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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 2015

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 2015, together with the comparative figures for the corresponding period in 2014. 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 2015

		For the six months ended 30 June	
		2015	2014
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Turnover	3	170,278	150,947
Cost of operation		(51,323)	(43,597)
Gross profit		118,955	107,350
Other revenue and other net income		10,350	21,583
Net gain in fair value of investment properties		3,486	257,927
General and administrative expenses		(165,765)	(128,469)
Selling expenses		(21,752)	(30,152)
(Loss)/profit from operations		(54,726)	228,239
Finance costs	4	(131,094)	(110,458)
(Loss)/profit before taxation	5	(185,820)	117,781
Income tax	6	(7,736)	(71,615)
(Loss)/profit for the period		(193,556)	46,166
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		(5,048)	(94,882)
Other comprehensive loss for the period		(5,048)	(94,882)
Total comprehensive loss for the period		(198,604)	(48,716)
(Loss)/profit attributable to:			
Owners of the Company		(199,062)	10,054
Non-controlling interests		5,506	36,112
		(193,556)	46,166

		For the six months ended 30 June	
		2015	2014
		(Unaudited)	(Unaudited)
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
Total comprehensive (loss)/income attributable to:			
	Owners of the Company	(203,321)	(73,925)
	Non-controlling interests	4,717	25,209
		<u>(198,604)</u>	<u>(48,716)</u>
(Loss)/earnings per share			
	— Basic (restated)	8 <u><u>HK\$(0.29)</u></u>	HK\$0.06
	— Diluted (restated)	8 <u><u>HK\$(0.29)</u></u>	HK\$0.06

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		61,413	72,546
Investment properties		3,568,398	3,554,194
Intangible assets		39,391	—
Goodwill		6,444	6,444
		3,675,646	3,633,184
Current assets			
Stock of properties		2,996,029	2,715,778
Trade and other receivables	9	290,295	231,749
Loan receivables		22,131	27,173
Financial assets at fair value through profit or loss		5,335	4,792
Structured deposit		44,937	—
Pledged bank deposits		93,954	92,962
Cash and cash equivalents		216,494	200,387
		3,669,175	3,272,841
Current liabilities			
Deposits and other payables	10	990,103	973,209
Deposit receipts in advance		444,486	445,415
Bank and other borrowings		477,808	434,534
Promissory notes		376,000	376,000
Income tax payable		41,548	41,413
		2,329,945	2,270,571
Net current assets		1,339,230	1,002,270
Total assets less current liabilities		5,014,876	4,635,454

	As at 30 June 2015 (Unaudited) <i>HK\$'000</i>	As at 31 December 2014 (Audited) <i>HK\$'000</i>
<i>Notes</i>		
Non-current liabilities		
Bonds	1,532,291	1,503,117
Bank and other borrowings	773,063	731,620
Deferred tax liabilities	525,484	524,459
	<hr/>	<hr/>
	2,830,838	2,759,196
	<hr/>	<hr/>
Net assets	2,184,038	1,876,258
	<hr/> <hr/>	<hr/> <hr/>
Capital and reserves		
Share capital	19,397	17,242
Reserves	1,703,792	1,406,049
	<hr/>	<hr/>
Total equity attributable to owners of the Company	1,723,189	1,423,291
Non-controlling interests	460,849	452,967
	<hr/>	<hr/>
Total equity	2,184,038	1,876,258
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

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 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”).

The interim financial report has been prepared in accordance with same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgement, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

(b) Basis of preparation of Interim Financial Statements

Going concern basis

As disclosed in note 19 to the Interim Financial Statements, share transfer agreements filed with the Ministry of Commerce (“**MOFCOM**”) of the People’s Republic of China and the Hubei Administration For Industry and Commerce (“**Hubei AIC**”) in relation to the acquisition of Wuhan Baisazhou Agricultural By-product Grand Market Company Limited (“**Baisazhou Agriculture**”) were void. As advised by the PRC legal advisor of the Company, the judgement will not lead to immediate change of the ownership of Baisazhou Agricultural and the Company continues to be the legal owner of Baishazhou Agricultural until and unless the revocation of the approval from MOFCOM and the registration of the transfer of shareholding by the Hubei AIC. On 23 June 2015, the Company submitted an application to the Supreme People’s Court for a retrial, requesting the court judgement to be set aside and on 21 July 2015, the Company received the written notice of acceptance of the retrial application from the Supreme People’s Court. The Company will take all necessary actions in the PRC as advised by its PRC legal advisor in response to the judgement

The Group incurred a net loss of approximately HK\$193,556,000 and the net operating cash outflow of approximately \$433,957,000. In preparing the condensed consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group. The Directors adopted the going concern basis for the preparation of the consolidated financial statements and implemented the following measures in order to improve the working capital and liquidity and cash flow position of the Group.

(1) *Alternative sources of external funding*

On 23 June 2015, 10 July 2015 and 15 July 2015, the Company entered into the notes placing agreements, share subscription agreements and supplemental agreements are presented as following:

- (i) On 23 June 2015, the Company entered into notes placing agreement with placing agent and agreed to place convertible notes in a maximum aggregate principal amount of up to HK\$100 million. On 10 July 2015, the Company entered into a supplemental agreement to amend the maximum aggregate principal amount of placing convertible notes to HK\$78 million.
- (ii) On 23 June 2015, the Company entered into a notes subscription agreement (the “**Shenzhen Agricultural Subscription Agreement**”) with Shenzhen Agricultural Product Co., Ltd. (the “**Shenzhen Agricultural**”), and the Shenzhen Agricultural has agreed to subscribe the convertible notes in an maximum aggregate principal amount of HK\$300 million. On 15 July 2015, the Company entered into a supplemental agreement to amend the maximum aggregate principal amount of placing convertible notes to HK\$230 million.
- (iii) On 23 June 2015, the Company entered into notes subscription agreement with PNG Resources Holdings Limited (the “**PNG**”), and the PNG has agreed to subscribe the convertible notes in an maximum aggregate principal amount of HK\$200 million. On 10 July 2015, the Company entered into a supplemental agreement to amend the maximum aggregate principal amount of placing convertible notes to HK\$155 million.
- (iv) On 23 June 2015, the Company entered into the share placing agreement with placing agent and agreed to allot and issue a maximum of 387,000,000 general mandate placing share and, 1,587,000,000 specific mandate placing shares at the price of HK\$0.315 per placing share. On 10 July 2015, the Company entered into a supplemental agreement to amend the placing share price to HK\$0.245 per placing share. On 27 July 2015, the general mandate placing shares of 378,000,000 shares have been successfully placed by the placing agent to not less than six shares places at the placing share price of HK\$0.245 per placing share.

- (v) On 23 June 2015, the Company entered into the share subscription agreement with PNG and agreed to allot and issue of 318,000,000 subscription share at the price of HK\$0.315 per placing share. On 10 July 2015, the Company entered into a supplemental agreement to amend the placing share price to HK\$0.245 per placing share.

(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 and independent third party to secure necessary facilities to meet the Group's working capital and financial requirements in the near future.

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

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

The Instruments are recorded at book value at approximately HK\$376,000,000, together with interest payable in the amount of approximately HK\$530,500,000 as at 30 June 2015.

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

In the opinion of the directors, 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 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.

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 2015.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle

The application of those new and revised HKFRSs 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.

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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 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 business segment for the six months ended 30 June 2015 and 2014:

	Agricultural produce exchange market operation		Property sale		Unallocated		Consolidated	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Turnover								
External sales	170,278	141,737	—	9,210	—	—	170,278	150,947
Result								
Segment result	15,546	11,745	—	(2,683)	—	—	15,546	9,062
Other revenue and other income	8,431	9,820	—	10,666	1,919	1,097	10,350	21,583
Net gain in fair value of investment properties	3,486	257,927	—	—	—	—	3,486	257,927
Unallocated cooperate expense					(84,108)	(60,333)	(84,108)	(60,333)
(Loss)/profit from operations							(54,726)	228,239
Finance costs	(30,312)	(21,078)	—	(732)	(100,782)	(88,648)	(131,094)	(110,458)
(Loss)/profit before taxation							(185,820)	117,781
Income tax							(7,736)	(71,615)
(Loss)/profit for the period							(193,556)	46,166

Segment assets and liabilities

An analysis of the Group assets and liabilities by reportable segment as at 30 June 2015 and 31 December 2014:

	Agricultural produce exchange market operation		Property sale		Consolidated	
	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Audited)	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Audited)	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Audited)
Assets						
Segment assets	4,246,730	4,103,168	2,996,029	2,715,778	7,242,759	6,818,946
Unallocated corporate assets					102,062	87,079
Consolidated total assets					7,344,821	6,906,025
Liabilities						
Segment liabilities	2,206,590	2,134,593	603,586	535,721	2,810,176	2,670,314
Unallocated corporate liabilities					2,350,607	2,359,453
Consolidated total liabilities					5,160,783	5,029,767

4. FINANCE COSTS

	For the six months ended 30 June	
	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)
Interest on bank and other borrowings wholly repayable within five years	43,434	92,724
Interest on bank and other borrowing, wholly repayable over five years	7,075	7,971
Interest on bonds	81,856	122
Interest on promissory notes	11,750	11,750
Less: - amounts capitalised into stock of properties	(13,021)	(2,109)
	<u>131,094</u>	<u>110,458</u>

5. (LOSS)/PROFIT BEFORE TAXATION

	For the six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
(Loss)/profit before taxation has been arrived at after charging the following items:		
Depreciation and amortisation	10,973	4,465
Unrealised loss on financial assets through profit or loss	—	417
	<u>10,973</u>	<u>4,882</u>

6. INCOME TAX

Taxation in the Interim Financial Statements represents:

	For the six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current tax		
— PRC enterprise income tax	5,771	16,953
	<u>5,771</u>	<u>16,953</u>
Over provision in prior year		
— PRC enterprise income tax	—	(8,297)
Deferred tax		
— Origination and reversal of temporary differences	1,965	62,959
	<u>1,965</u>	<u>62,959</u>
	<u>7,736</u>	<u>71,615</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 Enterprise Income Tax is computed to the relevant legislation interpretations and practices in respect thereof during the period. PRC Enterprise Income Tax rate is 25% (2014: 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 2014: Nil).

8. (LOSS)/EARNINGS PER SHARE

On 9 April 2015, the Company completed the share consolidation and capital reduction and on 14 May 2015, the Company had issued and allotted 1,724,168,248 right shares of proportion of 8 adjusted shares for every 1 adjusted share on the record date at HK\$0.30 per right share. The calculation of basic (loss)/earnings per share is based on the (loss)/profit attributable to owners of the Company of approximately HK\$199,062,000 (six months ended 30 June 2014: approximately HK\$10,054,000) and weighted average number of approximately 682,074,683 ordinary shares (period from 1 January 2014 to 30 June 2014: approximately 165,993,000 (restated)). The weighted average of ordinary shares for the purpose of calculating basic (loss)/earnings per share for the period ended 30 June 2014 have been adjusted for the effects of share consolidation and rights issue retrospectively by restating the opening weighted average number of ordinary shares as at 1 January 2014. The diluted (loss)/earnings per share for the period ended 30 June 2015 and 2014 were the same as the basis (loss)/earnings per share as there were no diluted potential ordinary shares in issue during the six months ended 30 June 2015 and 2014.

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\$6,032,000 (31 December 2014: approximately HK\$6,002,000) and their aged analysis at each reporting period is as follow:

	As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)
Less than 90 days	4,052	4,668
More than 90 days but less than 180 days	438	896
More than 180 days	1,542	438
Total trade receivables	6,032	6,002
Deposit for land acquisition	116,460	116,605
Other deposits	4,420	7,483
Prepayments	50,613	48,385
Amount due from non-controlling interest	23,723	12,572
Other receivables	89,047	40,702
	290,295	231,749

10. DEPOSITS AND OTHER PAYABLES

	As at 30 June 2015 <i>HK\$'000</i> (Unaudited)	As at 31 December 2014 <i>HK\$'000</i> (Audited)
Accrued charges	49,305	47,929
Construction payables	322,978	346,307
Deposit received	121,444	70,345
Interest payables	219,147	212,225
Other tax payables	43,060	34,261
Other payables	234,169	262,142
	<hr/> 990,103 <hr/>	<hr/> 973,209 <hr/>

11. COMPARATIVE FIGURES

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

12. INDEPENDENT REVIEW

The interim financial report for the six months ended 30 June 2015 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 2015:

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.

EMPHASIS OF MATTER

Without qualifying our conclusion, we draw attention to notes 1(b) and 19 to the Interim Financial Statements which describe the uncertainty related to a court judgment, which found that share transfer agreements filed with the Ministry of Commerce (“**MOFCOM**”) of the People's Republic of China (the “**PRC**”) and the Hubei Administration For Industry and Commerce (“**Hubei AIC**”) in relation to the acquisition of Wuhan Baisazhou Agricultural By-product Grand Market Company Limited (“**Baisazhou Agricultural**”) were void. The Company has been advised by its PRC legal advisor that the judgement will not directly lead to any immediate change of ownership of Baisazhou Agricultural and the Company continues to be the legal owner of Baisazhou Agricultural until and unless the revocation of the approval from MOFCOM and the registration of the transfer of shareholding by the Hubei AIC. On 23 June 2015, the Company submitted an application to the Supreme People's Court of the PRC for a retrial, requesting the court judgement to be set aside and on 21 July 2015, the Company received the written notice of acceptance of the retrial application from the Supreme People's Court of the PRC. The Company will take all necessary actions in the PRC as advised by its PRC legal advisor in response to the judgement.

The Group incurred a net loss of approximately HK\$193,556,000 and the net operating cash outflow of approximately HK\$433,957,000. 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 cash flows from 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 of directors (the “**Board**” or “**Director**”) of China Agri-Products Exchange Limited ((the “**Company**”) together with its subsidiaries, collectively the “**Group**”) does not recommend any payment of an interim dividend for the six months ended 30 June 2015 (for the six months ended 30 June 2014: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Summary of Financial Results

Turnover and gross profit

For the six months ended 30 June 2015, the Group recorded a turnover of approximately HK\$170.3 million (for the six months ended 30 June 2014: approximately HK\$150.9 million), representing an increase of approximately 12.8% 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 city (the “**Yulin Market**”) in Guangxi Zhuang Autonomous Region (“**Guangxi**”) and set off by the continuous turnover growth of the agricultural and by-product exchange markets in Xuzhou city in Jiangsu Province (the “**Xuzhou Market**”), in Baisazhou, Wuhan city in Hubei Province (the “**Wuhan Baisazhou Market**”), in Luoyang city in Henan Province (the “**Luoyang Market**”), in Qinzhou city in Guangxi (the “**Qinzhou Market**”), in Kaifeng city in Henan Province (the “**Kaifeng Market**”), in Puyang city in Henan Province (the “**Puyang Market**”) and in Huangshi city in Hubei Province (the “**Huangshi Market**”). The Group recorded a gross profit of approximately HK\$119.0 million (for the six months ended 30 June 2014: approximately HK\$107.4 million), representing an increase of approximately 10.8% compared to the corresponding period last year mainly due to the increase in the number of operating markets.

Net gain in fair value of investment properties

The fair value gain on investment properties was approximately HK\$3.5 million (for the six months ended 30 June 2014: approximately HK\$257.9 million). The substantial difference is mainly due to the very mild rise in fair value of property prices during the period deriving from the continuous income growth of our markets in the People’s Republic of China (the “**PRC**”).

Administrative expenses, selling expenses and finance cost

The Group recorded an administrative expenses of approximately HK\$165.8 million (for the six months ended 30 June 2014: approximately HK\$128.5 million) mainly due to the increase of cost of new markets acquisition of Huangshi Market and Puyang Market as well as new project development. Selling expenses were approximately HK\$21.8 million (for the six months ended 30 June 2014: approximately HK\$30.2 million) and the decrease in selling expenses of the agricultural produce exchanges in the period of 2015 due to tight control of market and promotion expenses. Finance costs were approximately HK\$131.1 million (for the six months ended 30 June 2014: approximately HK\$110.5 million) and such increase was mainly due to obtaining new interest bearing debts during the period under review.

Loss attributable to owners of the Company

The loss attributable to owners of the Company was approximately HK\$199.1 million compared to the profit attributable to owners of the Company of approximately HK\$10.1 million for the corresponding period last year which is due to the substantial decrease in net gain in fair value of investment properties, increase in administrative expenses and finance costs. The overall loss was mildly offset by decrease in selling expenses and increase in revenue from agricultural produce exchange operation due to an increase in the number of operating markets when compared with the same period of last year.

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 313,000 square metres and a total gross floor area of approximately 160,000 square metres. In January 2015, Wuhan Baisazhou Market was awarded “Top 10 most outstanding contribution National Agricultural Wholesale Markets” by the Sixth Congregation of Asia Pacific Agricultural Wholesale Market Association. This award is a testament to the Group’s effort and expertise in being an outstanding performance 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 approximately 11% 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. 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. To diversify the business segment of Yulin Market, tea trader from Fujian Province is one of the new sectors in the market. The agricultural produce exchange market operation performance was satisfactory, achieving a revenue growth of approximately 15% as compared with the corresponding period of last year.

Luoyang Market

Luoyang Market is the new flagship project of the Group and the first agricultural produce exchange market project in Henan Province. The site area of Luoyang Market is approximately 255,000 square metres with a total gross floor area of approximately 160,000 square metres. In the first half of 2015, the operating performance and occupancy rate of Luoyang Market was gradually improved.

Xuzhou Market

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.

The operating performance of Xuzhou Market was steady. Income for the six months ended 30 June 2015 is approximately HK\$30.7 million (for the six months ended 30 June 2014: approximately HK\$33.9 million), representing a decrease of approximately 9% compared to the corresponding period last year mainly due to the drop of fruit and vegetable price affecting commission income from agricultural produce exchange.

Puyang Market

Following the completion of acquisition of Puyang Market in April 2014, Puyang Market is the Group's joint venture project in Henan Province. The cooperation with the joint venture partner remarks a new way of the Group's expansion policy. During the period under review, the operating performance of Puyang Market is satisfactory.

Huangshi Market

Following the completion of acquisition of Huangshi Market in January 2015, Huangshi Market is one of the Group's new joint venture projects in Hubei Province. Huangshi city is a county level city in Hubei Province and around 100 kilometers away from Wuhan Basaizhou Market. Huangshi Market, as the second-tier agricultural produce exchange market, can create synergy with Wuhan Basaizhou Market for increasing vegetable and by-products trading. During the period under review, the operating performance of Huangshi Market is satisfactory.

Qinzhou Market

The phase one construction of Qinzhou Market with the construction area of approximately 189,000 square metres was completed in late 2014. Qinzhou Market is located in the entrance of highway of Qinzhou city in Guangxi and Qinzhou city is the key members of Beibu Bay of Guangxi district. Qinzhou Market commenced business operations in late 2014 and the management expects to bring vegetable, seafood and by-products food traders to this good and modernized market.

Kaifeng Market

The phase one construction of the Kaifeng Market with the construction area of approximately 100,000 square metres was completed in late 2014. Kaifeng Market commenced operations in late 2014 and the operating performance of Kaifeng Market is still in the infant stage. The management expects that Kaifeng Market would take more time to develop its customers and suppliers base.

Panjin and Huai'an Markets

Following the forthcoming completion of construction of Panjin Hongjin Agricultural and By-Product Exchange Market (the "**Panjin Market**") which will focus on supplying crab and Huai'an Hongjin Agricultural and By-Product Exchange Market (the "**Huai'an Market**") which will focus on fruit and by-products supply, the management expects that Panjin and Huai'an Markets will commence their preliminary operations in late 2015.

Material Transactions

On 3 June 2015, the Group entered into an agreement with the joint venture partner to set up a joint venture company to consolidate the resources of Huai'an Hong Jin Agri-Products Logistics Exchange and Huai'an Qingjiang Agri-Products Exchange, both located in Huai'an city of Jiangsu Province. Details of the transactions were disclosed in the Company's announcement dated 3 June 2015.

Fund Raising Activities

Capital reorganization and rights issue

On 8 January 2015, the Company announced, inter alia, a capital reorganisation (the "**Capital Reorganisation**") and a rights issue ("**Rights Issue**"), both of which were approved at a special general meeting of the Company held on 8 April 2015 and were completed on 9 April 2015 and 14 May 2015, respectively. The net proceeds raised from the Rights Issue was approximately HK\$501.7 million, which is intended to be used for development of existing and future agricultural exchange projects, repayment of indebtedness and general working capital of the Group. Details of the Capital Reorganisation and the Rights Issue were disclosed in the announcements of the Company dated 8 January 2015, 29 January 2015, 8 April 2015, 13 May 2015, 26 May 2015 and 16 June 2015, the circular of the Company dated 13 March 2015 and the prospectus of the Company dated 21 April 2015.

Placing of Shares and Issue of Convertible Notes

On 23 June 2015, the Company entered into (i) a notes placing agreement (the "**Notes Placing Agreement**") with Kingston Securities Limited ("**Kingston**") pursuant to which, subject to the fulfilment of certain conditions including shareholders' approval at a special general meeting of the Company, Kingston agreed to procure notes places to subscribe for convertible notes with an interest rate of 5% per annum for a term of 3 years to be issued by the Company (the "**Convertible Notes**"); (ii) a share placing agreement (the "**Share Placing Agreement**") with Kingston pursuant to which Kingston has agreed to place or procure the placing of, shares issued by the Company pursuant to both a general mandate obtained by the Company (the "**General Mandate Placing**") and a specific mandate to be sought at a special general meeting of the Company (the "**Specific Mandate Placing**"); (iii) a notes subscription agreement (the "**Shenzhen Agricultural Subscription Agreement**") with Shenzhen Agricultural Products Co., Limited ("**Shenzhen Agricultural**") pursuant to which, subject to the fulfilment of certain conditions including shareholders' approval at a special general meeting of the Company, Shenzhen Agricultural has agreed to subscribe for Convertible Notes; (iv) a notes subscription agreement (the "**PNG Notes Subscription Agreement**") with PNG Resources Holdings Limited ("**PNG**") pursuant to which,

subject to the fulfilment of certain conditions including shareholders' approval at a special general meeting of the Company, PNG has agreed to subscribe for Convertible Notes; and (v) a share subscription agreement (the "**PNG Share Subscription Agreement**") with PNG pursuant to which PNG has agreed to subscribe for shares to be issued by the Company pursuant to a specific mandate to be sought at a special general meeting of the Company. The Notes Placing Agreement, the Share Placing Agreement, the Shenzhen Agricultural Subscription Agreement, the PNG Notes Subscription Agreement and the PNG Share Subscription Agreement are together referred to herein as the "**Transactions**".

Due to the change in market conditions, the Company subsequently entered into supplemental agreements on 10 July 2015 and 15 July 2015 to amend certain terms of the Transactions. Pursuant to these supplemental agreements, (i) the subscription price per share to be issued under the Share Placing Agreement and the PNG Share Subscription Agreement was amended from HK\$0.315 to HK\$0.245; and (ii) the conversion price per Convertible Note under the Notes Placing Agreement, the Shenzhen Agricultural Subscription Agreement and the PNG Notes Subscription Agreement was amended from HK\$0.395 to HK\$0.305. As a consequence, the aggregate principal gross proceeds to be received from the Notes Placing Agreement, the Share Placing Agreement, the Shenzhen Agricultural Subscription Agreement, the PNG Notes Subscription Agreement and the PNG Share Subscription Agreement, was amended to approximately HK\$78 million, approximately HK\$484 million (approximately HK\$95 million under the General Mandate Placing and approximately HK\$389 million under the Specific Mandate Placing), approximately HK\$230 million, approximately HK\$155 million, and approximately HK\$78 million, respectively.

The General Mandate Placing under the Share Placing Agreement was completed on 27 July 2015, in which 387,000,000 shares of the Company were issued and placed to not less than six places. The Company raised net proceeds of approximately HK\$84 million under the General Mandate Placing, which will be utilized as to approximately (i) HK\$65 million for the development of new or existing agricultural produce exchange projects in the PRC; and (ii) approximately HK\$19 million for general working capital of the Group.

In order to provide the shareholders of the Company more recent and up-to-date financial information of the Company to enable shareholders to undertake more informed voting decisions at the special general meeting of the Company in respect of the Transactions, the information relating to this results announcement will be included in the circular to be issued in respect of the Transactions, which is expected to be dispatched to the shareholders of the Company on or before 1 September 2015. Details of the Transactions were disclosed in the announcements of the Company dated 7 July 2015, 16 July 2015, 17 July 2015, 27 July 2015 and 28 July 2015, respectively.

Liquidity and Financial Resources

As at 30 June 2015, the Group had total cash and cash equivalents amounting to approximately HK\$216.5 million (31 December 2014: approximately HK\$200.4 million) whilst total assets and net assets were approximately HK\$7,344.8 million (31 December 2014: approximately HK\$6,906.0 million) and approximately HK\$2,184.0 million (31 December 2014: approximately HK\$1,876.3 million), respectively. The Group's gearing ratio as at 30 June 2015 was approximately 1.3 (31 December 2014: approximately 1.5), being a ratio of the total of bank and other borrowings, bonds and promissory notes of approximately HK\$3,159.1 million (31 December 2014: approximately HK\$3,045.3 million), net of cash and cash equivalents and pledged bank deposits of approximately HK\$216.5 million and HK\$94.0 million (31 December 2014: approximately HK\$200.4 million and HK\$93.0 million), to total shareholders' funds of approximately HK\$2,184.0 million (31 December 2014: approximately HK\$1,876.3 million).

Capital Commitments, Pledge and Contingent Liabilities

As at 30 June 2015, outstanding capital commitment, contracted but not provided for, amounted to approximately HK\$289.7 million in relation to the purchase of property, plant and equipment, and construction contracts (31 December 2014: approximately HK\$270.7 million).

As at 30 June 2015, the Group pledged the land use rights, properties and bank deposits with an aggregate carrying value of approximately HK\$2,405.9 million (31 December 2014: approximately HK\$2,604.6 million) to secure certain bank borrowings.

The Group did not have any outstanding foreign exchange contracts, interest or currency swaps or other financial derivatives as at 30 June 2015. The revenue, operating costs and bank deposits of the Group are mainly denominated in Renminbi and Hong Kong dollars. Therefore, the Group is not exposed to any material foreign currency exchange risk.

As at 30 June 2015, the Group had no significant contingent liability.

Litigation

As disclosed in the announcements of the Company dated 11 January 2011, 22 May 2012, 19 June 2014, 4 July 2014, 13 January 2015, 14 January 2015 and 28 May 2015 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 joined Wuhan Baisazhou Agricultural By-product Grand Market Company Limited ("**Baisazhou Agricultural**") as third party.

Ms. Wang and Tian Jiu sought an order from the court that the share transfer agreements alleged to be forged by Baisazhou Agricultural in relation to the acquisition of an aggregate 90% interest in Baisazhou Agricultural from Ms. Wang as to 70% thereof and Tian Jiu as to 20% thereof (the “**Contended Agreements**”) were void and invalid from the beginning should be terminated, and claimed against the Company and Baisazhou Agricultural all relevant profits of Baisazhou Agricultural which were attributable to Ms. Wang and Tian Jiu (the “**Profits Claims**”), together with costs of the Legal Proceedings. The Company received the judgment from the Higher People’s Court of Hubei Province, the PRC (“**Hubei Court**”) in relation to the Legal Proceedings (“**Hubei Court Judgment**”) in June 2014. In the Hubei Court Judgment, the Hubei court dismissed the claims of Ms. Wang and Tian Jiu, and they were ordered to bear the legal costs of the Legal Proceedings. Ms. Wang and Tian Jiu filed an appeal notice to the Supreme People’s Court of the PRC (the “**Supreme People’s Court**”). On 13 January 2015, the Company received the judgment (the “**Beijing Judgment**”) handed down from the Supreme People’s Court in relation to Ms. Wang and Tian Jiu’s appeal against the Hubei Court Judgment. The Supreme People’s Court ordered that (i) the Hubei Court Judgment be revoked; and (ii) the Contended Agreements were void.

The Company noted that Ms. Wang and Tian Jiu had jointly commenced legal proceedings against the Ministry of Commerce (“**MOFCOM**”) alleging that MOFCOM failed to discharge its statutory duties for handling their application submitted in January 2015 for revoking the certificate of approval and letter of approval in relation to the Contended Agreements. The cases have been accepted by the Beijing Second Immediate People’s Court (“**Beijing Court**”) in May 2015. Each of the Company and Baisazhou Agricultural has then made an application to join the cases as third party and the Company’s application has been accepted by the Beijing Court in May 2015.

In May 2015, the Company issued a writ against Ms. Wang and Tian Jiu which was accepted by Hubei Court. According to the Beijing Judgment, the HK\$1,156 million sale and purchase agreement (“**SPA**”) (as disclosed by the Company in its announcement dated 10 May 2007) shall be the actual agreement being performed by the Company, Ms. Wang and Tian Jiu. The Company seeks an order from the Hubei Court that Ms. Wang and Tian Jiu shall assist Baisazhou Agricultural to discharge its contractual duties under the SPA to make the necessary filing with MOFCOM.

In June 2015, the Company submitted an application to the Supreme People’s Court for a retrial requesting that the Beijing Judgment be set aside. In July 2015, the retrial application was accepted by the Supreme People’s Court.

As advised by the PRC legal advisers of the Company, (i) the Supreme People's Court only ordered the Contended Agreements void, but it did not make any ruling regarding the acquisition; and (ii) the Beijing Judgment will not directly lead to any immediate change of ownership of Baisazhou Agricultural. The Company continues to be the legal owner of Baisazhou Agricultural until and unless the revocation of: (a) the approval from the MOFCOM issued in November 2007; and (b) the registration of the transfer of shareholding by the Hubei Administration For Industry and Commerce. The Company will take all necessary actions in the PRC as advised by its PRC legal advisors in response to the Beijing Judgment.

For other detailed information of litigation cases, please refer to the note 19 to the Interim Financial Statement.

Employees and Remuneration Policies

As at 30 June 2015, the Group had 1,861 employees (31 December 2014: 1,883 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.

Future Plans and Prospects

The first half of 2015 is a tough period with the gradual slow growth of the PRC economy and the fluctuation of the price of fruit and vegetables. The business performance of the Group in 2015 was not satisfactory. However, the continuous improvement of various agricultural exchange markets marked confidence to the Group's steady pace of business development.

The agricultural issue is still the theme of 2015 Number 1 Documents of the PRC government. The Group will continue adapt its business model to suit the overall government policy requirements. In July 2015, the PRC State Council issued the framework of "Opinion of the Internet Action by the PRC State Council" (the "**Opinion**"). In the Opinion, it was stated that agricultural business can fully utilize the internet to build up an integrated and diversified agricultural business model. Electronic commerce is the fashion trend of business model affecting all kinds of business sectors, the Group has started to consider this blue ocean area to bridge up the connection between the virtual internet world and the physical agricultural markets.

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 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.

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 2015.

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 2015 to 30 June 2015 (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 the then 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 2015.

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.hkexnews.hk) and the Company (www.cnagri-products.com). The 2015 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 AGRICULTURAL PRODUCTS EXCHANGE LIMITED

中國農產品交易所有限公司

Chan Chun Hong, Thomas

Chairman and Chief Executive Officer

Hong Kong, 19 August 2015

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.