

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



## 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 2014

#### 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 2014, together with the comparative figures for the corresponding period in 2013. 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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Notes	For the six months ended 30 June	
		2014 (Unaudited) HK\$’000	2013 (Unaudited) HK\$’000
<b>Turnover</b>	3	150,947	259,267
Cost of operation		<u>(43,597)</u>	<u>(166,766)</u>
<b>Gross profit</b>		107,350	92,501
Other revenue and other net income		21,583	6,372
Net gain in fair value of investment properties		257,927	216,995
General and administrative expenses		(128,469)	(113,273)
Selling expenses		<u>(30,152)</u>	<u>(10,007)</u>
<b>Profit from operations</b>		228,239	192,588
Finance costs	4	<u>(110,458)</u>	<u>(71,977)</u>

	<i>Notes</i>	<b>For the six months ended 30 June</b>	
		<b>2014 (Unaudited) HK\$'000</b>	<b>2013 (Unaudited) HK\$'000</b>
<b>Profit before taxation</b>	5	117,781	120,611
Income tax	6	<u>(71,615)</u>	<u>(61,331)</u>
<b>Profit for the period</b>		46,166	59,280
<b>Other comprehensive (loss)/income, net of income tax</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		<u>(94,882)</u>	<u>39,560</u>
Other comprehensive (loss)/income for the period, net of income tax		<u>(94,882)</u>	<u>39,560</u>
<b>Total comprehensive (loss)/income for the period, net of income tax</b>		<u><u>(48,716)</u></u>	<u><u>98,840</u></u>
<b>Profit attributable to:</b>			
Owners of the Company		10,054	38,070
Non-controlling interests		<u>36,112</u>	<u>21,210</u>
		<u><u>46,166</u></u>	<u><u>59,280</u></u>
<b>Total comprehensive (loss)/income attributable to:</b>			
Owners of the Company		(73,925)	76,184
Non-controlling interests		<u>25,209</u>	<u>22,656</u>
		<u><u>(48,716)</u></u>	<u><u>98,840</u></u>
<b>Earnings per share</b>			
— Basic (restated)	8	<u><u>HK\$0.01</u></u>	<u><u>HK\$0.26</u></u>
— Diluted (restated)	8	<u><u>HK\$0.01</u></u>	<u><u>HK\$0.26</u></u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		49,384	45,412
Investment properties		3,639,128	3,420,587
Goodwill		6,444	6,444
		<u>3,694,956</u>	<u>3,472,443</u>
<b>Current assets</b>			
Stock of properties		2,067,720	1,646,691
Trade and other receivables	9	317,466	293,903
Loan receivables		2,493	12,789
Financial assets at fair value through profit or loss		5,126	5,546
Cash and cash equivalents		473,122	267,422
		<u>2,865,927</u>	<u>2,226,351</u>
<b>Current liabilities</b>			
Deposits and other payables	10	1,044,552	989,606
Deposit receipts in advance		148,136	99,620
Bank and other borrowings		1,079,408	961,128
Government grants		2,867	2,941
Promissory notes		376,000	376,000
Income tax payable		36,502	36,801
		<u>2,687,465</u>	<u>2,466,096</u>
<b>Net current assets/(liabilities)</b>		<u>178,462</u>	<u>(239,745)</u>
<b>Total assets less current liabilities</b>		<u>3,873,418</u>	<u>3,232,698</u>
<b>Non-current liabilities</b>			
Other financial liabilities		28,746	—
Bank and other borrowings		1,172,135	1,104,876
Deferred tax liabilities		556,707	506,974
		<u>1,757,588</u>	<u>1,611,850</u>
<b>Net assets</b>		<u>2,115,830</u>	<u>1,620,848</u>
<b>Capital and reserves</b>			
Share capital		12,542	29,510
Reserves		1,613,114	1,170,079
<b>Total equity attributable to owners of the Company</b>		<u>1,625,656</u>	<u>1,199,589</u>
Non-controlling interests		490,174	421,259
<b>Total equity</b>		<u>2,115,830</u>	<u>1,620,848</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 (the “**HKICPA**”).

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

#### (i) *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 net cash outflows in operating activities of approximately HK\$460,282,000 as at 30 June 2014;
- the Group had outstanding bank and other borrowings of approximately HK\$2,251,543,000, out of which an aggregate of approximately HK\$1,079,408,000 due for repayment within the next twelve months after 30 June 2014.
- the Group’s promissory notes of approximately HK\$376,000,000 and interest payable of approximately HK\$129,250,000 were included under deposits and other payables and were outstanding as at 30 June 2014.

The directors of the Company 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) *Attainment of profitable and positive cash flow operations*

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

#### (2) *Necessary facilities*

The Group will negotiate with its bankers and independent third party to secure necessary facilities to meet the Group’s working capital and financial requirements in the near future.

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

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

On 5 October 2012, the Company obtained a court order from the Court to the effect that undertakings were given by Ms. Wang and Tian Jiu (the “**Undertakings**”) not to indorse, assign, transfer or negotiate the Instruments, and enforce payment by presentation of the Instruments to the Company, in each case until final determination of the court action commenced by the Company against Ms. Wang and Tian Jiu in October 2011. The Court further ordered that there will be a continuation of the Injunction Order until further order.

In March 2013, the Company, Ms. Wang and Tian Jiu applied jointly to the Court to discharge the Injunction Order without prejudice to the continuing effect of the Undertakings. Such application was granted by the Court. According to the legal advisers of the Company, the Undertakings and the Injunction Order have the same legal effect.

In the opinion of the directors of the Company, 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 of the Company 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.

**(ii) Basis of measurement**

The condensed consolidated financial statements have been prepared under the historical cost basis except for the investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

## 2. APPLICATION OF NEW AND REVISED 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 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

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 2014.

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

The application of those new and revised HKFRSSs in the current interim period has had no material effect on amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied the following new and revised Hong Kong Accounting Standards (“**HKASs**”), HKFRSSs and amendments that have been issued but not yet effective.

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>5</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>5</sup>
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions <sup>1</sup>
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>2</sup>
Amendments to HKFRSSs	Annual Improvements to HKFRSSs 2010-2012 Cycle <sup>3</sup>
Amendments to HKFRSSs	Annual Improvements to HKFRSSs 2011-2013 Cycle <sup>1</sup>
HKFRS 9	Financial Instruments <sup>2</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>4</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>6</sup>

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

<sup>2</sup> Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

<sup>4</sup> Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2016.

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2017.

The directors of the Company anticipate that the application of those new and revised standards, and amendments issued but not yet effective will have no material impact on the results and financial position of the Group.

### 3. SEGMENT REPORTING

The Group has two reportable segments under HKFRS 8, (i) agricultural produce exchange market operation and (ii) property sale. The segmentations are based on the information about the operation of the Group that the management uses to make decisions and regularly reviewed 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 business segment for the six months ended 30 June 2014 and 2013:

	Agricultural produce exchange market operation		Property sale		Unallocated		Consolidated	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
<b>Turnover</b>								
External sales	<u>141,737</u>	<u>104,490</u>	<u>9,210</u>	<u>154,777</u>	<u>—</u>	<u>—</u>	<u>150,947</u>	<u>259,267</u>
<b>Result</b>								
Segment result	<u>11,745</u>	<u>10,932</u>	<u>(2,683)</u>	<u>6,525</u>	<u>—</u>	<u>—</u>	<u>9,062</u>	<u>17,457</u>
Other revenue and other income	9,820	2,207	10,666	12	1,097	4,153	21,583	6,372
Net gain in fair value of investment properties	257,927	216,995	—	—	—	—	257,927	216,995
Unallocated corporate expense	—	—	—	—	(60,333)	(48,236)	(60,333)	(48,236)
Profit from operations							228,239	192,588
Finance costs	(21,078)	(11,399)	(732)	(15)	(88,648)	(60,563)	(110,458)	(71,977)
Profit before taxation							117,781	120,611
Income tax							(71,615)	(61,331)
Profit for the period							<u>46,166</u>	<u>59,280</u>

## Segment assets and liabilities

An analysis of the Group assets and liabilities by reportable segment as at 30 June 2014 and 31 December 2013:

	Agricultural produce exchange market operation		Property sale		Consolidated	
	2014 <i>HK\$'000</i> (Unaudited)	2013 <i>HK\$'000</i> (Audited)	2014 <i>HK\$'000</i> (Unaudited)	2013 <i>HK\$'000</i> (Audited)	2014 <i>HK\$'000</i> (Unaudited)	2013 <i>HK\$'000</i> (Audited)
<b>Assets</b>						
Segment assets	4,387,024	3,922,216	2,067,720	1,646,691	6,454,744	5,568,907
Unallocated corporate assets					106,139	129,887
Consolidated total assets					6,560,883	5,698,794
<b>Liabilities</b>						
Segment liabilities	1,659,457	1,542,528	657,599	469,812	2,317,056	2,012,340
Unallocated corporate liabilities					2,127,997	2,065,606
Consolidated total liabilities					4,445,053	4,077,946

## 4. FINANCE COSTS

	For the six months ended 30 June	
	2014 <i>HK\$'000</i> (Unaudited)	2013 <i>HK\$'000</i> (Unaudited)
Interest on bank and other borrowings wholly repayable within five years	92,724	62,540
Interest on bank and other borrowing wholly repayable over five years	7,971	—
Interest on other financial liabilities	122	—
Interest on promissory notes	11,750	11,750
Less: — amounts classified as capitalised into investment properties under construction	—	(2,313)
— amounts classified as capitalised into Stock of properties	(2,109)	—
	110,458	71,977



## 5. PROFIT BEFORE TAXATION

For the six months ended 30 June	
2014	2013
HK\$'000	HK\$'000
(Unaudited)	(Unaudited)

Profit before taxation has been arrived at after charging the following items:

Depreciation	4,465	2,994
Unrealised loss/(gain) on financial assets through profit or loss	417	(3,998)
	<u>4,882</u>	<u>(1,004)</u>

## 6. INCOME TAX

Taxation in the Interim Financial Statements represents:

For the six months ended 30 June	
2014	2013
HK\$'000	HK\$'000
(Unaudited)	(Unaudited)

### Current tax

— PRC enterprise income tax	16,953	27,757
	<u>16,953</u>	<u>27,757</u>

### Over provision in prior year

— PRC enterprise income tax	(8,297)	—
	<u>(8,297)</u>	<u>—</u>

### Deferred tax

— Origination and reversal of temporary differences	62,959	33,574
	<u>62,959</u>	<u>33,574</u>
	<u>71,615</u>	<u>61,331</u>

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. PRC Enterprises Income tax is computed according to the relevant legislation interpretations and practices in respect thereof during the period, PRC Enterprise Income Tax rate is 25% (2013: 25%).

## 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 2013: Nil)

## 8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately HK\$10,054,000 (six months ended 30 June 2013: approximately HK\$38,070,000 and weighed average number of approximately 753,775,000 ordinary shares (period from 1 January 2013 to 30 June 2013: approximately 148,143,000 (restated))). The weighted average of ordinary shares for the purpose of calculating basic earnings per share for the period ended 30 June 2013 have been adjusted for the effects of share consolidation, rights issue and bonus issue retrospectively by restating the opening weighted average number of ordinary shares as at 1 January 2013. There were no diluted potential ordinary shares in issue during the six months ended 30 June 2014 and 2013.

## 9. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period ranging from 30 days to its trade customers. Included in trade and other receivables are trade receivables of approximately HK\$641,000 (31 December 2013: approximately HK\$250,000) and their aged analysis at each reporting period is as follow:

	As at 30 June 2014 <i>HK\$'000</i> (Unaudited)	As at 31 December 2013 <i>HK\$'000</i> (Audited)
Less than 90 days	631	229
More than 90 days but less than 180 days	10	11
More than 180 days	—	10
	<hr/>	<hr/>
Total trade receivables	641	250
Deposit for land acquisition	231,489	234,167
Other deposits	6,433	4,666
Prepayments	35,385	19,047
Amount due from non-controlling interest	14,029	14,394
Other receivables	29,489	21,379
	<hr/>	<hr/>
	<b>317,466</b>	<b>293,903</b>
	<hr/> <hr/>	<hr/> <hr/>

## 10. DEPOSITS AND OTHER PAYABLES

	As at 30 June 2014 <i>HK\$'000</i> (Unaudited)	As at 31 December 2013 <i>HK\$'000</i> (Audited)
Accrued charges	26,930	29,804
Construction payables	456,732	484,837
Interest payables	223,945	171,541
Other tax payables	41,224	44,485
Other payables	295,721	258,939
	<hr/>	<hr/>
	<b>1,044,552</b>	<b>989,606</b>
	<hr/> <hr/>	<hr/> <hr/>

## **11. FAIR VALUE MEASUREMENT**

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair value.

## **12. COMPARATIVE FIGURES**

Certain comparative amounts have been reclassified to conform to current period's presentation.

## **13. INDEPENDENT REVIEW**

The interim financial report for the six months ended 30 June 2014 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 2014:

### **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 had net cash outflows in operating activities of approximately HK\$460,282,000. 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 the payment of any interim dividend for the six months ended 30 June 2014 (for the six months ended 30 June 2013: 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 2014, the Group recorded a turnover of approximately HK\$150.9 million (for the six months ended 30 June 2013: approximately HK\$259.3 million), representing a decrease of approximately 42% compared to the corresponding period last year mainly due to the net result of the decrease in sales of properties 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. The Group recorded a gross profit of approximately HK\$107.4 million (for the six months ended 30 June 2013: approximately HK\$92.5 million), representing an increase of approximately 16% compared to the corresponding period last year.

The profit attributable to owners of the Company was approximately HK\$10.1 million compared to the profit attributable to owners of the Company of approximately HK\$38.1 million for the corresponding period last year which is due to the substantial decrease in turnover arising from sales of properties and increase in selling expenses and finance costs.

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

The fair value gain on investment properties was approximately HK\$257.9 million (for the six months ended 30 June 2013: approximately HK\$217.0 million). The difference is mainly due to the continuous rise in fair value of property prices deriving from the continuous income growth of our markets in the People's Republic of China (the "PRC").

### ***Administrative expenses and selling expenses***

The Group recorded administrative expenses of approximately HK\$128.5 million (for the six months ended 30 June 2013: approximately HK\$113.3 million) and selling expenses of approximately HK\$30.2 million (for the six months ended 30 June 2013: approximately HK\$10.0 million). The increase in selling expenses was mainly due to the increase in promotion expenses of the agricultural produce exchanges in the period of 2014.

### **Review of Operations**

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

#### ***Wuhan Baisazhou Market***

Located in the provincial capital of Hubei Province, Wuhan Baisazhou Market is one of the largest agricultural produce exchange operators in the PRC. Wuhan Baisazhou Market is situated in the Hongshan District of Wuhan City with a site area of approximately 270,000 square metres and a total gross floor area of approximately 160,000 square metres. In 2013, Wuhan Baisazhou Market was awarded "Top 10 National Agricultural Wholesale Markets" (in terms of transaction amount) by China Agricultural Wholesale Market Association. This award is a testament to the Group's effort and expertise in being a top-tier agricultural produce exchange market operator in the PRC.

During the period under review, the turnover of Wuhan Baisazhou Market continued to rise at the rate of 31.0% compared with the corresponding period of last year. Wuhan Baisazhou Market has established its reputation and track record to customers and tenants and delivered outstanding performance all along the period.

#### ***Yulin Market***

Yulin Market is one of the largest agricultural produce exchanges in Guangxi, the PRC. It has various types of market stalls and multi-storey godown, with a site area of approximately 415,000 square metres and a total gross floor area of approximately 226,000 square metres. The Group has completed the construction of an extension to the phase two development of the Yulin Market which became a new growth driver for the Group. Yulin Market was ranked "Top 75 National Agricultural Wholesale Markets" (in terms of transaction amount) by China Agricultural Wholesale Market Association. As an energetic member of the agricultural produce exchange market, this award proved Yulin Market's capability in becoming one of the key agricultural produce exchange markets in the Guangxi region.

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

During the period under review, revenue from property sales of Yulin Market was approximately HK\$9.2 million (for the six months ended 30 June 2013: approximately HK\$154.8 million), representing a decrease of approximately 94.1% compared to the corresponding period of last year, mainly due to no substantial property sales in 2014. The operation performance of Yulin Market was satisfactory, achieving a revenue growth of approximately 23.1% as compared with the corresponding period of last year.

### ***Luoyang Market***

The agricultural and by-product exchange market in Luoyang City, Henan Province (“**Luoyang Market**”) is the new flagship project of the Group and the first agricultural produce exchange market project in Henan Province. The Group successfully acquired two parcels of land of approximately 133,000 square metres in August 2012 and approximately 122,000 square metres in October 2013, respectively, and completed the construction of the Luoyang Market with a gross floor area of approximately 230,000 square metres. Following the trial run in last year, the Group expects that the operation and business performance of Luoyang Market will be gradually improved in coming period.

### ***Xuzhou Market***

The agricultural and by-product exchange market in Xuzhou City, Jiangsu Province (“**Xuzhou Market**”) occupies approximately 200,000 square metres and is located in the northern part of Jiangsu Province. The market houses various market stalls and godowns. Xuzhou Market is a major marketplace for the supply of fruit and seafood in the city and the northern part of Jiangsu Province. Xuzhou Market was ranked “Top 50 National Agricultural Wholesale Market” (in terms of transaction amount) by China Agricultural Wholesale Market Association in 2013.

The operation performance of Xuzhou Market was steady and satisfactory. Income for the six months ended 30 June 2014 was approximately HK\$33.9 million (for the six months ended 30 June 2013: approximately HK\$32.4 million), representing an increase of approximately 4.6% compared to the corresponding period last year.

### ***Puyang Market***

On 1 April 2014, a wholly-owned subsidiary of the Company entered into a new joint venture agreement with a joint venture partner pursuant to which the total investment to be made to the joint venture company would increase from RMB2.8 million to RMB140 million, of which RMB105 million will be contributed by the Company’s subsidiary in cash and RMB35 million will be contributed by the joint venture partner through injection of all the assets and resources within the designated area of an exchange market in Puyang City currently owned and managed by the joint venture partner (including but not limited to the rights of land, building and warehouse). The joint venture company was established on 18 March 2014. The establishment of the joint venture company acquired the existing business operations of Puyang Market and extended the geographic reach of our agricultural produce exchange projects to Puyang City, Henan Province. Details of the transaction are disclosed in the Company’s announcement dated 1 April 2014. The acquisition of existing business operations was completed in April 2014.

### ***Kaifeng and Qinzhou Projects***

The construction of Kaifeng project and Qinzhou project are in the final stage, these two projects will be a next driving momentum of the Group. The Group successfully acquired parcels of land in Kaifeng City, Henan Province of approximately 408,000 square metres in January 2013 and in Qinzhou City, Guangxi of approximately 150,000 square meters and 117,000 square metres in November 2011 and October 2012, respectively. The management expects that Kaifeng project and Qinzhou project will start operations in late 2014.

## ***Panjin and Huaian Projects***

With the start of construction of Panjin and Huaian projects, these two projects will be a next driving momentum of the Group. The Group successfully acquired parcels of land in Panjin City and in Huaian City of approximately 159,800 square metres and approximately 53,000 square metres in January 2014 and January 2013, respectively. The management expects that Panjin and Huaian projects will start operations in 2015.

## **Material Transactions**

### ***Land Acquisition of Panjin project***

On 12 January 2014, the Group won a bid at the tender for three parcels of land in Panjin City of Liaoning Province, aggregating approximately 159,800 square metres for a consideration of approximately RMB29.1 million. This site will be developed into a new agricultural produce exchange market. Details of the transaction are disclosed in the Company's announcement dated 20 January 2014.

### ***Land Acquisition of Wuhan project***

On 24 April 2014, the Group won a bid at the tender for a parcel of land in Wuhan City of Hubei Province, aggregating approximately 162,737 square metres for a total consideration of RMB74.1 million. Details of the transaction are disclosed in the Company's announcement dated 7 May 2014.

## **Fund Raising and Debt Financing Activities**

### ***Capital Reorganisation, Rights Issue and Bonus Issue***

On 19 December 2013, the Company announced, inter alia, a capital reorganisation (the "**Capital Reorganisation**") which became effective on 18 February 2014 and a rights issue ("**Rights Issue**") and bonus issue ("**Bonus Issue**") which were approved at the special general meeting of the Company held on 17 February 2014 by an ordinary resolution. The estimated net proceeds raised from the Rights Issue was approximately HK\$495.5 million which would be used for development of existing and future agricultural exchange projects and for general working capital of the Group. Details of the Capital Reorganisation, the Rights Issue and Bonus Issue are disclosed in the announcements of the Company dated 19 December 2013, 13 January 2014, 22 January 2014, 23 January 2014, 17 February 2014, 20 February 2014, 24 March 2014 and 11 July 2014, respectively.

### ***Placing of Bonds***

On 31 March 2014, the Company entered into a placing agreement in respect of the placing of bonds in an aggregate principal amount of up to HK\$1 billion within the placing period (being the date of placing agreement up to 30 September 2014 or longer period as the Company and the placing agent may agree in writing). The Company further launched a listed HK\$1 billion medium term bond programme in May 2014. As at the date of this announcement, listed bonds with an aggregate principal amount of HK\$200 million were issued and listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The placing of the bonds and the listing of the bond programme signify an important movement of the Group's debt financing activities. Details of the placing and establishment of the bond programme are disclosed in the Company's announcement dated 31 March 2014 and 19 May 2014, respectively.

## **Future Plans and Prospects**

The Group has endeavored to build up a national network of agricultural produce exchange market. After the continuous effort being put by the management, the Group has built up a preliminary network of the markets. The agricultural issue is still a theme of the Number 1 Documents of the PRC government. The Group will continue to adapt business model to suit the overall government policy requirements.

The coming completion of the projects in Kaifeng City and Qinzhou City will be the new income driving force to the future development of the Group. Panjin and Huaian projects will become the next momentum of the Group. In addition, the Group will continue to negotiate, build and expand its network of agricultural produce exchange markets by working on establishing partnerships in the PRC and exploring business opportunities of agricultural produce exchange 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 2014, the Group had total cash and cash equivalents amounting to approximately HK\$473.1 million (31 December 2013: approximately HK\$267.4 million) whilst total assets and net assets were approximately HK\$6,560.9 million (31 December 2013: approximately HK\$5,698.8 million) and approximately HK\$2,115.8 million (31 December 2013: approximately HK\$1,620.8 million), respectively. The Group's gearing ratio as at 30 June 2014 was approximately 1.03 (31 December 2013: approximately 1.34), being a ratio of the total of bank and other borrowings, other financial liabilities and promissory notes of approximately HK\$2,656.3 million (31 December 2013: approximately HK\$2,442.0 million), net of cash and cash equivalents of approximately HK\$473.1 million (31 December 2013: approximately HK\$267.4 million), to total shareholders' funds of approximately HK\$2,115.8 million (31 December 2013: approximately HK\$1,620.8 million).

## **Capital Commitments, Pledge and Contingent Liabilities**

As at 30 June 2014, outstanding capital commitment, contracted but not provided for, amounted to approximately HK\$456.0 million in relation to the acquisition of land and construction contracts (31 December 2013: approximately HK\$590.5 million).

As at 30 June 2014, the Group pledged the land use rights, properties and bank deposits with an aggregate carrying value of approximately HK\$2,210.6 million (31 December 2013: approximately HK\$1,836.0 million) to secure bank borrowings and bank facilities.

As at 30 June 2014, the Group pledged the shares and all assets of certain subsidiaries and the loans owned by these subsidiaries to the Company to a subsidiary of Wang On Group Limited. Details of the said pledges are disclosed in the Company's announcement dated 16 July 2012.

As at 30 June 2014 and 31 December 2013, the Group had no significant contingent liability.



## **Update on the Legal Proceedings**

On 18 June 2014, the Company received an judgment (the “**Judgment**”) from the Higher People’s Court of Hubei Province, the PRC (the “**Hubei Court**”) in relation to the civil proceedings (the “**Legal Proceedings**”) in the PRC commenced by Ms. Wang Xiu Qun (“**Ms. Wang**”) and Wuhan Tian Jiu Industrial and Commercial Development Co., Ltd. (“**Tian Jiu**”) as plaintiffs against the Company as defendant and against Wuhan Baisazhou Agricultural By-product Grand Market Company Limited as third party. In the Judgment, the Hubei Court dismissed the claims of Ms. Wang and Tian Jiu, and they are ordered to bear the legal costs of the Legal Proceedings.

On 4 July 2014 the Company received the notice of appeal to the Supreme People’s Court of the PRC from Ms. Wang and Tian Jiu regarding the Legal Proceedings. Details of the Legal Proceedings are disclosed in the announcements of the Company dated 11 January 2011, 22 May 2012, 19 June 2014 and 4 July 2014, respectively.

## **Employees and Remuneration Policies**

As at 30 June 2014, the Group had 1,726 employees (31 December 2013: 1,509 employees), approximately 97% 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 2014.

## **CORPORATE GOVERNANCE**

The Company had complied with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the period from 1 January 2014 to 30 June 2014 (the “**CG Code**”), 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 after the resignation of Mr. Wong Koon Kui, Lawrence as chief executive officer and executive director of the Company with effect from 8 May 2014 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 Audit Committee 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 Ms. Lam Ka Jen, Katherine, Mr. Ng Yat Cheung and Mr. Lau King Lung, and is chaired by Ms. Lam Ka Jen, Katherine, which has reviewed with the management and HLB the unaudited condensed consolidated interim results for the six months ended 30 June 2014.

## **PUBLICATION OF INTERIM RESULTS AND DESPATCH OF INTERIM REPORT**

This interim results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.cnagri-products.com](http://www.cnagri-products.com)). The 2014 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 2014

*As at the date of this announcement, the executive directors of the Company are Mr. Chan Chun Hong, Thomas, Mr. Leung Sui Wah, Raymond and Mr. Yau Yuk Shing and the independent non-executive directors of the Company are Mr. Ng Yat Cheung, Ms. Lam Ka Jen, Katherine and Mr. Lau King Lung.*