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# 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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

## INTERIM RESULTS

The board of directors (the "**Board**") of China Agri-Products Exchange Limited (the "**Company**") announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2011, together with the comparative figures for the corresponding period in 2010. These interim condensed consolidated financial statements were not audited, but have been reviewed by HLB Hodgson Impey Cheng, the Group's external auditors, and the Audit Committee of the Company (the "**Audit Committee**").

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 June 2011*

| | | **For the six months ended 30 June** | |
|---|---|---|---|
| | | **2011** | 2010 |
| | | **(Unaudited)** | (Unaudited) |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| | | | (restated) |
| **Turnover** | *4* | **75,977** | 58,158 |
| Cost of operation | | **(27,570)** | (19,630) |
| **Gross profit** | | **48,407** | 38,528 |
| Other net income | | **164,047** | 3,141 |
| General and administrative expenses | | **(115,451)** | (38,603) |
| Selling expenses | | **(53,922)** | (758) |
| Other operating expenses | | **–** | (56,603) |
| **Profit/(loss) from operations** | | **43,081** | (54,295) |
| Finance costs | *5* | **(41,382)** | (37,011) |

| | Notes | For the six months ended 30 June 2011 (Unaudited) HK$'000 | 2010 (Unaudited) HK$'000 (restated) |
|---|---|---|---|
| **Profit/(loss) before taxation** | | **1,699** | (91,306) |
| Income tax | *7* | **(41,999)** | 12,588 |
| **Loss for the period** | *6* | **(40,300)** | (78,718) |
| **Other comprehensive income** | | | |
| Exchange differences on translating foreign operations | | **16,806** | 11,003 |
| **Total comprehensive loss for the period** | | **(23,494)** | (67,715) |
| **Loss attributable to:** | | | |
| Owners of the Company | | **(74,444)** | (76,671) |
| Non-controlling interests | | **34,144** | (2,047) |
| | | **(40,300)** | (78,718) |
| **Total comprehensive loss attributable to:** | | | |
| Owners of the Company | | **(61,963)** | (68,489) |
| Non-controlling interests | | **38,469** | 774 |
| | | **(23,494)** | (67,715) |
| **Loss per share** | | | |
| – Basic | *9* | **HK$(0.09)** | HK$(0.23) |
| – Diluted | *9* | **HK$(0.09)** | HK$(0.23) |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2011*

| | Notes | **As at 30 June 2011 (Unaudited)** *HK$'000* | As at 31 December 2010 (Audited) *HK$'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **29,589** | 27,334 |
| Investment properties | | **1,801,603** | 1,523,227 |
| Intangible assets | | **–** | – |
| Goodwill | | **6,444** | 6,444 |
| | | **1,837,636** | 1,557,005 |
| **Current assets** | | | |
| Inventories | | **1,406** | 1,384 |
| Trade and other receivables | *10* | **83,289** | 39,978 |
| Financial assets at fair value through profit or loss | | **9,817** | 11,976 |
| Cash and cash equivalents | | **236,338** | 81,539 |
| | | **330,850** | 134,877 |
| **Current liabilities** | | | |
| Trade and other payables | *11* | **429,006** | 390,130 |
| Bank and other borrowings | | **206,366** | 165,454 |
| Government grants | | **4,607** | 4,529 |
| Income tax payable | | **78,260** | 76,712 |
| | | **718,239** | 636,825 |
| **Net current liabilities** | | **(387,389)** | (501,948) |
| **Total assets less current liabilities** | | **1,450,247** | 1,055,057 |
| **Non-current liabilities** | | | |
| Bank and other borrowings | | **650,884** | 357,810 |
| Promissory notes | | **342,508** | 331,629 |
| Deferred tax liabilities | | **132,052** | 90,347 |
| | | **1,125,444** | 779,786 |
| **Net assets** | | **324,803** | 275,271 |
| **Capital and reserves** | | | |
| Share capital | | **79,387** | 49,387 |
| Reserves | | **19,593** | 38,530 |
| **Total equity attributable to owners of the Company** | | **98,980** | 87,917 |
| Non-controlling interests | | **225,823** | 187,354 |
| **Total equity** | | **324,803** | 275,271 |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

### 1. INDEPENDENT REVIEW

The interim financial report for the six months ended 30 June 2011 is unaudited, but has been reviewed by HLB Hodgson Impey Cheng, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The interim financial report has also been reviewed by the Audit Committee of the Company.

### 2. BASIS OF PREPARATION

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

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

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

The accounting policies used in the Interim Financial Statements is consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("**new and revised HKFRSs**") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2011.

| | |
|---|---|
| HKAS 24 (Revised) | Related Party Disclosures |
| HKAS 32 (Amendments) | Amendments to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues |
| HKFRS 1 (Revised) | Limited Exemption from Comparative HKFRS 7 Disclosure for First-time Adopters |
| HK(IFRIC)-Int 14 (Amendments) | Prepayments of a Minimum Funding Requirement |
| HK(IFRIC)-Int 19 | Extinguishing Financial Liabilities with Equity Instruments |
| HKFRSs (Amendments) | Improvements to HKFRSs 2010 |

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.

**Standards and interpretations in issue but not yet effective**

| | |
|---|---|
| HKFRS 7 (Amendments) | Disclosure – Transfer of Financial Assets[1] |
| HKFRS 9 | Financial Insruments[2] |
| HKFRS 10 | Consolidated financial statements[2] |
| HKFRS 11 | Joint arrangements[2] |
| HKFRS 12 | Disclosures of interests in other entities[2] |
| HKFRS 13 | Fair value measurement[2] |
| HKAS 1 (Amendments) | Presentation of items of other comprehensive income[4] |
| HKAS 12 (Amendments) | Deferred Tax: Recovery of Underlying Assets[3] |
| HKAS 19 (Revised 2011) | Employee benefits[2] |
| HKAS 27 (Revised 2011) | Separate financial statements[2] |
| HKAS 28 (Revised 2011) | Investments in associates and joint ventures[2] |

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2012
4 Effective for annual periods beginning on or after 1 July 2012

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 Group's 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 tiled 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.

The amendments to HKAS 12 tilted Deferred Tax – Recovery of Underlying Assets mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors anticipate that the application of the amendments to HKAS 12 may have a significant impact on deferred tax recognised for investment properties that are measured using the fair value model. However, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

The directors of the Company anticipate that the application of the other new and revised standards and amendments will have no material impact on the results and financial position of the Group.

## 4. SEGMENT REPORTING

The Group has two reportable segments, (i) revenue from 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.

**Segment revenue and results**

An analysis of the Group's revenues and results by business segment for the six months ended 30 June 2011 and 2010:

| | **Property rental** | | **Restaurant operation** | | **Consolidated** | |
|---|---|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| **Turnover** | | | | | | |
| External sales | **62,419** | 44,254 | **13,558** | 13,904 | **75,977** | 58,158 |
| **Result** | | | | | | |
| Segment result | **74,430** | 22,857 | **(1,220)** | (632) | **73,210** | 22,225 |
| Unallocated corporate expenses | | | | | **(30,413)** | (20,344) |
| Impairment on intangible assets | **–** | (53,317) | **–** | – | **–** | (53,317) |
| Amortisation on intangible assets | **–** | (3,286) | **–** | – | **–** | (3,286) |
| Other income | | | | | **284** | 427 |
| Profit/(loss) from operations | | | | | **43,081** | (54,295) |
| Finance costs | | | | | **(41,382)** | (37,011) |
| Profit/(loss) before taxation | | | | | **1,699** | (91,306) |
| Income tax | | | | | **(41,999)** | 12,588 |
| Loss for the period | | | | | **(40,300)** | (78,718) |

**Segment assets and liabilities**

An analysis of the Group assets and liabilities by reportable segment as at 30 June 2011 and 31 December 2010:

| | Property rental | | Restaurant operation | | Consolidated | |
|---|---|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| **Assets** | | | | | | |
| Segment assets | **2,001,909** | 1,611,797 | **15,320** | 14,520 | **2,017,229** | 1,626,317 |
| Unallocated corporate assets | | | | | **151,257** | 65,565 |
| Consolidated total assets | | | | | **2,168,486** | 1,691,882 |
| **Liabilities** | | | | | | |
| Segment liabilities | **957,154** | 868,086 | **2,945** | 1,143 | **960,099** | 869,229 |
| Unallocated corporate liabilities | | | | | **883,584** | 547,382 |
| Consolidated total liabilities | | | | | **1,843,683** | 1,416,611 |

## 5. FINANCE COSTS

| | For the six months ended 30 June | |
|---|---|---|
| | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* |
| Interest on bank advances and other borrowings wholly repayable within five years | **21,103** | 17,917 |
| Imputed interest promissory notes | **20,279** | 19,094 |
| | **41,382** | 37,011 |

## 6. LOSS FOR THE PERIOD

| | For the six months ended 30 June | |
|---|---|---|
| | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* |
| Loss for the period has been arrived at after charging the following items: | | |
| Amortisation of intangible assets | **–** | 3,286 |
| Depreciation | **2,676** | 2,445 |
| Impairment loss on intangible assets | **–** | 53,317 |
| Fair value loss on financial assets at fair value through profit or loss | **2,200** | 1,075 |

## 7. INCOME TAX

Taxation in the Interim Financial Statements represents:

| | For the six months ended 30 June | |
|---|---|---|
| | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* |
| **Current tax – PRC enterprise income tax** | | |
| Current tax | **2,219** | 1,563 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | **39,780** | (14,151) |
| | **41,999** | (12,588) |

No provision for Hong Kong Profits Tax has been made in the Interim Financial Statements as the Group had no assessable profits in both periods.

## 8. DIVIDENDS

The directors do not propose the payment of any interim dividend in respect of the period under review (six months ended 30 June 2010: Nil).

## 9. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the period attributable to owners of the Company of approximately HK$74,444,000 (six months ended 30 June 2010: approximately HK$76,671,000) and the weighed average number of approximately 787,236,000 ordinary shares (period from 1 January 2010 to 30 June 2010: approximately 338,274,000 ordinary shares (restated)). The basic loss per share for 2010 had been adjusted for the effects of share consolidation approved on 3 November 2010.

Diluted loss per share for the periods ended 30 June 2011 and 2010 is the same as the basic loss per share as there was no dilutive event during the periods.

## 10. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period ranging from 30 days to 180 days to its trade customers. Included in trade and other receivables are trade receivables of approximately HK$847,000 (31 December 2010: approximately HK$773,000) and their aged analysis at each reporting period is as follow:

| | **As at 30 June 2011** *HK$'000* | As at 31 December 2010 *HK$'000* |
|---|---|---|
| Less than 90 days | **797** | 587 |
| More than 90 days but less than 180 days | **32** | 34 |
| More than 180 days | **18** | 152 |
| Total trade receivables | **847** | 773 |
| Prepayment, deposits and other receivables | **82,442** | 39,205 |
| | **83,289** | 39,978 |

## 11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK$2,919,000 (31 December 2010: approximately HK$1,274,000) and their aged analysis at the reporting period is as follows:

| | **As at 30 June 2011** *HK$'000* | As at 31 December 2010 *HK$'000* |
|---|---|---|
| Within 90 days | **2,919** | 1,274 |
| After 90 days but within 180 days | **–** | – |
| Total trade payables | **2,919** | 1,274 |
| Deposit received, accruals and other payables | **426,087** | 388,856 |
| | **429,006** | 390,130 |

## 12. COMPARATIVE FINANCIAL INFORMATION

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

## EXTRACT FROM REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

The following is an extract of the independent auditors' review report on the Group's interim financial information for the six months ended 30 June 2011:

### Conclusion

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

### Material Uncertainty Concerning Going Concern Basis of Accounting

Without qualifying our conclusion, we draw attention to note 1(b) to the interim financial information which indicates that the Group incurred a net consolidated loss attributable to owners of the Company of approximately HK$74,444,000 for the six months ended 30 June 2011 and, as of that date, the Group's consolidated current liabilities exceeded its consolidated current assets by approximately HK$387,389,000. Notwithstanding the above, the interim financial information 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 its 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 1(b), indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

## INTERIM DIVIDEND

The Board does not recommend any payment of an interim dividend for the six months ended 30 June 2011 (for the six months ended 30 June 2010: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Summary of Operating Results

For the six months ended 30 June 2011, the Group recorded a turnover of approximately HK$76.0 million (for the six months ended 30 June 2010: approximately HK$58.2 million), representing a significant increase of approximately 31% compared to the corresponding period last year, which was mainly due to the continuous growth of Xuzhou project in Jiangsu Province and full period of income of Yulin project in Guangxi Zhuang Autonomous Region ("**Guangxi**") and a gross profit of approximately HK$48.4 million (for the six months ended 30 June 2010: approximately HK$38.5 million), representing an increase of approximately 26% compared to the corresponding period last year, which was mainly due to the full operation with higher margin of new project in Yulin.

The loss attributable to equity shareholders of the Group was approximately HK$74.4 million compared to the loss of approximately HK$76.7 million for the corresponding period last year. Such loss is primarily attributable to the initial operations cost for Yulin project and marketing campaign cost for 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**").

**Review of Operations**

The Group is principally engaged in the business of agricultural products exchanges and the food and beverage business, both in the People's Republic of China (the "**PRC**").

***Agricultural produce exchanges***

During the period under review, one of the flagship projects of the Group, agricultural wholesale market complex in Yulin city of Guangxi with various two-storey market stalls and a multi-storey godown (the "**Yulin Project**") has started formal operations in the last quarter of 2010. The total number of rental unit and rental area of the Yulin Project are approximately 1,300 units and 110,000 square metres. The encouraging total occupancy rate of the Yulin Project achieved over 90% of the shops and warehouses where have been rented out. After the end of rent free period in the fourth quarter of 2010, the operating performance of the Yulin Project is satisfactory and almost all rented units are in operations. The operations can generate positive cash operating inflow to the Group. The operating performance of the Yulin Project is a powerful testament to the success of the Group's business model.

The Group's agricultural wholesale market in Xuzhou, Jiangsu Province with various single-storey market stalls and a multi-storey godown is the major marketplace for the supply of fruit and seafood in the central China. Upon continuous expansion of the market, this marketplace has started retail segment and the occupancy rate is encouraging. Coupling with the continuous customer flow in Jiangsu Province, the business result of this project is very encouraging as the first half year of Xuzhou Projects with the turnover of around HK$23.4 million for the period ended of 30 June 2011 which is increased approximately 26% as compared to those figure of the corresponding period of last year.

Wuhan Baisazhou, being located in the provincial capital of Hubei Province, owns and operates at this key gathering point for buyers and sellers of agricultural produce in this central location in the PRC, an agricultural produce exchange occupying a site area and total gross floor area of approximately 270,000 and 160,000 square metres respectively. During the period under review, the operations of Wuhan Baisazhou was attributable to the increase of the income to the Group. The Group has carried out a series of marketing campaign in Wuhan Baisazhou, resulting to attract significant increase number of buying and selling parties to carry out trade in the market.

In February 2011, the Group has successfully acquired the land use rights located in Yulin city at the price of around RMB62.7 million. The site is adjacent immediately to the Group's existing agricultural produce exchange at Yulin. The Group aims to expand the land as an extension of the Group's existing wholesale market.

The policy of urbanisation in the PRC will enable to drive economic growth in various cities. Our existing projects are strategically located in the Western, Eastern and central PRC cities are the key points to capture the growth opportunities in these regions. Our Yulin project aims to serve the Northern Bay region of Guangxi which includes most of the ASEAN countries; the Xuzhou project is strategically located to serve the Long River Delta and Pan Pearl River Delta regions; whilst the Wuhan Bsisazhou is the focus of a development for central China. With the support from these core markets, the Group will be in line this strategy to expand business operations and market in the future.

***Restaurant operation***

The Group's restaurant operation in Shenzhen and Beijing continued to generate steady income for the Group and total turnover of this operation was approximately HK$13.6 million for the six months ended 30 June 2011 (for the six months ended 30 June 2010: approximately HK$13.9 million).

***Other net income***

The other net income of approximately HK$164.0 million (for the six months ended 30 June 2010: approximately HK$3.1 million) was including the fair value gain on investment properties of approximately HK$159.2 million attributable to the rise of property prices in the PRC and rental income of our projects.

***Administrative expenses and selling expenses***

The Group has recorded increases in administrative expenses to approximately HK$115.5 million (for the six months ended 30 June 2010: approximately HK$38.6 million) and selling expenses to approximately HK$53.9 million (for the six months ended 30 June 2010: approximately HK$0.8 million) which were mainly due to the Group's promotion expenses at the agricultural produce exchanges in Wuhan Baisazhou in 2011.

**Future Plans and Prospects**

Looking forward, the management believes that the PRC economy growth will continue to expand the demand for agricultural products exchange markets. With the support from the government policies, there should be many opportunities for the Group to expand its business. To strengthen our business model and upcoming revenue contribution from the new projects, the Group signed framework agreements with local governments in Henan Province, Jiangsu Province and Zhejiang Province and details of these projects are subject to further negotiations. These agreements extend the Group's potential exposure by reaching the business opportunities in the central China. In addition, the Group endeavors to negotiate, build and expand its network of wholesale market platform by establishing partnership in the PRC and exploring business development in the management of agricultural by-products wholesale markets in different cities and provinces in the PRC so as to deliver long-term benefits to the shareholders of the Company.

## Liquidity and Financial Resources

As at 30 June 2011, the Group had total cash and cash equivalents amounting to approximately HK$236.3 million (31 December 2010: approximately HK$81.5 million) whilst total assets and net assets were approximately HK$2,168.5 million (31 December 2010: approximately HK$1,691.9 million) and approximately HK$324.8 million (31 December 2010: approximately HK$275.3 million), respectively. The Group's gearing ratio as at 30 June 2011 was approximately 3.0 (31 December 2010: approximately 2.8), being a ratio of total bank and other borrowings and promissory notes of approximately HK$1,199.8 million (31 December 2010: approximately HK$854.9 million), net of cash and cash equivalents of approximately HK$236.3 million (31 December 2010: approximately HK$81.5 million) to total shareholders' funds of approximately HK$324.8 million (31 December 2010: approximately HK$275.3 million).

## Contingent Liabilities and Capital Commitments

As at 30 June 2011, the Group pledged the land use rights and bank deposits with an aggregate carrying value of approximately HK$687.4 million (31 December 2010: approximately HK$595.6 million) to secure bank borrowings.

As at 30 June 2011, the Group had no significant contingent liability. The Group's capital commitment, contracted but not provided for, amounted to approximately HK$5.2 million in relation to the purchase of property, plant and equipment, and construction contracts as at 30 June 2011 (31 December 2010: Nil).

The Group did not have any outstanding foreign exchange contracts, interest or currency swaps, other derivatives financial instruments, options or convertible notes as at 30 June 2010 and 2011.

## Capital Reorganisation and Rights Issue

On 9 June 2011, the Company announced, inter alia, the following proposals of capital reorganisation (the "**Capital Reorganisation**") which took effect on 1 August 2011 pursuant to a special resolution passed at the special general meeting of the Company held on the same day, and a proposed rights issue (the "**Rights Issue**"):

(a) the consolidation of the issued shares of the Company (the "**Share Consolidation**") whereby every ten shares of nominal value of HK$0.10 each in the issued share of the Company has been consolidated into one consolidated share of nominal value of HK$1.00 (the "**Consolidated Share**");

(b) the reduction of the issued share capital of the Company (the "**Capital Reduction**") whereby (i) the nominal value of all the issued Consolidated Shares was reduced from HK$1.00 each to HK$0.01 each (the "**Adjusted Share**") and the issued share capital of the Company was accordingly reduced to the extent of HK$0.99 per Consolidated Share in issue; and (ii) any aggregated number of fractional Consolidated Shares in the issued share capital of the Company arising from the Share Consolidation be cancelled;

(c) the subdivision of every one authorised but unissued share of the Company of par value HK$0.10 into ten Adjusted Shares of HK$0.01 each; and

(d) Upon the Capital Reorganisation becoming effective, the Board also proposed to raise gross proceeds of approximately HK$464.4 million, before expenses, by way of the Rights Issue. Pursuant to the Rights Issue, the Company shall allot and issue 2,381,597,550 rights shares (the "**Rights Shares**") at the subscription price (i.e. HK$0.195 per Rights Share), on the basis of thirty Rights Shares for every one Adjusted Share. The estimated net proceeds of the Rights Issue will be approximately HK$452.2 million and are intended to be applied as to approximately HK$200 million for expansion of the Group's agricultural produce exchanges, approximately HK$150 million for repayment of interest-bearing debts and the remaining balance of approximately HK$102.2 million as general working capital of the Group.

**Employees and Remuneration Policies**

As at 30 June 2011, the Group had 947 employees (31 December 2010: 734 employees), approximately 97% of whom were located in the PRC. The Group's remuneration policy is reviewed periodically by the remuneration committee and the Board 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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2011.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company had complied with the Code on Corporate Governance Practices (the "**CG Code**") as set out in Appendix 14 to the Listing Rules throughout the period ended 30 June 2011 except for the following deviation:

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

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted the Model Code for the Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of all Directors, the Company confirmed that all Directors had complied with the required standards set out in the Model Code throughout the period under review.

## AUDIT COMMITTEE

The Company has the Audit Committee, which was established in accordance with the requirements of the Listing Rules, for the purposes of reviewing and providing supervision over the Group's financial reporting processes 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, which has reviewed with the management the unaudited condensed consolidated interim results for the six months ended 30 June 2011.

## PUBLICATION OF INTERIM RESULTS AND DESPATCH OF INTERIM REPORT

This interim results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the Company (www.cnagri-products.com). The 2011 interim report containing all the information required by the Listing Rules will be despatched to the Company's 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, 23 August 2011

*As at the date of this announcement, the executive directors of the Company are Mr. Chan Chun Hong, Thomas, Mr. Leong Weng Kin and 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.*