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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 2016

INTERIM RESULTS

The board of directors (the “**Board**” or the “**Director(s)**”) 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 2016, together with the comparative figures for the corresponding period in 2015. 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 2016

	Notes	For the six months ended 30 June	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Turnover	3	439,941	170,278
Cost of operation		<u>(236,444)</u>	<u>(51,323)</u>
Gross profit		203,497	118,955
Other revenue and other net income		25,162	10,350
General and administrative expenses		(139,806)	(165,765)
Selling expenses		<u>(20,897)</u>	<u>(21,752)</u>
Profit/(loss) from operations before fair value change of investment properties and impairment		67,956	(58,212)
Net (loss)/gain in fair value of investment properties		(55,176)	3,486
Written down of stock of properties		<u>(18,383)</u>	<u>—</u>
Loss from operations		(5,603)	(54,726)
Finance costs	4	<u>(135,112)</u>	<u>(131,094)</u>

		For the six months ended 30 June	
		2016	2015
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Loss before taxation	5	(140,715)	(185,820)
Income tax	6	5,799	(7,736)
Loss for the period		(134,916)	(193,556)
Other comprehensive loss, net of income tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		(89,044)	(5,048)
Other comprehensive loss for the period, net of income tax		(89,044)	(5,048)
Total comprehensive loss for the period, net of income tax		(223,960)	(198,604)
(Loss)/profit attributable to:			
Owners of the Company		(137,538)	(199,062)
Non-controlling interests		2,622	5,506
		(134,916)	(193,556)
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(218,971)	(203,321)
Non-controlling interests		(4,989)	4,717
		(223,960)	(198,604)
Loss per share			
— Basic (restated)	8	HK\$0.13	HK\$1.44
— Diluted (restated)	8	HK\$0.13	HK\$1.44

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment		69,176	66,960
Investment properties		3,244,397	3,398,040
Intangible assets		21,214	24,244
Goodwill		6,444	6,444
		3,341,231	3,495,688
Current assets			
Stock of properties		2,676,112	2,831,975
Trade and other receivables	9	280,212	280,838
Loan receivables		2,630	7,140
Financial assets at fair value through profit or loss		3,259	3,662
Pledged bank deposits		44,418	147,974
Cash and cash equivalents		261,342	275,966
		3,267,973	3,547,555
Current liabilities			
Deposits and other payables	10	727,873	838,568
Deposit receipts in advance		616,526	629,880
Bonds		198,644	197,074
Bank and other borrowings		263,639	569,196
Promissory notes		376,000	376,000
Income tax payable		42,609	41,506
		2,225,291	2,652,224
Net current assets		1,042,682	895,331
Total assets less current liabilities		4,383,913	4,391,019
Non-current liabilities			
Bonds		1,362,354	1,350,474
Bank and other borrowings		740,568	768,806
Deferred tax liabilities		463,511	493,953
		2,566,433	2,613,233
Net assets		1,817,480	1,777,786

	As at 30 June 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) HK\$'000
Capital and reserves		
Share capital	11,633	4,653
Reserves	1,396,791	1,336,545
	<hr/>	<hr/>
Total equity attributable to owners of the Company	1,408,424	1,341,198
Non-controlling interests	409,056	436,588
	<hr/>	<hr/>
Total equity	1,817,480	1,777,786
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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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and 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 Statements has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an Interim Financial Statements 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

As disclosed in the Interim Financial Statements, the 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. On 23 May 2016, the Company received a decision issued by MOFCOM dated 19 May 2016 (the “**MOFCOM’s decision**”) to the effect, inter alia, that its approval issued in November 2007 in relation to the contended agreements shall not be revoked and shall remain to be in force. Although the decision is in favour of the Company, the plaintiffs may bring an administrative proceeding to Beijing Second Intermediate People’s Court within 6 months from the date of their receipt of the MOFCOM’s decision. Up to the date of this announcement, the Company is not aware of any administrative reviews being applied for nor any administrative proceedings brought by the plaintiffs in respect of the MOFCOM’s decision.

The Group incurred a net loss of approximately HK\$134,916,000. 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 the matters described above, indicate the existence of a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern.

As at 30 June 2016, the Group has bank and other borrowings and bonds of approximately HK\$263,639,000 and approximately HK\$198,644,000 respectively repayable within 12 months from 30 June 2016.

(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 (the "**Undertakings**") were given by Ms. Wang and Tian Jiu not to indorse, assign, transfer or negotiate the two instruments (purportedly described as promissory notes in the Sale and Purchase Agreement) (the "**Instruments**"), and enforce payment by presentation of the Instruments until the final determination of the court action or further court order. Under the Undertakings, the Instruments will no longer fall due for payment by the Company on 5 December 2012.

The Instruments are recorded at book value at approximately HK\$376,000,000, together with interest payable in the amount of approximately HK\$553,950,000 included under other payables as at 30 June 2016.

In the opinion of the Directors, in light of the various measures or 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 consolidated financial statements on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any future liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effect of these adjustments has not been reflected in the consolidated 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.

The Group has adopted the following revised Hong Kong Financial Reporting Standards (“**HKFRSs**”)(which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA for the first time for these Interim Financial Statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements
Annual Improvements to 2012-2014 Cycle	Amendments to numbers of HKFRSs

The adoption of the revised HKFRSs has had no significant financial effect on these Interim Financial Statements and there have been no significant changes to the accounting policies applied in these Interim Financial Statements.

3. SEGMENT REPORTING

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

Segment revenue and results

An analysis of the Group's revenues and results by business segment for the six months ended 30 June 2016 and 2015:

	Agricultural produce exchange market operation		Property sales		Unallocated		Consolidated	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Turnover								
External sales	165,198	170,278	274,743	—	—	—	439,941	170,278
Result								
Segment result	32,290	15,546	75,617	—	—	—	107,907	15,546
Other revenue and other net income	22,494	8,431	—	—	2,668	1,919	25,162	10,350
Net (loss)/gain in fair value of investment properties	(55,176)	3,486	—	—	—	—	(55,176)	3,486
Written down of stock of properties	—	—	(18,383)	—	—	—	(18,383)	—
Unallocated corporate expense	—	—	—	—	(65,113)	(84,108)	(65,113)	(84,108)
Loss from operations	—	—	—	—	—	—	(5,603)	(54,726)
Finance costs	(25,193)	(30,312)	—	—	(109,919)	(100,782)	(135,112)	(131,094)
Loss before taxation	—	—	—	—	—	—	(140,715)	(185,820)
Income tax	—	—	—	—	—	—	5,799	(7,736)
Loss for the period	—	—	—	—	—	—	(134,916)	(193,556)

Segment assets and liabilities

An analysis of the Group's assets and liabilities by reportable segment as at 30 June 2016 and 31 December 2015:

	Agricultural produce exchange market operation		Property sales		Consolidated	
	2016 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Audited)	2016 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Audited)	2016 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Audited)
Assets						
Segment assets	3,773,331	4,084,627	2,676,112	2,831,974	6,449,443	6,916,601
Unallocated corporate assets					159,761	126,642
Consolidated total assets					<u>6,609,204</u>	<u>7,043,243</u>
Liabilities						
Segment liabilities	1,807,694	2,195,944	493,736	493,789	2,301,430	2,689,733
Unallocated corporate liabilities					2,490,294	2,575,724
Consolidated total liabilities					<u>4,791,724</u>	<u>5,265,457</u>

4. FINANCE COSTS

	For the six months ended 30 June	
	2016 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)
Interest on bank and other borrowings wholly repayable within five years	40,322	43,434
Interest on bank and other borrowings, wholly repayable over five years	322	7,075
Interest on bonds	83,708	81,856
Interest on promissory notes	11,750	11,750
Less: — amounts classified as capitalised into stock of properties	(990)	(13,021)
	<u>135,112</u>	<u>131,094</u>

5. LOSS BEFORE TAXATION

	For the six months ended 30 June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss before taxation has been arrived at after charging the following items:		
Depreciation and amortisation	10,291	10,973
Loss on disposal of property, plant and equipment	279	—
	<u>10,570</u>	<u>10,973</u>

6. INCOME TAX

	For the six months ended 30 June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current tax		
— PRC enterprise income tax	14,600	5,771
Deferred tax		
— Origination and reversal of temporary differences	(20,399)	1,965
	<u>(5,799)</u>	<u>7,736</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% (2015: 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 2015: Nil).

8. LOSS PER SHARE

On 28 January 2016, the Company issued and allotted 698,006,782 rights shares in the proportion of 3 right shares for every 2 adjusted shares held on the record date at HK\$0.42 per rights share. The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately HK\$137,538,000 (six months ended 30 June 2015: approximately HK\$199,062,000) and weighted average number of approximately 1,074,791,268 ordinary shares (period from 1 January 2015 to 30 June 2015: approximately 138,345,337 ordinary shares (restated)). The weighted average of ordinary shares for the purpose of calculating basic loss per share for the period ended 30 June 2015 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 2015. The diluted loss per share for the period ended 30 June 2016 and 2015 were the same as the basis loss per share as there were no diluted potential ordinary shares in issue during the six months ended 30 June 2016 and 2015.

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\$10,548,000 (31 December 2015: approximately HK\$5,974,000) and their aged analysis at each reporting period is as follow:

	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
Less than 90 days	6,370	3,311
More than 90 days but less than 180 days	994	1,155
More than 180 days	3,184	1,508
	<hr/>	<hr/>
Total trade receivables	10,548	5,974
Deposit for land acquisition	101,399	99,984
Other deposits	3,448	13,740
Prepayments	72,819	72,536
Amount due from non-controlling interest	5,124	4,169
Other receivables	86,874	84,435
	<hr/>	<hr/>
	280,212	280,838
	<hr/> <hr/>	<hr/> <hr/>

10. DEPOSITS AND OTHER PAYABLES

	As at 30 June 2016 <i>HK\$'000</i> (Unaudited)	As at 31 December 2015 <i>HK\$'000</i> (Audited)
Accrued charges	74,102	44,042
Construction payables	115,826	175,702
Deposit received	73,732	85,444
Interest payables	212,190	194,018
Other tax payables	35,240	36,840
Other payables	216,783	302,522
	<hr/> 727,873 <hr/>	<hr/> 838,568 <hr/>

11. COMPARATIVE FIGURES

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

12. INDEPENDENT REVIEW

The Interim Financial Statements for the six months ended 30 June 2016 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 Statements 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 2016:

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 18 to the interim financial information which describe a court judgement, 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 Province Administration of Industry and Commerce (“**Hubei AIC**”) in relation to the acquisition of Wuhan Baisazhou Agricultural By-Product Grand Market Company Limited (“**Baisazhou Agricultural**”) were void. On 23 May 2016, the Company received a decision issued by MOFCOM dated 19 May 2016 (the “**MOFCOM's decision**”) to the effect, inter alia, that its approval issued in November 2007 in relation to the contended agreements shall not be revoked and shall remain to be in force. Although the decision is in favour of the Company, the plaintiffs may bring an administrative proceeding to Beijing Second Intermediate People's Court within 6 months from the date of their receipt of the MOFCOM's decision. Up to the date of this report, the Company is not aware of any administrative reviews being applied for nor any administrative proceedings brought by the plaintiffs in respect of the MOFCOM's decision. The Group incurred a net loss of approximately HK\$134,916,000. 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 does not recommend any payment of an interim dividend for the six months ended 30 June 2016 (for the six months ended 30 June 2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Summary of Financial Results

Turnover and gross profit

For the six months ended 30 June 2016, the Group recorded a turnover of approximately HK\$439.9 million (for the six months ended 30 June 2015: approximately HK\$170.3 million), representing an increase of approximately 158% compared to the corresponding period of last year mainly due to the recognition in sales of properties of the agricultural and by-product exchange markets in Yulin city (“**Yulin Market**”) and Qinzhou city (“**Qinzhou Market**”) in Guangxi Zhuang Autonomous Region (“**Guangxi**”) and a continuous growth in turnover of the agricultural and by-product exchange markets in Luoyang city (“**Luoyang Market**”) of Henan province, in Qinzhou city of Guangxi and in Kaifeng city (“**Kaifeng Market**”) of Henan province but was slightly set off by the drop of income of Wuhan Baisazhou Agricultural and By-Product Exchange Market (“**Wuhan Baisazhou Market**”) and Xuzhou Agricultural and By-Product Exchange Market (“**Xuzhou Market**”) and the drop of Renminbi against Hong Kong dollars. The Group recorded a gross profit of approximately HK\$203.5 million (for the six months ended 30 June 2015: approximately HK\$119.0 million), representing an increase of approximately 71% compared to the corresponding period of last year mainly due to the abovementioned property sales recognition and turnover growth.

Other revenue and other net income

The Group recorded other revenue and other net income of approximately HK\$25.2 million (for the six months ended 30 June 2015: approximately HK\$10.4 million) mainly due to an increase in government subsidies to Huai’an Hongjin Agricultural and By-Product Exchange Market (“**Huai’an Market**”) and Panjin Honjin Agricultural and By-Product Exchange Market (“**Panjin Market**”).

General and administrative expenses, selling expenses and finance costs

The Group recorded the general and administrative expenses of approximately HK\$139.8 million (for the six months ended 30 June 2015: approximately HK\$165.8 million). The decrease in general and administrative expenses was mainly due to the tightening control of operating expenses netting off by the expenses incurred for our new projects. Selling expenses were approximately HK\$20.9 million (for the six months ended 30 June 2015: approximately HK\$21.8 million). The slight decrease was mainly due to our effective control over marketing and promotion expenses. Finance costs were approximately HK\$135.1 million (for the six months ended 30 June 2015: approximately HK\$131.1 million). Such slight increase was mainly due to the increase in finance cost of interest bearing debts charged to profit and loss account during the period under review.

Net loss in fair value of investment properties and written down of stock of properties

The net loss in fair value of investment properties was approximately HK\$55.2 million (for the six months ended 30 June 2015: net gain of approximately HK\$3.5 million). The written down of stock of properties was approximately HK\$18.4 million (for the six months ended 30 June 2015: Nil). The differences were mainly due to the drop in fair value of property prices derived from the agri-produce markets in the PRC during the period under review.

Loss attributable to owners of the Company

The loss attributable to owners of the Company was approximately HK\$137.5 million compared to approximately HK\$199.1 million for the corresponding period of last year. The decrease was mainly due to the decrease in general and administrative expenses and the increase in finance costs. The overall loss was mildly offset by the increase in property sales recognition 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 properties in 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 310,000 square metres and a total gross floor area of approximately 190,000 square metres. In December 2015, Wuhan Baisazhou Market was awarded “Top 5 most outstanding contribution National Agricultural Wholesale Markets” by China Agricultural Wholesale Market Association. This award was a testament to the Group’s effort and expertise in being an outstandingly performed agricultural produce exchange market operator in the PRC.

During the period under review, the turnover of Wuhan Baisazhou Market decreased at the rate of approximately 7% compared with the corresponding period of last year. Wuhan Baisazhou Market has established its reputation and track record to customers and tenants and delivered satisfactory performance all along the period under review.

Yulin Market

Yulin Market with a site area of approximately 415,000 square metres and a total gross floor area of approximately 196,000 square metres is one of the largest agricultural produce exchange markets in Guangxi. It has various types of market stalls and multi-storey godown. 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. In order to diversify the product portfolio of Yulin Market, the Group continuously look for new trading opportunities to increase the competitiveness and introduced seafood trading as one of the new businesses in the market. As an energetic member of our agricultural produce exchange markets, the business operations of Yulin Market has become one of the key agricultural produce exchange markets in Guangxi. The performance of Yulin Market’s operation was satisfactory, achieving property sales recognition contributed to the Group during the period under review.

Luoyang Market

Luoyang Market is one of the flagship projects 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 213,000 square metres. In the first half of 2016, the operating performance and occupancy rate of Luoyang Market had been gradually improving. As a result of the improvement, Luoyang Market’s performance turned around from loss to profit during the period under review.

Xuzhou Market

Xuzhou Market with an area of approximately 200,000 square metres 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 2016 decreased by approximately 19% compared to the corresponding period of last year mainly due to the decrease in commission income of Xuzhou Market because of the drop in fruit and vegetable prices.

Puyang Market

Puyang Hongjin Agricultural and By-Product Exchange Market (“**Puyang Market**”) is one of the Group’s joint venture projects with the local partners in Henan province. The joint venture business model is proved to be a successful one. The manpower and operations are localized in order to adapt to the local situation. During the period under review, the operating performance of Puyang Market achieved a satisfactory result with fair result in its turnover as compared to the same period of last year.

Kaifeng Market

Kaifeng Market had a total gross floor area of approximately 120,000 square metres and was the third point of market operations for facilitating the Group to build an agricultural produce market network in Henan province. During the period under review, Kaifeng Market was still in the business development stage and was expected to take more time to build up its customers and tenants’ bases.

Qinzhou Market

Qinzhou Market, our second agricultural exchange market in Guangxi, had a gross floor construction area of approximately 180,000 square meters and is located in the highway entrance of Qinzhou city in Guangxi where is the key member of Beibu Bay of Guangxi. During the period under review, property sales recognition from Qinzhou Market was one of the key drivers enabling the Group to achieve an increment in turnover for the period under review.

Huangshi Market

Huangshi Hongjin Agricultural and By-Product Exchange Market (“**Huangshi Market**”) is the Group’s new joint venture project in Huangshi city of Hubei province, a county level city in Hubei province, where is around 100 kilometers away from Wuhan Baisazhou Market. Huangshi Market, being a second-tier agricultural produce exchange market, creates synergy effect with Wuhan Baisazhou Market for increasing vegetable and by-products trade volume. During the period under review, the operating performance of Huangshi Market was satisfactory.

Huai’an Market

Huai’an Market is located in Huai’an city of Jiangsu province. Phase one of Huai’an Market commenced its operations in October 2015 and more time is expected to be needed for the business performance of Huai’an Market to achieve a better result.

Panjin Market

Panjin Market is located at Panjin city of Liaoning province with the construction of gross floor area of approximately 50,000 square meters. It is the first agricultural produce exchange market in Liaoning province and will take more time to develop its business operations.

Huanggang Market

Huanggang Hongjin Agricultural and By-Product Exchange Market (“**Huanggang Market**”) was an attempt to expand our agricultural market network in Hubei province. The business model of Huanggang Market was to rent a local agricultural produce market with a view to creating synergy effect with our two other markets in Hubei province. However, Huanggang Market’s performance was not up to expectations and the project was ceased during the period under review.

E-commerce development

Since 2015, the Group has put resources in e-commerce development for linking customers in the physical agricultural exchange markets to the virtual electronic market. Our e-commerce website and two mobile phone applications of trading platform providing one-stop shopping experience to our customers was launched in early 2016 with steady progress in its business development. The advanced technology model in e-commerce brings benefit to both the customers and the Group. On one hand, the customers and suppliers can save time and manpower to handle paper documents and cash transactions. On the other hand, the Group can acquire the big data from the transactions of the customers and suppliers in order to analyze their needs and, in turn, provide a more comprehensive service to them. During the period under review, our customers and suppliers in Wuhan Baisazhou Market was the first batch of our target groups to enjoy such innovative electronic services and the Group will gradually extend such services to the other agricultural produce exchange markets.

Establishment of electronic business using contractual arrangements

Shenzhen Gudeng Technology Limited (“**Shenzhen Gudeng**”), established in 2015, was an indirect wholly-owned subsidiary of the Group carrying the business of e-commerce and trading platform of the Group. For the compliance of PRC regulatory requirements, on 11 July 2016 (i.e. after the period under review), the Group entered into a disposal agreement to dispose its entire interest in Shenzhen Gudeng to a nominee shareholder and will further enter into a set of contractual arrangements after obtaining the Internet Content Provider (“**ICP**”) license to enable the Group to manage and operate the ICP services of Shenzhen Gudeng in the future. Details of the disposal and the contractual arrangements were disclosed in the Company’s announcement dated 11 July 2016.

FUND RAISING ACTIVITY

Capital Reorganisation and Rights Issue

On 4 November 2015, the Company announced, inter alia, a capital reorganisation (the “**Capital Reorganisation**”) and a rights issue (the “**Rights Issue**”) of 698,006,782 rights shares at the price of HK\$0.42 per rights share which were approved by the shareholders of the Company at the special general meeting of the Company held on 21 December 2015 by an ordinary resolution. The closing price of the shares in the Company as at 30 October 2015 was HK\$0.117. The Rights Issue was completed on 28 January 2016. The net proceeds raised from the Rights Issue were approximately HK\$283.0 million in which approximately HK\$264.0 million was intended to be utilized for the repayment of borrowings and interests of the Group and the remaining balance

of approximately HK\$19.0 million was intended to be utilized for general working capital. As at 30 June 2016, (i) approximately HK\$263.3 million was utilized for the repayment of borrowings and interests of the Group; (ii) approximately HK\$18.2 million was utilized for general working capital (major component of which was operating expenses, such as rental expenses); and (iii) the remaining will be utilized as intended. Details of the Capital Reorganisation and the Rights Issue were disclosed in the announcements of the Company dated 4 November 2015, 27 January 2016, the circular of the Company dated 27 November 2015 and the prospectus of the Company dated 5 January 2016 respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2016, the Group had the total cash and cash equivalents amounting to approximately HK\$261.3 million (31 December 2015: approximately HK\$276.0 million) whilst the total assets and net assets were approximately HK\$6,609.2 million (31 December 2015: approximately HK\$7,043.2 million) and approximately HK\$1,817.5 million (31 December 2015: approximately HK\$1,777.8 million), respectively. The Group's gearing ratio as at 30 June 2016 was approximately 1.5 (31 December 2015: approximately 1.6), being a ratio of the total of bank and other borrowings, bonds and promissory notes of approximately HK\$2,941.2 million (31 December 2015: approximately HK\$3,261.6 million), net of cash and cash equivalents and pledged bank deposits of approximately HK\$261.3 million and approximately HK\$44.4 million respectively (31 December 2015: approximately HK\$276.0 million and approximately HK\$148.0 million respectively) to total shareholders' funds of approximately HK\$1,817.5 million (31 December 2015: approximately HK\$1,777.8 million).

CAPITAL COMMITMENTS, PLEDGES AND CONTINGENT LIABILITIES

As at 30 June 2016, outstanding capital commitment, contracted but not provided for, amounted to approximately HK\$218.8 million in relation to the purchase of property, plant and equipment, and construction contracts (31 December 2015: approximately HK\$304.6 million).

As at 30 June 2016, the Group pledged the land use rights, properties and bank deposits with an aggregate carrying value of approximately HK\$2,562.9 million (31 December 2015: approximately HK\$3,005.0 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 2016. The revenue, operating costs and bank deposits of the Group are mainly denominated in Renminbi and Hong Kong dollars. The Group will continue to monitor its foreign exchange exposure and consider alternative risk hedging tools when necessary.

As at 30 June 2016, the Group has provided the financial guarantees of approximately HK\$4.7 million in relation to the guarantees provided by a wholly-owned subsidiary of the Company to our customers in favor of a bank for the loans provided by the bank to the customers of our project (31 December 2015: approximately HK\$0.1 million). Save of the above, the Group had no significant contingent liability.

DEBT PROFILES AND FINANCIAL PLANNING

The interest bearing debts profiles of the Group as at 30 June 2016 and 31 December 2015 were analyzed as follows:

	30 June 2016		31 December 2015	
	Outstanding amount <i>HK\$ million</i>	Approximate effective interest rate <i>(per annum)</i>	Outstanding amount <i>HK\$ million</i>	Approximate effective interest rate <i>(per annum)</i>
Bond Issuances	1,561.0	11%	1,547.5	11%
Financial Institution Borrowings	755.8	6%	1,069.1	6%
Non-Financial Institution Borrowings	248.4	11%	268.9	11%
Promissory Notes	376.0	5%	376.0	5%
Total	2,941.2		3,261.5	

In order to meet interest bearing debts and business capital expenditure for, inter alia, the increase of land bank and/or payment of construction costs for the development of our agri-products exchange markets, the Group had been from time to time considering various financing alternatives including but not limited to new share placing, rights issue of new shares, financial institution borrowings, non-financial institution borrowings, bonds issuance, convertible notes, other debt financial instruments, disposal of investment properties and sales of stock of properties.

LITIGATION

Reference is made to the announcements of the Company dated 11 January 2011, 22 May 2012, 19 June 2014, 4 July 2014, 13 January 2015, 14 January 2015, 28 May 2015, 8 January 2016, 11 January 2016 and 24 May 2016 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 alleged that the share transfer agreements in relation to the acquisition of an aggregate 90% interest in Baisazhou Agricultural by the Company from Ms. Wang (as to 70% thereof) and Tian Jiu (as to 20% thereof) (the “**Contended Agreements**”) were forged. They sought an order from the Higher People’s Court of Hubei province, the PRC (the “**Hubei Court**”) that the Contended Agreements were void and invalid from the beginning and 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, together with costs of the Legal Proceedings.

The Company received the judgment from the Hubei Court in relation to the Legal Proceedings (the “**Hubei Court Judgment**”) in June 2014. By the Hubei Court Judgment, the Hubei Court dismissed the claims of Ms. Wang and Tian Jiu, and ordered Ms. Wang and Tian Jiu 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; (ii) the Contended Agreements were void; and (iii) acknowledged that the HK\$1,156 million sale and purchase agreement (the “**SPA**”) shall be the actual agreement being performed by the Company, Ms. Wang and Tian Jiu.

In May 2015, in view of the Beijing Judgment, the Company issued a writ against Ms. Wang and Tian Jiu which was accepted by the Hubei Court. The Company sought 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 the Ministry of Commerce (“**MOFCOM**”).

In May 2015, Ms. Wang and Tian Jiu jointly commenced legal proceedings against 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 “**Application**”). The cases were accepted by the Beijing Second Intermediate People’s Court (the “**Beijing Court**”) in May 2015. The Company and Baisazhou Agricultural then made an application to join the cases as third party. The Company received a judgment dated 31 December 2015 on 8 January 2016 issued by the Beijing Court, by which the Beijing Court demanded MOFCOM to handle the Application again within 30 days.

In relation to Ms. Wang and Tian Jiu’s application for revoking the approval in respect of the Contended Agreements, the Company received a decision (the “**Decision**”) on 23 May 2016 issued by MOFCOM dated 19 May 2016 to the effect, amongst other things, that its approval issued in November 2007 in relation to the Contended Agreements shall not be revoked and shall remain to be in force. In making the Decision, MOFCOM considered that the revocation of approval as requested by Ms. Wang and Tian Jiu may cause serious damage to the public interest. According to the Decision, Ms. Wang and Tian Jiu may (i) apply to MOFCOM for an administrative review within 60 days from the date of their receipt of the Decision; or (ii) bring an administrative proceeding to the Beijing Court within 6 months from the date of their receipt of the Decision. Up to the date of this announcement, the Company is not aware of any administrative reviews being applied for nor any administrative proceedings brought by Ms. Wang and Tian Jiu in respect of the Decision.

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 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 and the Decision.

For other detailed information of litigation cases, please refer to note 18 to the Interim Financial Statements as stated in the interim report of the Company for the six months ended 30 June 2016 to be published in due course.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2016, the Group had 1,779 employees (31 December 2015: 1,951 employees), approximately 98% 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's remuneration is determined by reference to market terms, the Company's performance, and individual qualifications and performance. Meanwhile, the Group also continued to invest resources in providing training opportunities for staff, aiming to improve work and operation performance and professional competence of employees.

FUTURE PLANS AND PROSPECTS

The first half of 2016 is a tough period with the gradually slow growth of the PRC economy and the fluctuation of the fruit and vegetable prices due to the unstable weather in the Central China. However, the Group has adopted steady approach to the continuous improvement of various agricultural exchange markets, which marked confidence to the Group's steady pace of business development.

The agricultural issue has been a highlighted theme of the "2016 Number 1 Documents" of the PRC government. The Group will continue to adopt business model to suit the overall government policy requirements. Coupled with the PRC State Council's issuance of the framework of "Opinion of the Internet Action by the PRC State Council" in July 2015 and "Opinion of Internet and Logistics Action Plan" in April 2016, the PRC State Council, the Ministry of Commerce, the Ministry of Agriculture and the relevant government departments have issued various action plans to detail e-commerce in agricultural sector. The Group has put resources in this blue ocean area and has attempted to bridge up the connection between the physical agricultural markets and the virtual internet world from offline to online business model.

After the continuous effort being put by the management, the Group has built up a national network of agricultural produce exchange markets. Our brand name "Hongjin" not only receives high reputation among our customers and suppliers but is also well recognized in the agricultural produce market industry. 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 2016.

CORPORATE GOVERNANCE

The Company had complied with the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules during the period from 1 January 2016 to 30 June 2016, 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 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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions. Having made specific enquiries of all Directors, the Company confirmed that all Directors had complied with the required standard 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, internal controls and risk management. The Audit Committee comprises all the independent non-executive Directors, 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 2016.

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 2016 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, 17 August 2016

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