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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 2012

#### 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 (the “**Group**”) for the six months ended 30 June 2012, together with the comparative figures for the corresponding period in 2011. These interim condensed consolidated financial statements were not audited, but have been reviewed by HLB Hodgson Impey Cheng Limited (“**HLB**”), 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 2012

	<i>Notes</i>	For the six months ended 30 June	
		2012 (Unaudited) <i>HK\$’000</i>	2011 (Unaudited) <i>HK\$’000</i> (restated)
<b>Turnover</b>	3	<b>127,990</b>	62,419
Cost of operation		<b>(52,460)</b>	(18,814)
<b>Gross profit</b>		<b>75,530</b>	43,605
Other net income		<b>2,356</b>	4,925
Net gain in fair value of investment properties		<b>213,348</b>	159,118
General and administrative expenses		<b>(113,090)</b>	(109,164)
Selling expenses		<b>(2,484)</b>	(53,922)
<b>Profit from operations</b>		<b>175,660</b>	44,562
Finance costs	4	<b>(45,476)</b>	(41,382)

		<b>For the six months ended 30 June</b>	
		<b>2012</b>	2011
		<b>(Unaudited)</b>	(Unaudited)
		<b>HK\$'000</b>	HK\$'000
		(restated)	
	<i>Notes</i>		
<b>Profit before taxation</b>		<b>130,184</b>	3,180
Income tax	6	<u>(65,452)</u>	<u>(41,997)</u>
<b>Profit/(loss) for the period from continuing operations</b>	5	<b>64,732</b>	(38,817)
<b>Discontinued operation</b>			
Loss for the period from discontinued operation		<u>—</u>	<u>(1,483)</u>
		<b>64,732</b>	(40,300)
<b>Other comprehensive (loss)/income</b>			
Exchange differences on translating foreign operations		<u>(17,738)</u>	<u>16,806</u>
<b>Total comprehensive income/(loss) for the period</b>		<u><b>46,994</b></u>	<u>(23,494)</u>
<b>Profit/(loss) attributable to:</b>			
Owners of the Company		<b>28,658</b>	(74,444)
Non-controlling interests		<u><b>36,074</b></u>	<u>34,144</u>
		<u><b>64,732</b></u>	<u>(40,300)</u>
<b>Total comprehensive income/(loss) attributable to:</b>			
Owners of the Company		<b>14,096</b>	(61,963)
Non-controlling interests		<u><b>32,898</b></u>	<u>38,469</u>
		<u><b>46,994</b></u>	<u>(23,494)</u>
<b>Earnings/(loss) per share</b>			
<b>From continuing and discontinued operations</b>			
— Basic	8(a)	<u><b>HK\$0.01</b></u>	<u>HK\$(0.79)</u>
— Diluted	8(b)	<u><b>HK\$0.01</b></u>	<u>HK\$(0.79)</u>
<b>From continuing operations</b>			
— Basic	8(a)	<u><b>HK\$0.01</b></u>	<u>HK\$(0.77)</u>
— Diluted	8(b)	<u><b>HK\$0.01</b></u>	<u>HK\$(0.77)</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

		As at 30 June 2012 (Unaudited) HK\$'000	As at 31 December 2011 (Audited) HK\$'000
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment		29,848	30,444
Investment properties		2,284,065	2,009,755
Intangible assets		—	—
Goodwill		6,444	6,444
		<u>2,320,357</u>	<u>2,046,643</u>
<b>Current assets</b>			
Stock of properties		212,889	245,730
Trade and other receivables	9	219,376	97,730
Financial assets at fair value through profit or loss		6,179	4,646
Cash and cash equivalents		297,556	533,194
		<u>736,000</u>	<u>881,300</u>
<b>Current liabilities</b>			
Other payables	10	416,145	396,523
Deposit receipts in advance		131,899	130,244
Bank and other borrowings		614,843	583,179
Government grants		2,809	2,838
Promissory notes		364,694	353,387
Income tax payable		25,025	15,037
		<u>1,555,415</u>	<u>1,481,208</u>
<b>Net current liabilities</b>		<u>(819,415)</u>	<u>(599,908)</u>
<b>Total assets less current liabilities</b>		<u>1,500,942</u>	<u>1,446,735</u>
<b>Non-current liabilities</b>			
Bank and other borrowings		147,175	185,717
Deferred tax liabilities		271,422	225,667
		<u>418,597</u>	<u>411,384</u>
<b>Net assets</b>		<u>1,082,345</u>	<u>1,035,351</u>
<b>Capital and reserves</b>			
Share capital		24,610	24,610
Reserves		745,243	731,147
<b>Total equity attributable to owners of the Company</b>		<u>769,853</u>	<u>755,757</u>
Non-controlling interests		312,492	279,594
<b>Total equity</b>		<u>1,082,345</u>	<u>1,035,351</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

### (a) Statement of compliance

The unaudited condensed consolidated interim financial statements (the “**Interim Financial Statements**”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the 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 Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

### (b) Basis of preparation of Interim Financial Statements

#### *Going concern basis*

In preparing the Interim Financial Statements, the directors of the Company have given careful consideration to the future liquidity of the Group notwithstanding that:

- the Group had consolidated net current liabilities of approximately HK\$819,415,000 as at 30 June 2012; and
- the Group had outstanding bank and other borrowings of approximately HK\$762,018,000, out of which an aggregate of approximately HK\$614,843,000 due for repayment within the next twelve months after 30 June 2012.

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

#### (1) *Alternative source 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 reporting period, the Company entered into the conditional loan agreement (“**New Loan Agreement**”) with True Noble Limited (“**True Noble**”) on 16 July 2012 (as supplemented on 31 July 2012) in relation to provision of a proposed loan facility of not exceeding the sum of HK\$670,000,000 to be granted by True Noble of a maximum of HK\$670,000,000 at an interest rate of 10% per annum during the period commencing upon the fulfillment or waiver (as the case may be) of all the conditions to the New Loan Agreement set out in the section head “Conditions of the New Loan Agreement” in the Company’s announcement dated 16 July 2012, and expiring on 30 September 2014 to, inter alia, repay the full amount of the three outstanding loan facilities in the aggregate sum of HK\$320,000,000 granted by True Noble to the Group pursuant to the three loan agreements dated 25 March 2009 (which was amended by the amendment deed dated 14 September 2010), 10 March 2011 and 28 March 2011, respectively. Details of the transaction were disclosed in the Company’s announcements dated 16 July 2012 and 31 July 2012.

(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 will negotiate 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, the 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 Interim Financial Statements on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have been 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 Interim Financial Statements.

## 2. 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 2011.

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 2012.

HKFRS 1 Amendments	First time Adoption of Hong Kong Financial Reporting Standards-Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 Amendments	Disclosures — Transfers of Financial Assets
HKAS 12 Amendments	Deferred Tax — Recovery of Underlying Assets

The adoption of these new and revised HKFRSs had no significant financial effect on these Interim Financial Statements.

## Standards and interpretations in issue but not yet effective

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

HKFRS 7 Amendments	Disclosures — offsetting Financial Assets and Financial Liabilities <sup>2</sup>
HKFRS 9	Financial Instruments <sup>4</sup>
HKFRS 10	Consolidated Financial Statements <sup>2</sup>
HKFRS 11	Joint Arrangements <sup>2</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>2</sup>
HKFRS 13	Fair Value Measurement <sup>2</sup>
HKAS 1 Amendments	Presentation of Items of Other Comprehensive Income <sup>1</sup>
HKAS 19 (as revised in 2011)	Employee Benefit <sup>2</sup>
HKAS 27 (as revised in 2011)	Separate Financial Statements <sup>2</sup>
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures <sup>2</sup>
HKAS 32 Amendments	Offsetting Financial Assets and Financial Liabilities <sup>3</sup>
HK(IFRIC)-Int 20	Stripping Costs in Production Phase of Surface Mine <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2012.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2013.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2014.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2015.

The directors of the Company are in the process to assess the impact on the Group's Interim Financial Statements in relation to application of these new and revised HKFRSs.

### 3. SEGMENT REPORTING

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

#### Segment revenue and results

An analysis of the Group's revenues and results by reportable segment for the six months ended 30 June 2012 and 2011:

	Continuing operations				Discontinued operation		Consolidated	
	Property rental		Property sale		Restaurant operation			
	2012	2011	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Turnover</b>								
External sales	<u>88,421</u>	<u>62,419</u>	<u>39,569</u>	<u>—</u>	<u>—</u>	<u>13,558</u>	<u>127,990</u>	<u>75,977</u>
<b>Result</b>								
Segment result	<u>204,459</u>	<u>74,430</u>	<u>6,895</u>	<u>—</u>	<u>—</u>	<u>(1,222)</u>	<u>211,354</u>	<u>73,208</u>
Unallocated corporate expenses							<u>(36,966)</u>	<u>(30,413)</u>
Other income							<u>1,272</u>	<u>284</u>
Profit from operations							<u>175,660</u>	<u>43,079</u>
Finance costs							<u>(45,476)</u>	<u>(41,382)</u>
Profit before taxation							<u>130,184</u>	<u>1,697</u>
Income tax							<u>(65,452)</u>	<u>(41,997)</u>
Profit/(loss) for the period							<u>64,732</u>	<u>(40,300)</u>

## Segment assets and liabilities

An analysis of the Group assets and liabilities by reportable segment as at 30 June 2012 and 31 December 2011:

	Continuing operations				Discontinued operation		Consolidated	
	Property rental		Property sale		Restaurant operation		2012	2011
	2012	2011	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Assets</b>								
Segment assets	<b>2,684,808</b>	2,222,943	<b>212,889</b>	245,730	—	—	<b>2,897,697</b>	2,468,673
Unallocated corporate assets							<b>158,660</b>	459,270
Consolidated total assets							<b>3,056,357</b>	<b>2,927,943</b>
<b>Liabilities</b>								
Segment liabilities	<b>943,612</b>	945,402	<b>113,854</b>	89,394	—	—	<b>1,057,466</b>	1,034,796
Unallocated corporate liabilities							<b>916,546</b>	857,796
Consolidated total liabilities							<b>1,974,012</b>	<b>1,892,592</b>

## 4. FINANCE COSTS

	For the six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
<b>Continuing operations:</b>		
Interest on bank advances and other borrowings wholly repayable within five years	<b>23,866</b>	21,103
Interest on promissory notes	<b>21,610</b>	20,279
	<b>45,476</b>	41,382
<b>Discontinued operation:</b>		
	—	—
	<b>45,476</b>	41,382

## 5. PROFIT/(LOSS) FOR THE PERIOD

For the six months  
ended 30 June

	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>

### Continuing operations:

Profit/(loss) for the period has been arrived at after charging the following items:

Depreciation	2,274	2,327
Fair value loss on financial assets at fair value through profit or loss	768	2,200

### Discontinued operation:

Depreciation	—	349
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## 6. INCOME TAX

Taxation in the Interim Financial Statements represents:

For the six months  
ended 30 June

	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>

### Continuing operations:

#### Current tax

— PRC enterprise income tax	2,423	2,217
— Land Appreciation Tax	9,692	—
	12,115	2,217

#### Deferred tax

Origination and reversal of temporary differences	53,337	39,780
	65,452	41,997

### Discontinued operation:

#### Current tax

— PRC enterprise income tax	—	2
	—	2

#### Deferred tax

	—	—
	—	2

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



## 7. DIVIDENDS

The directors do not propose the payment of any interim dividend in respect of the period under review (six months ended 30 June 2011: Nil).

## 8. EARNINGS/(LOSS) PER SHARE

### (a) Basic earnings/(loss) per share

#### *For continuing and discontinued operations*

The calculation of basic earnings/(loss) per share is based on the earnings/(loss) for the period attributable to owners of the Company of approximately HK\$28,658,000 (2011: loss approximately HK\$74,444,000) and the weighted average number of 2,460,984,135 ordinary shares (2011: 93,855,105 (restated)) in issue during the period. The basic loss per share for 2011 had been adjusted for the effects of the share consolidation and rights issue completed during the year ended 31 December 2011.

#### *For continuing operations*

The calculation of basic earnings/(loss) per share is based on the earnings/(loss) for the period attributable to owners of the Company of approximately HK\$28,658,000 (2011: loss approximately HK\$72,961,000) and the weighted average number of 2,460,984,135 ordinary shares (2011: 93,855,105 (restated)) in issue during the period. The basic loss per share for 2011 had been adjusted for the effects of the share consolidation and rights issue completed during the year ended 31 December 2011.

#### *For discontinued operation*

For the period ended 2011, the calculation of basic loss per share is based on the loss for the period attributable to owners of the Company of approximately HK\$1,483,000 and the weighted average number of 93,855,105 (restated) ordinary shares. The basic loss per share for 2011 had been adjusted for the effects of the share consolidation and rights issue completed during the year ended 31 December 2011.

### (b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share for the periods ended 30 June 2012 and 2011 is the same as the basic earnings/(loss) per share as there was no dilutive event during the periods.

## 9. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30 days to its trade customers. Included in trade and other receivables are trade receivables of approximately HK\$308,000 (31 December 2011: approximately HK\$417,000) and their aging analysis at each reporting period is as follow:

	As at 30 June 2012 <i>HK\$'000</i>	As at 31 December 2011 <i>HK\$'000</i>
Less than 90 days	231	311
More than 90 days but less than 180 days	29	81
More than 180 days	48	25
Total trade receivables	308	417
Other deposits	191,996	77,170
Prepayments	6,206	3,803
Other receivables	20,866	16,340
	<u>219,376</u>	<u>97,730</u>

## 10. OTHER PAYABLES

	As at 30 June 2012 <i>HK\$'000</i>	As at 31 December 2011 <i>HK\$'000</i>
Accrued charges	17,129	11,712
Construction payable	29,677	37,909
Deposits	23,892	20,839
Other tax payable	27,360	22,924
Other payables	318,087	303,139
	<u>416,145</u>	<u>396,523</u>

## 11. COMPARATIVE FINANCIAL INFORMATION

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

## 12. INDEPENDENT REVIEW

The interim financial report for the six months ended 30 June 2012 is unaudited, but has been reviewed by HLB, 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 HKICPA. The interim financial report has also been reviewed by the Audit Committee.

## 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 2012:

### 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's consolidated current liabilities exceeded its consolidated current assets by approximately HK\$819,415,000. 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 2012 (for the six months ended 30 June 2011: Nil).

### MANAGEMENT DISCUSSION AND ANALYSIS

#### Summary of Financial Results

##### *Turnover and profit attributable to owners of the Company*

For the six months ended 30 June 2012, the Group recorded a turnover of approximately HK\$128.0 million (for the six months ended 30 June 2011: approximately HK\$62.4 million), representing a significant increase of approximately 105% compared to the corresponding period last year mainly due to the property sale of the agricultural and by-product exchange market in Yulin (the "**Yulin Market**") in Guangxi Zhuang Autonomous Region ("**Guangxi**") and the continuous turnover growth of the agricultural and by-product exchange market in Xuzhou (the "**Xuzhou Market**") in Jiangsu Province and the agricultural and by-product exchange market in Baisazhou, Wuhan (the "**Wuhan Baisazhou Market**") in Hubei Province, and gross profit of approximately HK\$75.5 million (for the six months ended 30 June 2011: approximately HK\$43.6 million), representing a significant increase of approximately 73% compared to the corresponding period last year.

The profit attributable to owners of the Company was approximately HK\$28.7 million compared to the loss attributable to owners of the Company of approximately HK\$74.4 million for the corresponding period last year. The turnaround is primarily attributable to the change of fair value of investment properties of the Group and the contribution of sales of certain properties.

### *Net gain in fair value of investment properties*

The fair value gain on investment properties increased to approximately HK\$213.3 million (for the six months ended 30 June 2011: approximately HK\$159.1 million) mainly due to the continuous rise in property prices in the People's Republic of China (the "PRC") and especially for the rise of property selling price from Yulin Market.

### *Administrative expenses and selling expenses*

The Group recorded administrative expenses to approximately HK\$113.1 million (for the six months ended 30 June 2011: approximately HK\$109.2 million) and selling expenses of approximately HK\$2.5 million (for the six months ended 30 June 2011: approximately HK\$53.9 million). The decrease in selling expenses was mainly due to the Group's promotion expenses at the agricultural produce exchanges in Wuhan Baisazhou Market in the period of 2011 not recurring in the first six months of 2012.

### **Review of Operations**

The Group is principally engaged in the business of property rental and property sale in respect of agricultural produce exchange in the PRC.

#### *Wuhan Baisazhou Market*

Wuhan Baisazhou Market is located in the provincial capital of Hubei Province, a key gathering point for buyers and sellers of agricultural produce in central China, and 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. During the period under review, the total occupancy rate of Wuhan Baisazhou Market was satisfactory and the operations of Wuhan Baisazhou Market were stable, contributing to an increase in Group income.

#### *Yulin Market*

Yulin Market, one of the flagship projects of the Group, is an agricultural wholesale market complex in Yulin city of Guangxi with various market stalls and multi-storey godowns. Following the acquisition of an adjacent piece of land with an area of approximately 160,000 square metres in February 2011, the Group has commenced the construction of phase two of Yulin Market. Positioned as a modern large-scale integrated wholesale food market in Guangxi, Yulin Market continued to expand its gross floor area by completing the construction of certain shops in phase one in 2012. During the period under review, the Group has sold certain shops to existing tenants and investors, generating a positive operating cash inflow to the Group in the amount of approximately HK\$39.6 million. Both the property sales and property rental performance of the Yulin Market are good, which present a powerful testament to the success of the Group's business model.

#### *Xuzhou Market*

The Group's agricultural wholesale market in Xuzhou, Jiangsu Province with various single-storey market stalls and multi-storey godowns is the major marketplace for the supply of fruit and seafood in east central China. Coupling with the continuous customer flow in Jiangsu Province, the business result of this project was very encouraging with a turnover of approximately HK\$28.9 million for the six months ended 30 June 2012 (for the six months ended 30 June 2011: approximately HK\$23.4 million), representing an increase of approximately 24% compared to the corresponding period last year.

## **Material Transactions**

### ***Prepayment of Kaifeng project***

On 16 November 2011 and 18 April 2012, the Group entered into two agreements in relation to the development of Kaifeng project with the local government of Kaifeng city, Henan Province, the PRC. The aggregate amount of prepayment of Kaifeng project was approximately RMB55.0 million. Details of the transaction are referred to in the Company's announcement dated 18 April 2012.

### ***Prepayment of Luoyang project***

On 21 February 2012 and 20 April 2012, the Group entered into two agreements in relation to the development of Luoyang project with the local government of Luoyang city, Henan Province, the PRC. The aggregate amount of prepayment of Luoyang project was approximately RMB51.5 million. Details of the transaction are referred to in the Company's announcement dated 23 April 2012.

## **Future Plans and Prospects**

The overall policy of urbanisation in the PRC will drive economic and population growth in various cities. Our existing projects are strategically located in the western, eastern and central China which are amongst the key locations to capture the growth momentum in China. The Yulin Market aims to serve the Northern Bay region of Guangxi which is being promoted to attract trade from many of the ASEAN countries; the Xuzhou Market is strategically located to serve the Long River Delta and Pan Pearl River Delta regions; whilst the Wuhan Baisazhou Market is the focus of the Group's development for central China.

Looking forward, the management believes that the PRC economic growth will continue to increase the demand for agricultural produce exchange markets. The Group will continue to strengthen our business model and upcoming revenue contribution from both existing projects and our new projects at Luoyang city and Kaifeng city in Henan Province. In addition, the Group will endeavor to negotiate, build and expand its network of agricultural produce wholesale markets by working on establishing partnerships in the PRC and exploring business opportunities in the management of agricultural by-products wholesale markets in different 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 2012, the Group had total cash and cash equivalents amounting to approximately HK\$297.6 million (31 December 2011: approximately HK\$533.2 million) whilst total assets and net assets were approximately HK\$3,056.4 million (31 December 2011: approximately HK\$2,927.9 million) and approximately HK\$1,082.3 million (31 December 2011: approximately HK\$1,035.4 million), respectively. The Group's gearing ratio as at 30 June 2012 was approximately 0.8 (31 December 2011: approximately 0.6), representing a ratio of the total of bank and other borrowings and promissory notes of approximately HK\$1,126.7 million (31 December 2011: approximately HK\$1,122.3 million), net of cash and cash equivalents of approximately HK\$297.6 million (31 December 2011: approximately HK\$533.2 million), to total shareholders' funds of approximately HK\$1,082.3 million (31 December 2011: approximately HK\$1,035.4 million).

## **Contingent Liabilities and Capital Commitments**

The Group's capital commitment, contracted but not provided for, amounted to approximately HK\$232.0 million in relation to the purchase of property, plant and equipment, and construction contracts as at 30 June 2012 (31 December 2011: approximately HK\$161.0 million).

As at 30 June 2012, the Group pledged the land use rights and bank deposits with an aggregate carrying value of approximately HK\$1,023 million (31 December 2011: approximately HK\$1,060.0 million) to secure bank borrowings.

As at 30 June 2012, the Group had no significant contingent liability and did not have any outstanding foreign exchange contracts, interest or currency swaps, other derivative financial instruments, options or convertible notes.

### **Employees and Remuneration Policies**

As at 30 June 2012, the Group had 852 employees (31 December 2011: 820 employees), approximately 96% of whom were located in the PRC. The Group's remuneration policy is reviewed periodically by the remuneration committee of the Company and the Board 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 2012.

### **CORPORATE GOVERNANCE**

The Company had complied with the Code on Corporate Governance Practices during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code (collectively the “**CG Code**”) during the period from 1 April 2012 to 30 June 2012 as set out in Appendix 14 to the Listing Rules, except for the following deviation:

#### **Code provision A.2.1**

Mr. Chan Chun Hong, Thomas, the chairman of the Board, also assumed the role of chief executive officer that deviates code provision A.2.1 of the CG Code. Mr. Chan has extensive executive and financial management experience and is responsible for overall corporate planning, strategic policy making and 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 of the CG Code for the time being but will continue to review such deviation to enhance the best interest of the Group as a whole.

### **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 of the Company, the Company confirmed that all directors of the Company 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. The Audit Committee has reviewed with the management and HLB the unaudited condensed consolidated interim results for the six months ended 30 June 2012.

## **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](http://www.hkex.com.hk)) and the Company ([www.cnagri-products.com](http://www.cnagri-products.com)). The 2012 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, 22 August 2012

*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.*