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)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

The board of directors (the "Board") of China Agri-Products Exchange Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2010, together with the comparative figures for the previous financial year, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Turnover	*4*	**129,952**	104,117
Cost of operation		**(44,021)**	(31,630)
Gross profit		**85,931**	72,487
Other revenue		**7,024**	13,927
Other net income		**1,060**	4
General and administrative expenses		**(114,612)**	(84,354)
Other operating expenses		**(285,759)**	(326,183)
Loss from operations		**(306,356)**	(324,119)
Finance costs	*5(a)*	**(73,224)**	(66,016)
Loss before taxation	*5*	**(379,580)**	(390,135)
Income tax	*6*	**43,313**	76,610
Loss for the year		**(336,267)**	(313,525)
Other comprehensive income, net of income tax			
Exchange differences on translating foreign operations		**34,894**	1,078

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Total comprehensive loss for the year		**(301,373)**	(312,447)
Loss attributable to:			
Owners of the Company		**(325,689)**	(296,330)
Non-controlling interests		**(10,578)**	(17,195)
		(336,267)	(313,525)
Total comprehensive loss attributable to:			
Owners of the Company		**(300,209)**	(295,460)
Non-controlling interests		**(1,164)**	(16,987)
		(301,373)	(312,447)
Loss per share (restated)			
— Basic	8	**HK$(0.81)**	HK$(1.34)
— Diluted	8	**HK$(0.81)**	HK$(1.34)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment		**27,334**	29,535
Investment properties		**1,523,227**	1,439,562
Intangible assets		**—**	182,372
Held-to-maturity financial assets		**—**	6,048
Goodwill		**6,444**	11,625
		1,557,005	1,669,142
Current assets			
Inventories		**1,384**	1,137
Trade and other receivables	9	**39,978**	17,346
Financial assets at fair value through profit or loss		**11,976**	17,001
Cash and cash equivalents		**81,539**	155,701
		134,877	191,185
Current liabilities			
Trade and other payables	10	**390,130**	272,872
Bank and other borrowings		**165,454**	341,807
Government grants		**4,529**	4,324
Income tax payable		**76,712**	73,780
		636,825	692,783
Net current liabilities		**(501,948)**	(501,598)
Total assets less current liabilities		**1,055,057**	1,167,544
Non-current liabilities			
Bank and other borrowings		**357,810**	244,835
Promissory notes		**331,629**	312,242
Deferred tax liabilities		**90,347**	132,044
		779,786	689,121
Net assets		**275,271**	478,423
Capital and reserves			
Share capital		**49,387**	29,187
Reserves		**38,530**	260,718
Total equity attributable to owners of the Company		**87,917**	289,905
Non-controlling interests		**187,354**	188,518
Total equity		**275,271**	478,423

NOTES TO FINANCIAL STATEMENTS

1. GENERAL

The Company 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 Company is an investment holding company. Its subsidiaries are principally engaged in the business of property rental and restaurant operation.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(a) Going concern basis

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group notwithstanding that:

— the Group had consolidated loss attributable to owners of the Company of HK$325,689,000 for the year ended 31 December 2010;

— the Group had consolidated net current liabilities of approximately HK$501,948,000 as at 31 December 2010; and

— the Group had outstanding bank and other borrowings of approximately HK$523,264,000, out of which an aggregate of approximately HK$165,454,000 is due for repayment within the next twelve months after 31 December 2010.

The directors adopted the going concern basis in the preparation of the financial statements and implemented the following measures in order to improve the working capital and liquidity and cash flow position of the Group:

(i) Alternative sources of external funding

The Group is actively exploring the availability of alternative sources of external funding to strengthen the working capital position of the Group.

Subsequent to 31 December 2010, the Group announced to raise an aggregate net proceeds of approximately HK$73,100,000 from placing of the Company's shares. The placing was completed on 5 January 2011. On 11 January 2011, the Company entered a loan agreement with Give Power Limited, an indirect wholly-owned subsidiary of Wai Yuen Tong Medicine Holdings Limited, pursuant to which Give Power Limited agreed to grant a loan amounted to HK$60,000,000 to the Company.

(ii) Attainment of profitable and position cash flow operations

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

(iii) 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.

In the opinion of the directors, in light of the various measures/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 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 financial statements.

(b) 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 Company's 2010 annual report.

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

The following new and revised Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) have been applied by the Group in the current year and have affected the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements. The application of these new and revised Standards and Interpretations has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

HKFRS 3 (as revised in 2008) Business Combinations

HKFRS 3 (as revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1 January 2010 in accordance with the relevant transitional provisions. Its application has affected the accounting for business combinations in the current year.

The impact of the application of HKFRS 3 (as revised in 2008) is as follows:

(i) HKFRS 3 (as revised in 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree.

(ii) HKFRS 3 (as revised in 2008) changes the recognition and subsequent accounting requirements for contingent consideration. Previously contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against the cost of acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

(iii) HKFRS 3 (as revised in 2008) requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Group and the acquiree.

(iv) HKFRS 3 (as revised in 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards

The amendments provide two exemptions when adopting HKFRSs for the first time relating to oil and gas assets, and the determination as to whether an arrangement contains a lease.

Amendments to HKFRS 2 Share-based Payment — Group Cash-settled Share-based Payment Transactions

The amendments clarify the scope of HKFRS 2, as well as the accounting for group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award.

Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations (as part of Improvements to HKFRSs issued in 2009)

The amendments to HKFRS 5 clarify that the disclosure requirements in HKFRSs other than HKFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those HKFRSs require (i) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of HKFRS 5 and the disclosures are not already provided in the consolidated financial statements.

Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations (as part of Improvements to HKFRSs issued in 2008)

The amendments clarify that all the assets and liabilities of a subsidiary should be classified as held for sale when the Group is committed to a sale plan involving loss of control of that subsidiary, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Amendments to HKAS 1 Presentation of Financial Statements (as part of Improvements to HKFRSs issued in 2009)

The amendments to HKAS 1 clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current.

Amendments to HKAS 7 Statement of Cash Flows (as part of Improvements to HKFRSs issued in 2009)

The amendments to HKAS 7 specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows.

Amendments to HKAS 17 Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

HKAS 27 (as revised in 2008) Consolidated and Separate Financial Statements

The application of HKAS 27 (as revised in 2008) has resulted in changes in the Group's accounting policies for the Group's changes in ownership interests in subsidiaries of the Group.

Specifically, the revised Standard has affected the Group's accounting policies regarding changes in the Group's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under HKAS 27 (as revised in 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amounts and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

These changes have been applied prospectively from 1 January 2010 in accordance with the relevant transitional provisions.

In addition, under HKAS 27 (as revised in 2008), the definition of non-controlling interest has been changed. Specifically, under the revised Standard, non-controlling interest is defined as the equity in a subsidiary not attributable, directly or indirectly, to a parent.

HKAS 28 (as revised in 2008) Investments in Associates

The principle adopted under HKAS 27 (as revised in 2008) (see above) that a loss of control is recognised as a disposal and re-acquisition of any retained interest at fair value is extended by consequential amendments to HKAS 28. Therefore, when significant influence over an associate is lost, the investor measures any investment retained in the former associate at fair value, with any consequential gain or loss recognised in profit or loss.

Amendments to HKAS 39 Financial Instruments: Recognition and Measurement — Eligible Hedged Items

The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.

Hong Kong Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Hong Kong Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ('HK Int 5') clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ('repayment on demand clause') should be classified by the borrower as current liabilities. The Group has applied HK Int 5 for the first time in the current year. Hong Kong Interpretation 5 requires retrospective application.

In order to comply with the requirements set out in HK Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK Int 5, term loans with a repayment on demand clause are classified as current liabilities. The application of HK Int 5 has had no material impact on the amounts reported for the current and prior years.

HK (IFRIC) — Int 17 Distributions of Non-cash Assets to Owners

The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.

HK (IFRIC) — Int 18 Transfers of Assets from Customers

The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of the transfer, with the credit being recognised as revenue in accordance with HKAS 18 Revenue.

Improvements to HKFRSs issued in 2009

Except for the amendments to HKFRS 5, HKAS 1, HKAS 7 and HKAS 17 as described earlier, the application of Improvements to HKFRSs issued in 2009 has not had any material effect on amounts reported in the consolidated financial statements.

Standards and Interpretations in issue but not yet effective

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[2]
HKFRS 9	Financial Instruments[3]
HKAS 24 (as revised in 2009)	Related Party Disclosures[4]
HKAS 32 (Amendments)	Classification of Rights Issues[5]
HK (IFRIC) — Int 14 (Amendments)	Prepayment of a Minimum Funding Requirement[4]
HK (IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 January 2013.
4 Effective for annual periods beginning on or after 1 January 2011.
5 Effective for annual periods beginning on or after 1 February 2010

HKFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, 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 presentation 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 attributable to a financial liability's 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 at 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 2013, 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 2013 and that the application of the new Standard may have a significant impact on amounts reported in respect of the Groups' financial assets. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKFRS 7 titled Disclosures — Transfers of Financial Assets increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors do not anticipate that these amendments to HKFRS 7 will have a significant effect on the Group's disclosures regarding transfers of trade receivables previously effected. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

HKAS 24 Related Party Disclosures (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities.

The disclosure exemptions introduced in HKAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity. However, disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of the Standard is applied in future accounting periods because some counterparties that did not previously meet the definition of a related party may come within the scope of the Standard.

The amendments to HKAS 32 titled Classification of Rights Issues address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments. However, if the Group does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to HKAS 32 will have an impact on the classification of those rights issues.

HK(IFRIC) — Int 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into any such transactions in the future, HK(IFRIC) — Int 19 will affect the required accounting. In particular, under HK(IFRIC) — Int 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

4. TURNOVER

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

	2010	2009
	HK$'000	*HK$'000*
Gross rental income	**69,589**	51,139
Revenue from property ancillary services	**6,585**	4,416
Commission income from agricultural exchange market	**23,175**	19,811
Sales of food and beverages	**30,603**	28,751
	129,952	104,117

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

Segment revenue and results

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

	Property rental		**Restaurant operation**		**Consolidated**	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover						
External sales	**99,349**	75,366	**30,603**	28,751	**129,952**	104,117
Result						
Segment result	**(239,879)**	(268,397)	**(1,669)**	(1,715)	**(241,548)**	(270,112)
Unallocated corporate expenses					**(59,627)**	(43,762)
Impairment loss on goodwill	**(5,181)**	(10,245)	**—**	—	**(5,181)**	(10,245)
Loss from operations					**(306,356)**	(324,119)
Finance costs					**(73,224)**	(66,016)
Loss before taxation					**(379,580)**	(390,135)
Income tax					**43,313**	76,610
Loss for the year					**(336,267)**	(313,525)

The accounting policies of the reportable segments are the same as the Group's accounting policies describe in the Company's 2010 annual report, segment results represents the loss from each segment without allocation of central administrative costs, 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 (2009: Nil).

Segment assets and liabilities

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

	Property rental		Restaurant operation		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets						
Segment assets	**1,611,797**	1,722,107	**14,520**	9,966	**1,626,317**	1,732,073
Unallocated corporate assets					**65,565**	128,254
					1,691,882	1,860,327
Liabilities						
Segment liabilities	**868,086**	808,200	**1,143**	5,210	**869,229**	813,410
Unallocated corporate liabilities					**547,382**	568,494
					1,416,611	1,381,904

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 reportable segments.

— all liabilities are allocated to reportable segments other than corporate liabilities.

Other segment information

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

	Property rental		Restaurant operation		Unallocated		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Capital expenditure								
— acquisition of subsidiary	**—**	667,850	**—**	—	**—**	—	**—**	667,850
— others	**29,393**	90,869	**2,209**	818	**—**	—	**31,602**	91,687
Depreciation and amortisation	**8,815**	18,104	**2,101**	1,343	**429**	435	**11,345**	19,882
Impairment loss								
— intangible assets	**180,442**	288,308	**—**	—	**—**	—	**180,442**	288,308
— goodwill	**5,181**	10,245	**—**	—	**—**	—	**5,181**	10,245
— other receivables	**88,279**	5,674	**—**	—	**—**	—	**88,279**	5,674

Information about major customers

Included in revenues arising from property rental operations of HK$99,349,000 (2009: HK$75,366,000) are revenues of approximate HK$41,354,000 (2009: 39,760,000) which arose from sales to the Group's largest customer.

Geographical information

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

5. LOSS BEFORE TAXATION

Loss before taxation is arrived after charging:

(a) Finance costs

	2010	2009
	HK$'000	*HK$'000*
Interest on bank advances and other borrowings wholly repayable within five years	**35,037**	29,941
Interest on promissory notes	**38,187**	36,075
	73,224	66,016

(b) Staff costs (including directors' emoluments)

	2010	2009
	HK$'000	*HK$'000*
Contributions to defined contribution retirement plans	**221**	196
Salaries, wages and other benefits	**30,696**	21,268
	30,917	21,464

(c) Other items

	2010	2009
	HK$'000	*HK$'000*
Other amortisation of intangible assets*	**5,673**	13,621
Depreciation	**5,672**	5,779
Impairment loss on goodwill*	**5,181**	10,245
Impairment loss on intangible assets*	**180,442**	288,308
Impairment loss on trade and other receivables*	**88,279**	—
Loss on disposal on property, plant and equipment*	**6,184**	—
Auditor's remuneration		
— audit services	**900**	700
— other services	**304**	307
Operating lease charges: minimum lease payments		
— property rental	**4,658**	3,940
Fair value loss on financial assets at fair value through profit or loss	**—**	1,285
Cost of inventories	**20,271**	19,022

* Included in "other operating expenses" as disclosed in the consolidated financial statements.

6. INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Taxation in the consolidated statement of comprehensive income represents:

	2010	2009
	HK$'000	*HK$'000*
Current tax — PRC enterprise income tax		
Current tax	**2,951**	2,375
Deferred tax		
Origination and reversal of temporary differences	**(46,264)**	(78,985)
	(43,313)	(76,610)

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 2010 and 2009. PRC Enterprise Income Tax is computed according to the relevant legislation interpretations and practices in respect thereof during the year. PRC Enterprise Income Tax rate is 25% (2009: 25%).

7. DISTRIBUTION OF CONTRIBUTED SURPLUS TO OWNERS OF THE COMPANY

The directors do not recommend the payment of any dividend in respect of the years ended 31 December 2010 and 2009 respectively.

8. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company of HK$325,689,000 (2009: HK$296,330,000) and the weighted average number of 403,290,517 ordinary shares (2009: 220,603,100 (restated)) in issue during the year after adjusting the effects of share consolidation approved on 3 November 2010. The basis loss per share for 2009 had been adjusted accordingly.

Diluted loss per share for the years ended 31 December 2010 and 2009 were the same as basic loss per share as there was no diluted event during the year.

9. TRADE AND OTHER RECEIVABLES

The Group generally allows an average credit period of 30 days to 180 days to its trade customers. Included in trade and other receivables as at 31 December 2010 are debtors of HK$773,000 (2009: HK$955,000) and their ageing analysis is as follows:

	2010	2009
	HK$'000	*HK$'000*
Less than 90 days	**587**	847
More than 90 days but less than 180 days	**34**	57
More than 180 days	**152**	51
	773	955

10. TRADE AND OTHER PAYABLES

Included in trade and other payables as at 31 December 2010 are trade payable of HK$1,274,000 (2009: HK$1,313,000) and their ageing analysis is as follows:

	2010	2009
	HK$'000	*HK$'000*
Within 90 days	**1,274**	1,313
After 90 days but within 180 days	**—**	—
	1,274	1,313

EXTRACT OF THE AUDITORS' REPORT

The following is an extract of the independent auditors' report on the Group's annual audited financial statements for the year ended 31 December 2010:

"Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material uncertainty concerning going concern basis of accounting

Without qualifying our opinion, we draw attention to note 2(b) to the consolidated financial statements which indicates that the Group incurred a net consolidated loss attributable to owners of the Company of approximately HK$325,689,000 for the year ended 31 December 2010 and, as of that date, the Group's consolidated current liabilities exceeded its consolidated current assets by approximately HK$501,948,000. Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the Group's ability to extend its short-term borrowings upon maturity, obtain long-term financing facilities to re-finance its short-term borrowings, and derive adequate operating cash flows from the existing operations in order for the Group to meet its financial obligations as they fall due and to finance its future working capital and financial requirements. These conditions, along with other matters as set forth in note 2(b), indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern."

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY OF OPERATING RESULTS

Turnover and gross profits

For the year ended 31 December 2010, the Group recorded a turnover of approximately HK$130.0 million, an increase of approximately HK$25.9 million or approximately 24.9% from approximately HK$104.1 million for the previous financial year. The increase was mainly attributable to the rental income generated from the Group's three agricultural produce exchange projects in the PRC.

The gross profit of the Group increased by approximately 18.5% to approximately HK$85.9 million from approximately HK$72.5 million for the previous financial year. The gross profit margin of the Group for the financial year was approximately 66.1% as compared to approximately 69.6% for the previous financial year.

Administrative expenses and finance cost

General and administrative expenses were approximately HK$114.6 million (2009: approximately HK$84.4 million). The increase was mainly due to the Yulin project reaching full scale operation and the Group having resumed its own operation of 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 ("Wuhan Baisazhou") exchange in 2010. Other operating expenses amounting to approximately HK$285.8 million mainly represented the impairment of intangible assets due to the rental subcontract agreement and preference of customers (2009: approximately HK$326.2 million). Finance costs were approximately HK$73.2 million (2009: approximately HK$66.0 million) and the increase was mainly due to the interest rate increases of bank and other borrowings incurred to finance the PRC projects.

Loss attributable to equity shareholders

The loss attributable to owners of the Company for the year was approximately HK$325.7 million as compared to a loss of approximately HK$296.3 million for the previous year. The increase in net loss was mainly due to the impairment of intangible assets arising from the Group's acquisition of Wuhan Baisazhou.

DIVIDENDS

The Directors do not recommend any payment of a final dividend for the year ended 31 December 2010 (2009: Nil). No interim dividend was paid to the shareholders of the Company during the year under review (2009: Nil).

REVIEW OF OPERATIONS

During the year under review, the Group was principally engaged in the business of agricultural produce exchanges and restaurant operation, both in the PRC.

Agricultural produce exchanges

As one of the largest agricultural produce exchange operators in the PRC, the Group operates 3 sites located at Wuhan in Hubei Province, Xuzhou in Jiangsu Province and Yulin in Guangxi Zhuang Autonomous Region ("Guangxi").

On 22 November 2010, the Group resumed its own operations of the Wuhan Baisazhou agricultural produce exchange marketplace. Wuhan Baisazhou is one of the largest agricultural produce exchanges in the PRC in terms of transaction volume and site area. It is located at the Hongshan District of Wuhan with a site area of approximately 270,000 square metres and a total gross floor area of approximately 160,000 square metres and comprises more than 2,200 units. The logistics centre provides full scale support services to truck drivers, from hostels, restaurants to supermarkets and truck repairing services. The marketplace provides its customers with a systematic logistics flow in order to maximise customer throughput. We are optimistic that the resumption of operation and management of the Wuhan Baisazhou exchange by our own management will result in an increased contribution to the turnover of the Group.

The agricultural produce exchange in Xuzhou, Jiangsu Province comprises single-storey market stalls and multi-storey godowns and is the major marketplace for the supply of fruit and seafood in Xuzhou city. This marketplace offers a centralised trading place for a wide range of agricultural produce. During the year under review, the business performance of Xuzhou marketplace was very encouraging with a substantial increase in turnover compared to the corresponding figure for 2009.

Our agricultural produce exchange project in Yulin, Guangxi comprises various two-storey market stalls and multi-storey godowns. The completed phase of the project commenced operation in October in 2009. After a one-year trail period, the occupancy rate of Yulin project has reached over 90%. During the year under review, the Yulin project continued to expand and construction at the remaining part of the site continued.

Restaurant operation

The total turnover of the Group's two restaurants located in Shenzhen and Beijing was approximately HK$30.6 million (2009: approximately HK$28.8 million).

FUND RAISING ACTIVITIES

Top-up placing and placing of new shares under general mandate

In August 2010, the Company successfully placed a total of 820 million shares to independent third parties at a price of HK$0.05 per share, through a placing agent on a best effort basis, under the general mandate granted to the directors by the shareholders at the annual general meeting of the Company held on 8 June 2010. Aggregate net proceeds of approximately HK$39.8 million were raised for general working capital purposes and repayment of interest bearing debts.

Placing of new shares under a specific mandate

On 3 February 2010, the Company entered into a placing agreement under which the Company conditionally agreed to place up to 2.3 billion shares of the Company to independent third parties, through a placing agent on a best efforts basis, at a price of HK$0.05 per share under a specific mandate which the Directors then sought and obtained from shareholders at a special general meeting of the Company held on 29 March 2010. Completion of the first tranche of the placing comprising 1.2 billion shares took place on 22 April 2010. Since the other conditions could not be fulfilled before the expiry of the three-month period, the balance of the placing lapsed. Net proceeds of approximately HK$58.4 million were raised for expansion and further development of the Group's agricultural produce exchanges, repayment of interest-bearing debts and other general working capital requirement for the Group.

On 9 November 2010, the Company entered into placing agreements to place a total of 300 million shares, on a fully underwritten basis, and to place up to a maximum of 300 million shares, through a placing agent on a best efforts basis, to independent third parties at a price of HK$0.25 per share under a specific mandate which the directors then sought and obtained from shareholders at a special general meeting of the Company held on 21 December 2010. Completion of the placing of all of the 300 million fully underwritten shares took place on 5 January 2011 and net proceeds of approximately HK$73.1 million were raised for repayment of loan and reduction of the Group's debt and gearing level and for expansion and further development of the Group's agricultural produce exchanges.

The directors continue to explore any opportunity with potential investors to raise further funds in order to further strengthen its shareholder base and provide financing for the continuing business development of the Group.

CAPITAL REORGANISATION

During the year, the Company underwent a capital reorganisation which became effective on 4 November 2010 (the "Capital Reorganisation") comprising, inter alia, the consolidation of every 10 shares of HK$0.01 each then in issue into one consolidated share of HK$0.10. Details were disclosed in the Company's announcement dated 28 September 2010 and circular dated 18 October 2010.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2010, the Group had total cash and cash equivalents amounting to approximately HK$81.5 million (2009: approximately HK$155.7 million) whilst total assets and net assets were approximately HK$1,691.9 million (2009: approximately HK$1,860.3 million) and approximately HK$275.3 million (2009: approximately HK$478.4 million), respectively. The Group's gearing ratio as at 31 December 2010 was approximately 2.81 (2009: approximately 1.55), representing the ratio of total bank and other borrowings and promissory notes of approximately HK$854.9 million (2009: approximately HK$898.9 million), net of cash and cash equivalents of approximately HK$81.5 million (2009: approximately HK$155.7 million) to shareholders' funds of approximately HK$275.3 million (2009: approximately HK$478.4 million).

As at 31 December 2010, outstanding capital commitments, contracted but not provided for, amounted to HK$nil (2009: approximately HK$3.7 million), representing commitments in relation to the purchase of property, plant and equipment, and construction contracts. As at 31 December 2010, the Group had pledged the land use rights and bank deposits with an aggregate carrying amount of approximately HK$595.6 million (2009: approximately HK$411.3 million) to secure its bank borrowings.

The revenue and bank deposits of the Group are mainly denominated in Renminbi and Hong Kong dollars. The operating costs are mainly denominated in Hong Kong dollars and Renminbi. Therefore, the Group is not exposed to any material foreign currency exchange risk. The Group did not have any outstanding foreign exchange contracts, interest or currency swaps or other financial derivatives as at 31 December 2010. As at 31 December 2010, the Group had no significant contingent liability (2009: Nil).

PROSPECTS

Looking ahead to 2011, the Group will continue to build a nationwide agricultural produce exchange network by leveraging on its leading position in the industry, readily replicable business model, well-developed management system and quality customer services. On 28 February 2011, the Group successfully acquired a piece of land of approximately 160,000 square metres for development into a new agricultural produce exchange. This new site is adjacent to the Group's existing Yulin project which helps to expand our market operations in Guangxi. With the wide geographical coverage of the Group's existing projects located in different cities and the industry knowledge we have accumulated, we are well positioned to expand our network further.

The continued support for the agricultural sector from the PRC government is aimed at increasing peasants' income and improving rural living standards. Different favorable measures have been put in place and include budgetary support strengthened agricultural support policies, systematic protection against the misuse of farmland as well as the encouragement of agricultural technology innovation to accelerate agricultural production cycles. The Group believes that the policy support and financial assistance from the PRC government to the agricultural sector can bring financial benefits to our agricultural produce exchange business.

The Group will continue to focus on intensifying its investment in agricultural produce wholesale markets in the PRC to further entrench its commitment in supporting the State's "Vegetable Basket Project". The Group believes that this strategy will deliver long term benefits to the shareholders of the Company.

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2010, the Group had 734 (2009: 460) employees, approximately 97.0% of whom were located in the PRC. The Group's remuneration policy is reviewed periodically and remuneration is determined by reference to market terms, company performance, and individual qualifications and performance.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year under review, the Company repurchased a total of six shares on the Stock Exchange for an aggregate consideration of HK$0.36 (before expenses) on 22 October 2010 for the purpose of cancellation of the fractional shares arising from the Capital Reorganisation, details of which were set out in the Company's circular dated 18 October 2010. The six repurchased shares were subsequently cancelled on 1 November 2010.

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the year ended 31 December 2010 except for the following deviations:

Code provision A.2.1

Under code provision A.2.1, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual.

Mr. Chan Chun Hong, Thomas ("Mr. Chan"), the chairman of the Board, also assumed the role of chief executive officer of the Company on 2 August 2010 to fill the causal vacancy arising from the resignation of Mr. Ying Yat Man that deviates the code provision A.2.1 of the CG Code since then. Mr. Chan has extensive executive and financial management experience to accomplish his roles which is of great value in enhancing the efficiency to cope with the dynamic business environment. Furthermore, there are various experienced individuals in charge of the daily business operation and the Board comprises three executive directors and three independent non-executive directors with balance of skill and experience appropriate for the Group's further development. However, the Company continues to review from time to time as this regard or will identify any other suitable personnel to take up the role of the chief executive officer, as and when appropriate, and will make further announcement in due course.

Code provision C.2.1

In fiscal years of 2009 and 2010, the Company appointed professional advisers, HLB Hodgson Impey Cheng Consultants Limited ("HLB Consultants"), to perform the ongoing monitoring of the systems of internal controls of the Group. HLB Consultants reported that no material internal control weakness was identified from the reviews.

During the year, the Board continued to meet from time to time to review the effectiveness of the Group's system of internal control and confirmed that subsequent to the resumption of the operation and management of the Wuhan Baisazhou exchange in November 2010, the Group's system of internal control in respect of financial, operational, compliance and risk management, is effective and adequate.

Further details of the Company's corporate governance practices are set out in the corporate governance report to be contained in the Company's 2010 annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The Company has an audit committee (the "Audit Committee''), which was established in accordance with the requirements of the Listing Rules, for the purposes of reviewing and providing supervision over the Group's financial reporting processes and internal controls. The Audit Committee comprises all the independent non-executive directors of the Company, namely Mr. Ng Yat Cheung, Mr. Lee Chun Ho and Ms. Lam Ka Jen, Katherine, and is chaired by Ms. Lam Ka Jen, Katherine. The Audit Committee has reviewed with the management the consolidated financial statements of the Group for the year ended 31 December 2010.

ANNUAL GENERAL MEETING

The 2011 annual general meeting of the shareholders of the Company will be held at Harbour Room I, Mezzanine Floor, Kowloon Shangri-La Hong Kong, 64 Mody Road, Kowloon, Hong Kong on Friday, 6 May 2011 at 10:00 a.m. and the notice convening such meeting will be published and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

PUBLICATION OF FINAL RESULTS AND DESPATCH OF ANNUAL REPORT

This results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.cnagri-products.com). The 2010 annual report of the Company containing all the information required by the Listing Rules will be despatched to its shareholders and available on the above websites in due course.

By Order of the Board
China Agri-Products Exchange Limited
中國農產品交易有限公司
Chan Chun Hong, Thomas
Chairman and Chief Executive Officer

Hong Kong, 9 March 2011

As at the date of this announcement, the executive directors of the Company are Mr. Chan Chun Hong, Thomas, Mr. Leong Weng Kin, Mr. Leung Sui Wah, Raymond and the independent non-executive directors of the Company are Mr. Ng Yat Cheung, Mr. Lee Chun Ho and Ms. Lam Ka Jen, Katherine.