of the Company for a term expiring on 20 June 2054 for wholesale and retail uses. As advised by the Company, the subject land parcels were acquired on 29 January 2013 at a total land grant premium at RMB42,000,000.

4. As advised, the total incurred cost of the property as at the Valuation Date is approximately RMB27,680,000. We have taken into account such cost in our valuation.
5. Pursuant to 1 set of Construction Work Commencement Permit, total gross floor area of approximately 21,853.21 sq.m. of construction works have been approved. As advised by the Company, the total outstanding cost for construction of such portion is approximately RMB48,000,000 and the construction is planned to be completed within 2015. Also, there is other outstanding cost of approximately RMB12,000,000 which is for land improvement and development of ancillary facilities, the project has been already completed in early of 2015.
6. We have been provided with a legal opinion by the Group's PRC legal adviser, the Truth Leading Law Firm, Guangdong, regarding the legal title of the Property, which contains, inter alia, the followings:
 - i. Huaian Hong-Jin has obtained the State-owned Land Use Rights Certificate for the property, the land use rights of property is legally held by Huaian Hong-Jin;
 - ii. the property is subject to a mortgage; and
 - iii. except for the mortgage mentioned in Note 6 (ii) above, the property is free from any mortgages or third parties' encumbrances.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules and the Takeovers Code for the purpose of giving information with regard to the Group.

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinion expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately following the Capital Reorganisation becoming effective and completion of the Rights Issue were as follows:

(i) As at the Latest Practicable Date

<i>Authorised:</i>		<i>HK\$</i>
<u>30,000,000,000</u>	Shares	<u>300,000,000.00</u>
<i>Issued and fully-paid:</i>		<i>HK\$</i>
<u>1,724,168,251</u>	Shares in issue	<u>17,241,682.51</u>

(ii) Immediately following the Capital Reorganisation becoming effective and completion of the Rights Issue

<i>Authorised:</i>		<i>HK\$</i>
30,000,000,000	Adjusted Shares of HK\$0.01 each	300,000,000.00
<i>Issued and fully paid:</i>		<i>HK\$</i>
215,521,031	Adjusted Shares of HK\$0.01 each	2,155,210.31
1,724,168,248	Rights Shares to be allotted and issued under the Rights Issue	17,241,682.48
<u>1,939,689,279</u>	Adjusted Shares in issue immediately after completion of the Rights Issue	<u>19,396,892.79</u>

All the Adjusted Shares, including the Rights Shares, to be issued will rank pari passu in all respects with each other. The Adjusted Shares, including the Rights Shares, to be issued will be listed on the Stock Exchange. No Shares have been issued since 31 December 2014, being the date on which the latest audited financial statements of the Company were made up.

Save for the Company's 1 per cent notes due 2024 which is listed on the Stock Exchange (Stock Code: 5755), no part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or the Adjusted Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, the Company has no outstanding warrants, options, derivatives or convertible or exchangeable securities.

3. DISCLOSURE OF INTERESTS**(a) Directors' interests**

As at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange; or (iv) to be disclosed under the Takeovers Code.

(b) Substantial shareholders' interest

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Name	Nature of interest/capacity	Total number of Shares	Percentage of the Company's issued share capital (Note 1)
PNG Resources Holdings Limited ("PNG") <i>(Notes 2 and 4)</i>	Interest of a controlled corporation	559,466,819	28.84%
Wai Yuen Tong Medicine Holdings Limited ("WYT") <i>(Notes 3 and 4)</i>	Interest of a controlled corporation	660,000,000	34.03%
Chu Yuet Wah	Interest of a controlled corporation	547,975,520	28.25%
Active Dynamic Limited	Interest of a controlled corporation	547,975,520	28.25%
Galaxy Sky Investments Limited	Interest of a controlled corporation	547,975,520	28.25%
Kingston Capital Asia Limited	Interest of a controlled corporation	547,975,520	28.25%
Kingston Financial Group Limited	Interest of a controlled corporation	547,975,520	28.25%
Kingston Securities Limited	Others	547,975,520	28.25%

Notes:

- The percentage stated represents the percentage of the Company's share capital as stated in the relevant disclosure of interests forms.
- PNG, through Onger Investments Limited, its indirect wholly-owned subsidiary, was taken to be interested in such shares.

3. WYT, through Jade Range Limited, its indirect wholly-owned subsidiary of Total Smart Investments Limited which, in turn, was wholly owned by WYT, was taken to be interested in such shares.
4. Mr. Chan Chun Hong, Thomas, the Chairman and the Chief Executive Officer of the Company, is a director of PNG, WYT, Jade Range Limited, Total Smart Investments Limited and Onger Investments Limited.

Save as disclosed above, the Directors and the chief executive of the Company are not aware that there is any person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the shares and underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly interested in 10 per cent or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any member of the Group.

4. COMPETING INTERESTS OF DIRECTORS AND ASSOCIATES

As at the Latest Practicable Date, none of the Directors or their respective associates had any personal interests in companies engaged in businesses, which compete or may compete with the Group.

5. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS AND CONTRACTS

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have been, since 31 December 2014 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Group.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has a service contract with any member of the Group which was not determinable by the Group within one year without payment of compensation (other than statutory compensation).

As at the Latest Practicable Date, none of the Directors has a service contract with the Company or any of its subsidiaries or associated companies, which: (i) (including both continuous and fixed term contracts) have been entered into or amended within 6 months before the date of the 8 January Joint Announcement; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

7. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinion and advice, which is contained in this circular:

Name	Qualification
HLB Hodgson Impey Cheng Limited (“ HLB ”)	Certified Public Accountants
Beijing Securities Limited (“ Beijing Securities ”)	a corporation licensed under the SFO to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities
RHL Appraisal Limited (“ RHL ”)	Professional valuer

As at the Latest Practicable Date, each of HLB, Beijing Securities and RHL (i) had no shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group; (ii) had no direct or indirect interest in any assets which had been, since 31 December 2014 (the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group; and (iii) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the reference to its name included herein in the form and context in which it appears.

8. LITIGATION

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

- (a) 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 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:

- (1) it is alleged that Baisazhou Agricultural forged a share transfer agreement entered into between the Company, Ms. Wang and Tian Jiu (the “**Contended Agreement**”) in relation to the acquisition by the Company of Baisazhou Agricultural (the “**Acquisition**”) wherein the consideration for the Acquisition was understated and the manner of settlement of the consideration was inaccurately described;
- (2) it is alleged that Baisazhou Agricultural forged the related documentation for filing with the PRC Ministry of Commerce and the Wuhan Administration of Industry and Commerce (the “**Hubei AIC**”), and that such documentation and the Contended Agreement involved forged signatures; and
- (3) it is alleged that the PRC Ministry of Commerce (“**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 Latest Practicable Date were involved in the Acquisition.

According to the Writ, Ms. Wang and Tian Jiu are seeking an order from the court against the Company that the Contended Agreement, to which the Company is a party, is 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.

On 18 November 2011, the Higher People’s Court of Hubei Province 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. Having considered the preliminary legal opinion of the Company’s PRC legal advisers, the Board is of the view that the freezing order does not affect the daily operation and management of the Baisazhou exchange, or the operation of Baisazhou Agricultural, and thus had no material effect on the Group as a whole.

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

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

On 20 November 2014, the parties to the proceedings attended the trial of the Appeal.

On 13 January 2015 the Company received the judgment dated 31 December 2014 handed down from the Supreme People's Court in relation to the Appeal ("**Beijing Judgment**"). In the Beijing Judgment, the Supreme People's Court ordered that (a) the Hubei Court Judgment be revoked; and (b) the Contended Agreement was void.

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 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 or Wuhan Administration of Industry and Commerce.
- (c) The Company can apply for re-trial within a period of 6 months from the date of receipt of the Beijing Judgment. In this regard, the Company is seeking the advice of its PRC lawyers on the merits of any such application. In any event, should the Company decide to apply for re-trial it will do so within the stipulated time.

After receiving the Beijing Judgment and up to the Latest Practicable Date, the Company has not received any further order from the Supreme People's Court on this case.

As advised by the PRC legal advisers of the Company, it is possible for events (b) (i) and/or (b)(ii) above to happen before event (c) or before the re-trial judgment is made (if the Company applies for re-trial).

If events (b)(i) and/or (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 2014, Baisazhou Agricultural contributed approximately the following to the Group: (i) approximately HK\$151.4 million (approximately 50.81% of the Group) in revenue, (ii) approximately HK\$1,898.1 million (approximately 27.48% of the Group) in assets, (iii) approximately HK\$858.0 million (approximately 17.06% of the Group) in liabilities, and (iv) approximately HK\$1,040.2 million (approximately 73.08% 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 2014, the instruments are recorded at book value of approximately HK\$376.0 million, together with interest payable in the aggregate amount of approximately HK\$518.0 million; and
- (c) the Company may take all necessary actions to seek (i) the return of the remaining balance of approximately HK\$705.9 million, being the consideration paid for the Acquisition, and (ii) the investments made by the Company over the years in Baisazhou Agricultural.

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

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

- (1) On 28 January 2011, the Company and Baisazhou Agricultural commenced court proceedings at the Higher People's Court of Hubei Province, the PRC against, inter alia, Ms. Wang and Tian Jiu for the return of assets and operating profits of Baisazhou Agricultural which were unlawfully misappropriated.
- (2) On 16 October 2014 the Company applied to the Higher People's Court of Hubei Province to withdraw its claim in the proceedings. The Company's application was granted on 22 October 2014.

(C) Writ issued in PRC by Wuhan Long Xiang Trading Development Limited and Wubei Zhong An Enterprise Investment Company Limited

- (1) On 1 July 2011, Baisazhou Agricultural received a writ issued by Wuhan Long Xiang Trading Development Limited ("**Long Xiang**") (as plaintiff) against Baisazhou Agricultural (as defendant) ("**Long Xiang Action**") and filed with the Wuhan Intermediate People's Court, the PRC, together with the related court summons dated 20 June 2011.
- (2) It was alleged that Baisazhou Agricultural is obliged to make payment under a settlement agreement dated 16 August 2010 and a supplemental settlement agreement dated 19 August 2010 (the "**Settlement Agreements**") entered into between Long Xiang, Baisazhou Agricultural and another party known as Wubei Zhong An Enterprise Investment Company Limited ("**Zhong An**").

- (3) On 20 April 2012, the Wuhan Intermediate People’s Court at first instance granted a judgment in favour of Long Xiang under which Baisazhou Agricultural was ordered to repay RMB20,659,176 together with interest at the borrowing rate offered by the People’s Bank of China for the period from 19 August 2010 to 16 May 2011 to Long Xiang as damages for economic loss suffered.
- (4) Subsequently on 16 May 2012, Baisazhou Agricultural appealed to the Higher People’s Court of Hubei Province.
- (5) Due to the overlapping of issues of another PRC court action between Baisazhou Agricultural (as defendant) and Zhong An (as plaintiff) in relation to the Settlement Agreements (“**Zhong An Action**”) with the Long Xiang Action, the Higher People’s Court of Hubei Province ordered that the Long Xiang Action be suspended, and the Zhong An Action to be retried by the Wuhan Intermediate People’s Court.
- (6) On 22 May 2013 the Wuhan Intermediate People’s Court delivered judgment upon retrying the Zhong An Action, and it maintained its judgment against Baisazhou Agricultural. On or about June 2013, Baisazhou Agricultural appealed to the Higher People’s Court of Hubei Province, but the appeal was dismissed. Baisazhou Agricultural then applied to the Supreme People’s Court for re-trial of the case. On 18 December 2013, the Supreme People’s Court dismissed the application.
- (7) On 19 October 2013 the Higher People’s Court of Hubei Province handed down the judgment of the Long Xiang Action. The court found against Baisazhou Agricultural, ruling that it was liable to make repayment to Long Xiang.
- (8) On 16 April 2014, the Wuhan Intermediate People’s Court granted a Notice of Enforcement against Baisazhou Agricultural. The notice stated that on 3 April 2014, Long Xiang applied to the Wuhan Intermediate People’s Court to enforce the judgment against Baisazhou Agricultural. As at the Latest Practicable Date, the Wuhan Intermediate People’s Court has not made any further order on enforcement yet.

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

- (1) On or about 24 October 2011, the Company issued a Writ of Summons in the Hong Kong Court of First Instance 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 sale and purchase agreement (“**Sale and Purchase Agreement**”) for the Acquisition.

- (2) On 5 October 2012, the Company obtained an order from the Hong Kong Court of First Instance to the effect that undertakings (the “**Undertakings**”) were given by Ms. Wang and Tian Jiu not to (i) indorse, assign, transfer or negotiate two instruments purportedly described as promissory notes in the Sale and Purchase Agreement (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 no longer fell due for payment by the Company on 5 December 2012.
- (3) The Instruments are recorded at book value at approximately HK\$376,000,000, together with interest payable in the amount of approximately HK\$518,700,000 as at 31 December 2014.

(E) Writ issued in PRC by Mr. Yeung

On 15 July 2013, Baisazhou Agricultural received a writ issued by Mr. Yeung Guang Wu (as plaintiff) against Baisazhou Agricultural (as defendant) and demand for an outstanding construction payment of RMB3,816,707 together with interest since August 2009. The parties exchanged evidence in August 2013 and the case is still on-going.

Save as disclosed above, as at the Latest Practicable Date, so far as the Directors are 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.

9. MATERIAL CONTRACTS

Within the two years immediately preceding the date of the 8 January Joint Announcement and up to the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Group which are or may be material:

- (a) the loan agreement with a facility of not exceeding HK\$110 million dated 13 February 2015 entered into between the Company and Double Leads Investments Limited, an indirect wholly-owned subsidiary of WOG, in respect of the February 2015 WOG Loan;
- (b) the Underwriting Agreement (together with its amending side letters dated 8 January 2015 and 28 January 2015);
- (c) the interest extension agreement dated 28 November 2014 entered into between the Company as borrower and Double Leads Investments Limited as lender in relation to the extension of interest payment of HK\$17,220,274 from 30 November 2014 to 31 May 2015;
- (d) the interest extension agreement dated 28 November 2014 entered into between the Company as borrower and Winning Rich Investments Limited as lender in relation to the extension of interest payment of HK\$18,950,685 from 30 November 2014 to 31 May 2015;

- (e) the interest extension agreement dated 28 November 2014 entered into between the Company as borrower and Peony Finance Limited as lender in relation to the extension of interest payment of HK\$15,229,452 from 30 November 2014 to 31 May 2015;
- (f) the co-operation agreement dated 20 November 2014 entered into between a wholly-owned subsidiary of the Company and the Huangshi JV Partner in relation to the formation of the Huangshi JV Company;
- (g) the placing agreement dated 19 November 2014 entered into between the Company and a placing agent in relation to the placing of the five-year 7.3% per annum coupon unlisted bonds to be issued by the Company in an aggregate principal amount of up to HK\$300,000,000 and a supplemental letter dated 9 February 2015 issued by the Company to the placing agent in relation to the extension of placing period for three months;
- (h) the agreement dated 18 November 2014 entered into between a wholly-owned subsidiary of the Company and the Chenzhou Beihu Government, the PRC, in relation to a development project in Chenzhou, Hunan Province, the PRC, under which the subsidiary agreed to make an interest-free prepayment of RMB28.8 million to the Chenzhou Beihu Government to acquire the relevant land and to support the development project;
- (i) the placing agreement dated 24 October 2014 entered into between the Company and Kingston, being the placing agent, pursuant to which the Company has conditionally agreed to allot and issue, and Kingston has conditionally agreed to place, on a best-effort basis, 220,000,000 placing Shares at a placing price of HK\$0.270 per placing Share for an aggregate net proceeds of approximately HK\$57.5 million;
- (j) the subscription agreement dated 4 October 2014 entered into between (i) the Company; (ii) the wholly-owned subsidiaries of WOG, PNG and WYT, being the bonds subscribers; and (iii) a placing agent, in relation to the placing of the two-year 8.5% coupon bonds and five-year 10.0% coupon bonds issued by the Company and the subscription of the bonds by the bonds subscribers;
- (k) a placing agreement dated 22 August 2014 entered into between the Company and Kingston, being the placing agent, pursuant to which the Company has conditionally agreed to allot and issue, and Kingston has conditionally agreed to place, on a best-effort basis, 250,000,000 placing Shares at a placing price of HK\$0.33 per placing Share for an aggregate net proceeds of approximately HK\$80.0 million;
- (l) the loan agreements dated 25 July 2014 and 16 May 2014 entered into between a wholly-owned subsidiary of the Company, as lender, and the Yanhe Town Government, the PRC, as borrower, in relation to an interest-free loan of RMB18.0 million and RMB2.0 million to acquire land in Huai'an City, Jiangsu Province, the PRC;

- (m) the termination agreement dated 18 June 2014 entered into between a wholly-owned subsidiary of the Company and the Yulin Land Bureau in respect of termination of the confirmation letter dated 24 December 2012 in relation to a proposed acquisition by the subsidiary of land use rights over a parcel of land in Yulin City, Guangxi Province, the PRC, from the Yulin Land Bureau;
- (n) the joint venture agreement dated 1 April 2014 entered into between a wholly-owned subsidiary of the Company and the Puyang JV Partner in relation to an increase in the total investment in the Puyang JV Company from RMB2.8 million to RMB140.0 million, in which the subsidiary of the Company will contribute RMB105.0 million in cash and the Puyang JV Partner will contribute RMB35.0 million by way of contributions in kind;
- (o) the loan agreement dated 1 April 2014 entered into between a wholly-owned subsidiary of the Company, as lender, and Mr. Jin Heng Jun, the largest shareholder of Puyang JV Partner, as borrower, in relation to a loan of RMB24.0 million for a period of not more than 3 years at the interest rate of 8.16% per annum;
- (p) the placing agreement dated 31 March 2014 entered into between the Company and a placing agent in relation to the placing of the bonds issued by the Company in an aggregate principal amount of up to HK\$1 billion maturing on 30 September 2024;
- (q) the underwriting agreement dated 4 December 2013 entered into between (i) the Company; (ii) WYT and WOG; and (iii) the wholly-owned subsidiaries of WOG and WYT and Kingston, collectively being the underwriters, in relation to the underwriting and certain other arrangements in respect of a rights issue of 1,106,619,045 rights shares at the subscription price of HK\$0.465 per rights share; and
- (r) a placing agreement dated 25 October 2013 entered into between the Company and an underwriter, pursuant to which the Company has conditionally agreed to allot and issue, and the underwriter has conditionally agreed to place, on a best-effort basis, 490,000,000 placing Shares at a placing price of HK\$0.112 per placing Share for an aggregate net proceeds of approximately HK\$53.1 million.

10. EXPENSES

The expenses in connection with the Rights Issue, including financial advisory fees, underwriting commission, printing, registration, translation, legal and accountancy charges are estimated to be approximately HK\$15.6 million, which are payable by the Company.

11. SHAREHOLDINGS AND DEALINGS

As at the Latest Practicable Date:

- (a) save for 3,424,000 shares of PNG held by Mr. Yau Yuk Shing's spouse (representing approximately 0.04% of the issued share capital of PNG), the Company and the Directors had no shareholdings in the Concert Group and had not dealt for value in any securities of the Concert Group within the six-month period preceding the date of the 8 January Joint Announcement and ending on the Latest Practicable Date;
- (b) none of the Company or any of its subsidiaries owned or controlled or during six-month period preceding the Latest Practicable Date dealt in, any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of any members of the Concert Group;
- (c) save as disclosed in section 3 "Disclosure of Interests" of this appendix, no Shares, convertible securities, warrants, options and derivatives in the Company were owned, controlled, borrowed or lent by the Directors or by the Company;
- (d) no Shares, convertible securities, warrants, options and derivatives in the Company were owned or controlled by a subsidiary of the Company or by a pension fund of any member of the Group or by any advisor to the Company as specified in class (2) of the definition of associate under the Takeovers Code, and none of them had dealt for value in the same within the six-month period preceding the date of the 8 January Joint Announcement and ending on the Latest Practicable Date;
- (e) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between any person and the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of "associate" under the Takeovers Code;
- (f) no Shares, convertible securities, warrants, options or derivatives of the Company and the Concert Group were managed on a discretionary basis by fund managers connected with the Company;
- (g) none of the Directors is interested in any Shares of the Company;
- (h) none of the Directors had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (i) no benefit will be given to any Director as compensation for loss of office in any member of the Group or otherwise in connection with the Rights Issue, the Special Deal or the Whitewash Waiver;
- (j) none of the Directors has entered into any agreement or arrangement with any other persons which is conditional on or dependent upon the outcome of the Rights Issue, the Special Deal or the Whitewash Waiver;

- (k) save for the Underwriting Agreement, there was no material contract entered into by any of the members of the Concert Group in which any Director had a material personal interest;
- (l) there is no agreement, arrangement or understanding (including any compensation arrangement) exists between (i) any of the members of the Concert Group; and (ii) any Director, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Rights Issue, the Special Deal or the Whitewash Waiver;
- (m) save for the shareholdings of the Concert Group in the Company disclosed in this appendix under the section “Disclosure of Interests”, none of the members of the Concert Group has any interests in any securities of the Company nor had dealt for value in the same within the six-month period preceding the date of the 8 January Joint Announcement and ending on the Latest Practicable Date;
- (n) none of the directors of the Concert Group has any interests in any securities of the Company nor had dealt for value in the same within the six-month period preceding to the date of the 8 January Joint Announcement and ending on the Latest Practicable Date;
- (o) none of the members of the Concert Group or the Directors has received any irrevocable commitment to vote for or against the proposed resolution approving the Rights Issue, the Special Deal or the Whitewash Waiver at the SGM;
- (p) there were no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between the Concert Group or parties acting in concert with it and any other person;
- (q) save for the transactions contemplated under the Underwriting Agreement, the PNG Irrevocable Undertaking and the undertaking by Mailful Investments not to subscribe for any of its provisional allotment of Rights Shares under the Rights Issue, there is no arrangement of the kind under Note 8 to Rule 22 of the Takeovers Code in relation to the Shares or the Adjusted Shares or the shares of each of WOG, WYT and PNG and which may be material to the Rights Issue, the Special Deal or the Whitewash Waiver;
- (r) save for the Underwriting Agreement, there is no arrangement or agreement to which the Concert Group is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a condition to the Rights Issue, the Special Deal or the Whitewash Waiver;
- (s) there are no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Concert Group has borrowed or lent; and
- (t) there was no agreement, arrangement or understanding that any securities acquired by the Concert Group under the Rights Issue would be transferred, charged or pledged to any other persons.

12. MARKET PRICES

The table below shows the closing prices of the Shares as recorded on the Stock Exchange on (i) the last day on which dealings took place in each of the six months immediately preceding the date of the 8 January Joint Announcement; (ii) the Last Trading Day; and (iii) the Latest Practicable Date.

Date	Closing price of the Shares (HK\$)
31 July 2014	0.365
29 August 2014	0.370
30 September 2014	0.335
31 October 2014	0.295
28 November 2014	0.260
23 December 2014 (Last Trading Day)	0.214
31 December 2014	0.214 <i>(note)</i>
30 January 2015	0.115
27 February 2015	0.112
10 March 2015 (Latest Practicable Date)	0.136

Note: the trading of the Shares was suspended on 31 December 2014.

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the period commencing from 8 July 2014, being the date six months preceding the date of 8 January Joint Announcement, and ending on the Latest Practicable Date were HK\$0.415 as quoted on 19 August 2014 and HK\$0.101 quoted on 16 February 2015 respectively.

13. CORPORATE INFORMATION**Board of Directors****Correspondence Address***Executive Directors*

Mr. Chan Chun Hong, Thomas
(Chairman and Chief Executive Officer)

5/F., Wai Yuen Tong Medicine Building
9 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

Mr. Leung Sui Wah, Raymond

5/F., Wai Yuen Tong Medicine Building
9 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

Mr. Yau Yuk Shing
5/F., Wai Yuen Tong Medicine Building
9 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

Independent Non-executive Directors

Mr. Ng Yat Cheung, *JP*
5/F., Wai Yuen Tong Medicine Building
9 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

Ms. Lam Ka Jen, Katherine
5/F., Wai Yuen Tong Medicine Building
9 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

Mr. Lau King Lung
5/F., Wai Yuen Tong Medicine Building
9 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

Audit Committee

Ms. Lam Ka Jen, Katherine, *Chairman*
Mr. Ng Yat Cheung, *JP*
Mr. Lau King Lung

Company Secretary

Mr. Cheung Chin Wa, Angus

Remuneration Committee

Mr. Ng Yat Cheung, *JP*, *Chairman*
Ms. Lam Ka Jen, Katherine
Mr. Lau King Lung
Mr. Chan Chun Hong, Thomas

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Nomination Committee

Mr. Lau King Lung, *Chairman*
Mr. Ng Yat Cheung, *JP*
Ms. Lam Ka Jen, Katherine
Mr. Chan Chun Hong, Thomas
Mr. Leung Sui Wah, Raymond

**Branch Share Registrar and
Transfer Office in Hong Kong**

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

Principal Bankers

Bank of Communications Co., Ltd.
Hong Kong Branch
Unit Nos. 1105-1107, 11/F.
Grand Central Plaza, Tower 1
Shatin
New Territories

The Hongkong and Shanghai Banking
Corporation Limited
Level 10, HSBC Main Building
1 Queen's Road Central
Hong Kong

**Head Office and Principal Place of
Business in Hong Kong**

5/F., Wai Yuen Tong Medicine Building
9 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

Auditors

HLB Hodgson Impey Cheng
Certified Public Accountants
31/F Gloucester Tower
The Landmark
11 Pedder Street, Central
Hong Kong

Legal Advisers***Hong Kong Law***

DLA Piper Hong Kong
17/F., Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

PRC Law

Zhong Lun Law Firm
36-37/F, SK Tower
6A Jianguomenwai Avenue
Beijing
People's Republic of China

Stock Code

0149 (Share Listing)
5755 (Note Listing)

Authorised Representatives

Mr. Chan Chun Hong, Thomas
5/F., Wai Yuen Tong Medicine Building
9 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

Mr. Leung Sui Wah, Raymond
5/F., Wai Yuen Tong Medicine Building
9 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

Homepage

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

14. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE**Name and address of the Concert Group**

Wang On Group Limited
5/F, Wai Yuen Tong Medicine Building
9 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

PNG Resources Holdings Limited
5/F., Wai Yuen Tong Medicine Building
9 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

Wai Yuen Tong Medicine Holdings Limited
5/F, Wai Yuen Tong Medicine Building
9 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

Mr. Tang Ching Ho
5/F., Wai Yuen Tong Medicine Building
9 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

Ms. Yau Yuk Yin
5/F., Wai Yuen Tong Medicine Building
9 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

Accord Power Limited
P. O. Box 957,
Offshore Incorporations Centre,
Road Town, Tortola,
British Virgin Islands

Caister Limited
P. O. Box 957,
Offshore Incorporations Centre,
Road Town, Tortola,
British Virgin Islands

Financial adviser to the Company

Kingston Corporate Finance Limited
Suite 2801, 28/F.
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

**Independent financial adviser to
the Independent Board Committee
and the Independent Shareholders**

Beijing Securities Limited
14/F, Shanghai Industrial Investment
Building
48 Hennessy Road
Wanchai
Hong Kong

Underwriters

Kingston Securities Limited
Suite 2801, 28/F.
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

	Jade Range Limited P. O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands
Legal adviser to the Company	<i>Hong Kong Law</i> Sullivan & Cromwell 28th Floor Nine Queen's Road Central Central Hong Kong <i>Bermuda Law</i> Conyers Dill & Pearman 2901 One Exchange Square 8 Connaught Place Central, Hong Kong
Reporting accountants	HLB Hodgson Impey Cheng Certified Public Accountants 31/F Gloucester Tower The Landmark 11 Pedder Street, Central Hong Kong
Valuer	RHL Appraisal Limited Room 1010, 10/F, Star House, Tsimshatsui, Hong Kong
Branch share registrar and transfer office in Hong Kong	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong

15. PROFILES OF DIRECTORS

Executive Directors

Mr. CHAN Chun Hong, Thomas (“Mr. Chan”), aged 51, 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 PNG Resources Holdings Limited, and was an independent non-executive director of Shanghai Prime Machinery Company Limited (resigned in June 2014), all of which are companies listed on the main board of the Stock Exchange. Mr. Chan graduated from the Hong Kong Polytechnic University with a degree in Accountancy and is a fellow member of The Association of Chartered Certified Accountants and an associate member of The Hong Kong Institute of Certified Public Accountants.

Mr. LEUNG Sui Wah, Raymond (“Mr. Leung”), aged 47, 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 the executive committee and the nomination committee of the Company. Mr. Leung had over 23 years of experience in corporate finance, accounting and company secretarial matters in Hong Kong and the PRC. He holds a Master degree in Business Administration and Master of Arts from The University of Hong Kong and City University of Hong Kong, respectively. He is a fellow member of The Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants, an associate member of 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 Purchasing and Supply and Certified Information Security Manager of Information Systems Audit and Control Association.

Mr. YAU Yuk Shing (“Mr. Yau”), aged 50, joined the Group in April 2012 and was appointed as an executive director of the Group in December 2012. Mr. Yau is a member of the executive committee of the Company. He has more than 22-year management experience in property development, engineering and construction businesses. Prior to joining the Group, Mr. Yau worked for certain companies with a wide spread of experience in real estate industry and project management.

Independent Non-executive Directors

Mr. NG Yat Cheung (“Mr. Ng”), JP, aged 59, joined the Company as an independent non-executive Director in February 2009. He is a member of each of the audit, remuneration and nomination committee of the Company. On 16 March 2012, Mr. Ng was also appointed as the chairman of the remuneration committee of the Company. He holds an associate degree in arts in business data processing from Chabot College in the United States. He holds offices as a director with a number of private companies which are principally engaged in technology, property development, insurance, finance and property holding. Mr. Ng is an independent non-executive director of VST Holdings Limited and Tao Heung Holdings Limited, both companies are listed on the main board of the Stock Exchange and of Jia Meng Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange.

Ms. LAM Ka Jen, Katherine (“Ms. Lam”), aged 49, joined the Company as an independent non-executive Director in February 2009. She is a member of each of the audit, remuneration and nomination committee of the Company. In September 2009, Ms. Lam was appointed as the chairman of the audit committee of the Company. She has over 9 years of experience in the finance and investment banking industry. Ms. Lam has worked in an international public accounting firm for over 7 years and is a qualified chartered accountant in Canada and a member of The Hong Kong Institute of Certified Public Accountants.

Mr. LAU King Lung (“Mr. Lau”), aged 68, joined the Company as an independent non-executive Director in May 2013. He is the chairman of the nomination committee and a member of each of the audit committee and the remuneration committee of the Company. Mr. Lau has over 40 years’ experience in planning, design and contracting of civil engineering and building works in Hong Kong or the PRC. Mr. Lau is a chartered engineer with his profession registration both in the United Kingdom and Hong Kong. He participated in the design of the initial systems of the Mass Transit Railway in Hong Kong after his graduation from civil engineering department of Imperial College, University of London for 6 years with Freeman Fox and Partners, London.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours (Saturdays and public holidays excepted) at 5/F., Wai Yuen Tong Medicine Building, 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong from the date of this circular up to and including the date of the SGM and will be displayed on the website of the SFC (www.sfc.hk) and the website of the Company (<http://www.cnagri-products.com>).

- (a) the memorandum of association and bye-laws of the Company;
- (b) the memorandum and articles of association of WYT Underwriter;
- (c) the report on the pro forma financial information of the Group upon Completion of the Rights Issue, the text of which is set out in Appendix II of this circular;

- (d) the annual reports of the Company for the three financial years ended 31 December 2012, 2013 and 2014;
- (e) the letter from the Independent Financial Adviser;
- (f) the letter from the Independent Board Committee;
- (g) the letter from the Board;
- (h) the letter, valuation certificates and valuation reports relating to the properties of the Group, the text of which is set out in Appendix III to this circular;
- (i) the material contracts as referred to in the section headed “material contracts” in this appendix;
- (j) the written consent referred to in the paragraph headed “Experts and Consents” in this appendix; and
- (k) this circular.

17. MISCELLANEOUS

- (a) The registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The Company’s head office and principal place of business in Hong Kong is at 5/F., Wai Yuen Tong Medicine Building, 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong.
- (b) The secretary of the Company is Mr. Cheung Chin Wa Angus (“**Mr. Cheung**”). He is a fellow member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. Mr. Cheung 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.
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong.
- (d) The English texts of this circular and the accompanying form of proxy shall prevail over their Chinese texts in case of inconsistency

NOTICE OF SGM



CHINA AGRI-PRODUCTS EXCHANGE LIMITED

中國農產品交易有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 0149)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the special general meeting (the “**SGM**”) of China Agri-Products Exchange Limited 中國農產品交易有限公司 (the “**Company**”) will be held at 20th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong on Wednesday, 8 April 2015 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions:

SPECIAL RESOLUTION

1. “**THAT**, conditional upon: (i) the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting the listing of, and the permission to deal in, the Adjusted Shares (as defined below); and (ii) compliance with Section 46(2) of the Companies Act 1981 of Bermuda to effect the Capital Reduction (as defined below), with effect from 9:00 a.m. on the next business day after the date on which this resolution is passed by the shareholders of the Company (the “**Shareholders**”):
 - (a) every eight (8) issued shares of nominal value of HK\$0.01 each in the share capital of the Company be consolidated into one (1) issued share of nominal value of HK\$0.08 (the “**Consolidated Share**”) (the “**Share Consolidation**”);
 - (b) the nominal value of all issued Consolidated Shares be reduced from HK\$0.08 each to HK\$0.01 each (the “**Adjusted Share**”) and the issued share capital of the Company be reduced to the extent of HK\$0.07 per Consolidated Share in issue, and any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation be cancelled (the “**Capital Reduction**”);
 - (c) the credit arising from the Capital Reduction be credited to the contributed surplus account of the Company and the directors of the Company (the “**Directors**”) be and are hereby authorised to apply the amount in the contributed surplus account of the Company to set off the accumulated loss of the Company in the manner permitted by the laws of Bermuda and the bye-laws of the Company (the “**Bye-Laws**”) without further authorisation from the Shareholders (together with the Share Consolidation and the Capital Reduction, the “**Capital Reorganisation**”); and

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- (d) any one Director be and is authorised to approve, sign and execute such documents and take any and all steps, and to do and/or procure to be done any and all acts and things which in his/her opinion may be necessary, desirable or expedient to implement and carry into effect this resolution, including, without limitation, to aggregate, sell and retain for the benefit of the Company all fractional Adjusted Shares to which each Shareholder is otherwise entitled.”

Note: No Shareholder is required to abstain from voting on this resolution numbered 1.

ORDINARY RESOLUTIONS

2. “**THAT:**

- (a) subject to and conditional upon the Capital Reorganisation (as defined in resolution numbered 1) taking effect and conditional upon fulfilment of the conditions of the Underwriting Agreement (as defined below) and the Underwriting Agreement not being terminated in accordance with its terms, the Rights Issue (as defined below) and the transactions contemplated thereunder be and are hereby approved;
- (b) For the purpose of this resolution, “**Rights Issue**” means the proposed issue by way of rights of 1,724,168,248 Adjusted Shares (the “**Rights Shares**”) at a subscription price of HK\$0.30 per Rights Share to the qualifying shareholders (the “**Qualifying Shareholders**”) of the Company whose names appear on the register of members of the Company on the date and time by reference to which entitlement to the Rights Issue will be determined (other than those shareholders (the “**Excluded Shareholders**”) with addresses on the register of members of the Company outside Hong Kong whom the Directors, after making enquiries, consider their exclusion from the Rights Issue to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place) on the basis of eight (8) Adjusted Shares for every one (1) Adjusted Share then held and otherwise pursuant to and subject to the fulfilment of the conditions set out in the underwriting agreement (the “**Underwriting Agreement**”) (a copy of which has been produced to this SGM marked “A” and initialled by the chairman of this SGM for the purpose of identification) dated 23 December 2014 (as varied on 8 January 2015 and 28 January 2015) and entered into among the Company, Jade Range Limited, Kingston Securities Limited (together with Jade Range Limited, the “**Underwriters**”) and Wai Yuen Tong Medicine Holdings Limited (位元堂藥業控股有限公司) (“**WYT**”);

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- (c) any one Director be and is hereby authorised to allot and issue the Rights Shares pursuant to and in connection with the Rights Issue notwithstanding that: (i) the Rights Shares may be offered, allotted or issued otherwise than to the Excluded Shareholders and, in particular, the Directors be and are hereby authorised to make such exclusions or other arrangements in relation to fractional entitlements and/or Excluded Shareholders as they deem necessary, desirable or expedient having regard to any restrictions or obligations under the Bye-Laws or the laws of, or the rules and regulations of any recognized regulatory body or any stock exchange in, any territory outside Hong Kong; and (ii) Rights Shares which would otherwise have been made available for application by the Qualifying Shareholders or the Excluded Shareholders (as the case may be) will be made available for subscription under forms of application for excess Rights Shares;
- (d) the entering into of the Underwriting Agreement by the Company be and is hereby approved, confirmed and ratified and the performance of the transactions contemplated thereunder by the Company (including but not limited to the arrangements for taking up of the underwritten Rights Shares, if any, by the Underwriters) be and are hereby approved; and
- (e) any one Director be and is hereby authorised to sign and execute such documents and do all such acts and things incidental to the Rights Issue or as he/she considers necessary, desirable or expedient in connection with the implementation of or giving effect to the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder.”

Note: Shareholders who are not the Independent Shareholders (as defined in this circular) are required to abstain from voting on this resolution numbered 2.

3. “**THAT:**

- (a) subject to and conditional upon of the passing of resolution numbered 2, the repayment by the Company of indebtedness owed to Wang On Group Limited (宏安集團有限公司)* (“**WOG**”) and its subsidiaries and PNG Resources Holdings Limited PNG 資源控股有限公司 and its subsidiaries (the “**Special Deal**”), by using a portion of the aggregate net proceeds from the Rights Issue as more particularly set out in the subsection headed “C. The Special Deal” in the section headed “Use of proceeds of the Rights Issue” of the circular of the Company dated 13 March 2015, be and are hereby approved for the purposes of Rule 25 of the Takeovers Code; and
- (b) any one Director be and is hereby authorised to sign and execute such documents with or without amendments and do all such acts and things incidental to the Special Deal as he/she considers necessary, desirable or expedient in connection with the implementation of or giving effect to the Special Deal.”

Note: Shareholders who are not the Independent Shareholders (as defined in this circular) are required to abstain from voting on this resolution numbered 3.

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4. “**THAT:**

- (a) subject to and conditional upon of the passing of resolution numbered 2, the waiver (the “**Whitewash Waiver**”) granted or to be granted by the executive director (the “**Executive Director**”) of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any delegate of the Executive Director pursuant to Note 1 on dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers in respect of the obligation on the part of (i) PNG Resources Holdings Limited PNG資源控股有限公司, (ii) WYT, (iii) WOG, (iv) Mr. Tang Ching Ho, an executive director of WOG and WYT, (v) Ms. Yau Yuk Yin, the spouse of Mr. Tang Ching Ho and also an executive director of WOG, (vi) Accord Power Limited as trustee for the Tang’s Family Trust, a discretionary trust founded by Mr. Tang Ching Ho, (vii) Caister Limited, a company incorporated in the British Virgin Islands with limited liability and which is wholly-owned by Mr. Tang Ching Ho, and (viii) the parties acting in concert with any of the aforementioned entities or persons (collectively, the “**Concert Group**”), to make a general offer for all the issued Adjusted Shares not already owned or agreed to be acquired by the Concert Group which, in the absence of the Whitewash Waiver, may otherwise arise as a result of the subscription of the Rights Shares by the Concert Group pursuant to: (i) the irrevocable undertaking dated 23 December 2014 (as varied on 28 January 2015) given by Onger Investments Limited in favour of the Company whereby Onger Investments Limited agreed to subscribe or procure subscription for 346,192,728 Rights Shares and to apply or procure application, by way of excess application, for 170,000,000 Rights Shares and (ii) the Underwriting Agreement, be and is hereby approved; and
- (b) any one Director be and is hereby authorised to sign and execute such documents with or without amendments and do all such acts and things incidental to the Whitewash Waiver as he/she considers necessary, desirable or expedient in connection with the implementation of or giving effect to the Whitewash Waiver.”

Note: Shareholders who are not the Independent Shareholders (as defined in this circular) are required to abstain from voting on this resolution numbered 4.

By Order of the Board
CHINA AGRI-PRODUCTS EXCHANGE LIMITED
中國農產品交易有限公司
Cheung Chin Wa Angus
Company Secretary

Hong Kong, 13 March 2015

NOTICE OF SGM

Registered Office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

*Head office and principal place of
Business in Hong Kong*
5/F, Wai Yuen Tong Medicine Building
9 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the SGM is entitled to appoint one proxy or, if such member is a holder of more than one share, more than one proxy to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
2. In order to be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, Level 22., Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as practicable but in any event not later than 48 hours before the time for holding the SGM or any adjournment of such meeting (as the case may be).
3. Completion and delivery of the form of proxy will not preclude members from attending and voting in person at the SGM or any adjournment thereof (as the case may be) if they so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. Where there are joint holders of any shares, any one of such holders may vote at the SGM either personally or by proxy in respect of such shares as if he/she was solely entitled thereto provided that if more than more of such joint holders be present at the SGM whether personally or by proxy, the person whose name stands first on the register of members of the Company in respect of such shares shall be accepted to the exclusion of the votes of the other joint holders.
5. All of the above resolutions will be voted by way of a poll at the SGM.

** For identification purpose only*