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 FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The board of directors (the "**Board**" or "**Director(s)**") of China Agri-Products Exchange Limited (the "**Company**") announce the audited consolidated results of the Company and its subsidiaries (collectively referred to the "**Group**") for the year ended 31 December 2016, together with the comparative figures for the previous financial year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	**2016** *HK$'000*	2015 *HK$'000*
Turnover	*4*	**603,132**	365,192
Cost of operation		**(293,917)**	(127,473)
Gross profit		**309,215**	237,719
Other revenue and other net income		**64,815**	22,330
General and administrative expenses		**(287,884)**	(326,428)
Selling expenses		**(49,563)**	(55,095)
Profit/(loss) from operations before fair value changes and impairment		**36,583**	(121,474)
Net loss in fair value of investment properties		**(594,258)**	(33,223)
Impairment loss on intangible assets		**–**	(10,769)
Impairment loss on goodwill		**(6,444)**	–
Change in fair value of derivative financial instruments		**(2,116)**	–
Written down of stock of properties		**(16,786)**	(60,140)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Loss from operations		**(583,021)**	(225,606)
Finance costs	5(a)	**(269,421)**	(267,952)
Loss before taxation	5	**(852,442)**	(493,558)
Income tax	6	**73,884**	(382)
Loss for the year		**(778,558)**	(493,940)
Other comprehensive loss, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(254,255)**	(205,337)
Other comprehensive loss for the year, net of income tax		**(254,255)**	(205,337)
Total comprehensive loss for the year, net of income tax		**(1,032,813)**	(699,277)
Loss attributable to:			
Owners of the Company		**(740,997)**	(489,117)
Non-controlling interests		**(37,561)**	(4,823)
		(778,558)	(493,940)
Total comprehensive loss attributable to:			
Owners of the Company		**(971,769)**	(676,051)
Non-controlling interests		**(61,044)**	(23,226)
		(1,032,813)	(699,277)
Loss per share			
– Basic	8(a)	**HK$(0.67)**	HK$(1.65)
– Diluted	8(b)	**HK$(0.67)**	HK$(1.65)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment		**60,897**	66,960
Investment properties		**4,211,566**	3,398,040
Intangible assets		**18,183**	24,244
Goodwill		**–**	6,444
		4,290,646	3,495,688
Current assets			
Stock of properties		**938,516**	2,831,975
Trade and other receivables	*9*	**266,874**	280,838
Loan receivables		**30,421**	7,140
Financial assets at fair value through profit or loss		**100,645**	3,662
Pledged bank deposits		**–**	147,974
Cash and cash equivalents		**330,102**	275,966
		1,666,558	3,547,555
Current liabilities			
Deposits and other payables		**699,414**	838,568
Deposit receipts in advance		**656,336**	629,880
Bonds		**–**	197,074
Bank and other borrowings		**276,202**	569,196
Promissory notes		**376,000**	376,000
Income tax payable		**42,718**	41,506
		2,050,670	2,652,224
Net current (liabilities)/ assets		**(384,112)**	895,331
Total assets less current liabilities		**3,906,534**	4,391,019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 31 December 2016

	Notes	**2016** *HK$'000*	2015 *HK$'000*
Non-current liabilities			
Bonds		**1,335,866**	1,350,474
Bank and other borrowings		**591,701**	768,806
Convertible bonds		**413,116**	–
Deferred tax liabilities		**406,845**	493,953
		2,747,528	2,613,233
Net assets		**1,159,006**	1,777,786
Capital and reserves			
Share capital		**11,633**	4,653
Reserves		**793,983**	1,336,545
Total equity attributable to owners of the Company		**805,616**	1,341,198
Non-controlling interests		**353,390**	436,588
Total equity		**1,159,006**	1,777,786

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL

China Agri-Products Exchange Limited (the "**Company**", together with its subsidiaries the "**Group**") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The Group is principally engaged in the business of management and sales of properties in agricultural produce exchange markets in the People's Republic of China (the "**PRC**").

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations (the "**Interpretations**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and accounting principles generally accepted in Hong Kong, in addition, the consolidated financial statements include applicable disclosures required by the Hong Kong Companies Ordinance and by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

(b) Basis of preparation of financial statements

Going concern basis

The Supreme People's Court of the PRC ordered that, inter alia, the share transfer agreements filed with the Ministry of Commerce ("**MOFCOM**") of 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 Agricultura**l") were void. As advised by the PRC legal advisor of the Company, the judgment will not lead to immediate change of the 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 the MOFCOM and the registration of the transfer of shareholding by the Hubei AIC. On 23 May 2016, the Company received a decision issued by MOFCOM dated 19 May 2016 to the effect, inter alia, that the approval issued in November 2007 in relation to the contended agreements shall not be revoked and shall remain to be in force. On 3 August 2016, Ms. Wang Xiu Qun and Wuhan Tian Jiu Industrial and Commercial Development Co., Ltd. requested the Beijing Second Intermediate People's Court to revoke the MOFCOM's Decision and to order MOFCOM to make a decision to revoke the approval. As of the date of this report, the case is taking place in the Beijing Second Intermediate People's Court. The Company will take all necessary actions in the PRC as advised by its PRC legal advisor in response to the possible court judgment. For details, please refer to note 36 to the consolidated financial statements.

The Group incurred a net loss of approximately HK$778,558,000 during the year ended 31 December 2016 and, as of that date, the Group's net current liabilities exceeded its current assets by approximately HK$384,112,000. In preparing the 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 16 November 2016, the Company entered into a subscription agreement with independent third parties, where by the subscribers have conditionally agreed to subscribe for (on a several but not joint basis) and the Company has conditionally agreed to allot and issue, an aggregate of 114,400,626 new shares (with an aggregate nominal value of HK$1,144,006.26) at the subscription price of HK$1.35 per subscription 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 is in the process of negotiating with its bankers 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 (the "**Undertakings**") were given by Ms. Wang and Tian Jiu not to indorse, assign, transfer or negotiate 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, and interest payable at approximately HK$189,738,000 included under other payables as at 31 December 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.

(c) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for the investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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

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

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

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

In the current year, the Group has applied, for the first time, the following new standard, amendments and interpretations ("**new HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which are effective for the Group's financial year beginning 1 January 2016. A summary of the new HKFRSs are set out as below:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012–2014 Cycle
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendments)	Accounting for Acquisition of Interests in Joint Operation
HKFRS 14	Regulatory Deferral Accounts
HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions[2]
HKFRS 4 (Amendments)	Insurance Contracts[2]
HKFRS 9	Financial Instruments[2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
HKAS 7 (Amendments)	Disclosure Initiative[1]
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses[1]

1 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
4 Effective for annual periods beginning on or after a date to be determined.

The Group is in the process of making an assessment of the impact of these new and revised HKFRS upon initial application. The Group considers that these new and revised HKFRS are unlikely to have a significant impact on the Group's results of operations and financial position.

4. TURNOVER

Turnover represents revenue from (i) property rental income, (ii) property ancillary services, (iii) commission income from agricultural produce exchange market, (iv) property sales; and (v) financial service income. The amount of each significant category of revenue recognised during the year, net of discount and sales related tax, is analysed as follows:

	2016	2015
	HK$'000	*HK$'000*
Property rental income	**182,150**	182,346
Revenue from property ancillary services	**66,734**	65,340
Commission income from agricultural produce exchange market	**75,649**	97,357
Revenue from property sales	**278,146**	20,149
Financial service income	**453**	–
	603,132	365,192

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

The following is an analysis of the Group's revenues and results by reportable segment for the current and prior years:

	Agricultural produce exchange market operation		Property sales		Unallocated		Consolidated	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover								
External sales	**324,986**	345,043	**278,146**	20,149	**–**	–	**603,132**	365,192
Result								
Segment result	**57,887**	21,209	**76,974**	2,635	**–**	–	**134,861**	23,844
Other revenue and other net income	**59,878**	19,436	**–**	–	**4,937**	2,894	**64,815**	22,330
Net loss in fair value of investment properties	**(594,258)**	(33,223)	**–**	–	**–**	–	**(594,258)**	(33,223)
Change in fair value of derivative financial instruments	**–**	–	**–**	–	**(2,116)**	–	**(2,116)**	–
Impairment loss on intangible assets	**–**	(10,769)	**–**	–	**–**	–	**–**	(10,769)
Impairment loss on goodwill	**(6,444)**	–	**–**	–	**–**	–	**(6,444)**	–
Written down of stock of properties	**–**	–	**(16,786)**	(60,140)	**–**	–	**(16,786)**	(60,140)
Unallocated corporate expenses							**(163,093)**	(167,648)
Loss from operations							**(583,021)**	(225,606)
Finance costs	**(45,061)**	(60,408)	**–**	–	**(224,360)**	(207,544)	**(269,421)**	(267,952)
Loss before taxation							**(852,442)**	(493,558)
Income tax							**73,884**	(382)
Loss for the year							**(778,558)**	(493,940)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in notes to the consolidation financial statements in the annual report. Business segment represents the profit from each segment without allocation of central administrative costs and directors'salaries, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year (2015: Nil).

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

	Agricultural produce exchange market operation		**Property sales**		**Consolidated**	
	2016	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets						
Segment assets	**4,709,840**	4,084,627	**938,516**	2,831,974	**5,648,356**	6,916,601
Unallocated corporate assets					**308,848**	126,642
Consolidated total assets					**5,957,204**	7,043,243
Liabilities						
Segment liabilities	**1,617,433**	2,195,944	**556,937**	493,789	**2,174,370**	2,689,733
Unallocated corporate liabilities					**2,623,828**	2,575,724
Consolidated total liabilities					**4,798,198**	5,265,457

For the purposes of monitoring segment performance and allocating resources between segments:

– all assets are allocated to reportable segments other than corporate assets. Goodwill and intangible assets are allocated to agriculture produce exchange market operation.

– all liabilities are allocated to reportable segments other than bonds, promissory notes, convertible bonds and corporate liabilities.

Other segment information

The following is an analysis of the Group's other segment information:

	Agricultural produce exchange market operation		Property sales		Unallocated		Consolidated	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Capital expenditure – others *(Note (i))*	**47,229**	87,302	**–**	–	**2,274**	5,344	**49,503**	92,646
Net loss in fair value of investment properties	**(594,258)**	(33,223)	**–**	–	**–**	–	**(594,258)**	(33,223)
Impairment loss on intangible assets	**–**	(10,769)	**–**	–	**–**	–	**–**	(10,769)
Impairment loss on goodwill	**(6,444)**	–	**–**	–	**–**	–	**(6,444)**	–
Change in fair value of derivative instrument	**–**	–	**–**	–	**(2,116)**	–	**(2,116)**	–
Written down of stock of properties	**–**	–	**(16,786)**	(60,140)	**–**	–	**(16,786)**	(60,140)
Unrealised loss on financial assets at fair value through profit or loss	**–**	–	**–**	–	**(2,325)**	(1,130)	**(2,325)**	(1,130)
Depreciation and amortisation	**19,899**	18,620	**–**	–	**1,915**	2,292	**21,814**	20,912

Note:

(i) Capital expenditure consists of additions to property, plant and equipment, investment properties and intangible assets.

Information about major customers

For the year ended 2016 and 2015, no other single customers contributed 10% or more to the Group's revenue.

Geographical information

As at the end of reporting period, the entire of revenue of the Group were generated from external customers located in the PRC and over 90% of non-current assets of the Group were located in the PRC. Accordingly, no geographical segment analysis on the carrying amount of segment assets or additions to property, plant and equipment is presented.

5. LOSS BEFORE TAXATION

Loss before taxation is arrived after charging:

(a) Finance costs

	2016	2015
	HK$'000	*HK$'000*
Interest on bank and other borrowings wholly repayable within five years	**72,292**	89,899
Interest on bank and other borrowings wholly repayable over five years	**–**	2,356
Interest on promissory notes	**23,500**	23,500
Interest on convertible bonds	**10,125**	–
Interest on bonds	**164,477**	165,899
Less: – Amounts classified as capitalised into stock of properties	**(973)**	(13,702)
	269,421	267,952

The weight average capitalisation rate on borrowing is 7.4% per annum (2015: 7.0%).

(b) Staff costs (including directors' emoluments)

	2016	2015
	HK$'000	*HK$'000*
Contributions to defined contribution retirement plans	**1,315**	876
Salaries, wages and other benefits	**138,129**	132,038
	139,444	132,914

(c) Other items

	2016	2015
	HK$'000	*HK$'000*
Depreciation and amortisation	**21,814**	20,912
Loss on disposal on property, plant and equipment	**3,278**	1,163
Auditors' remuneration		
– audit services	**2,200**	2,200
– other services	**200**	410
Operating lease charges: minimum lease payments		
– property rental	**2,694**	3,498
Unrealised loss on of financial assets through profit or loss	**2,325**	1,130
Cost of stock of properties	**185,262**	13,682

6. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Taxation in the consolidated statement of comprehensive income represents:

	2016	2015
	HK$'000	*HK$'000*
Current tax		
PRC enterprise income tax	**14,526**	7,387
Deferred tax		
Origination and reversal of temporary difference	**(88,410)**	(7,005)
	(73,884)	382

No provision for Hong Kong Profits Tax has been made as the Group had no estimated assessable profits arising in Hong Kong for the years ended 31 December 2016 and 2015. PRC Enterprise Income Tax is computed according to the relevant legislation interpretations and practices in respect thereof during the year. PRC Enterprise Income Tax rate is 25% (2015: 25%).

7. DIVIDEND

The directors do not recommend the payment of any dividend in respect of the years ended 31 December 2016 and 2015 respectively.

8. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately HK$740,997,000 (2015: loss attributable to owners of the Company of approximately HK$489,117,000) and the weighted average number of 1,111,852,333 ordinary shares (2015: 296,714,710 ordinary shares) in issue during the year. The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted with the effect of rights issue completed during the year.

(b) Diluted earnings per share

Diluted loss per share for the year ended 31 December 2016 and 2015 were the same as basic loss per share as there was no diluted event during the year.

9. TRADE AND OTHER RECEIVABLE

Included in trade and other receivables are trade debtors with the following ageing analysis presented based on the payment terms on the tenancy agreement as of the end of reporting period:

	2016	2015
	HK$'000	*HK$'000*
Less than 90 days	**6,252**	3,311
More than 90 days but less than 180 days	**5,672**	1,155
More than 180 days	**3,160**	1,508
	15,084	5,974

The Group generally allows an average credit period of 30 days to its trade customers. The Group may on a case by case basis, and after evaluation of the business relationships and creditworthiness of its customers, extend the credit period upon customers' report.

EXTRACT OF THE AUDITORS' REPORT

The following is an extract of the independent auditor's report on the Group's annual financial statements for the year ended 31 December 2016:

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to Notes 2(b) and 36 in the consolidated 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 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 approval issued in November 2007 in relation to the contended agreements shall not be revoked and shall remain to be in force. On 3 August 2016, Ms. Wang Xiu Qun and Wuhan Tian Jiu Industrial and Commercial Development Co., Ltd. requested the Beijing Second Intermediate People's Court to revoke the MOFCOM's Decision and to order MOFCOM to make a decision to revoke the approval. As of the date of this report, the case is taking place in Beijing Second Intermediate People's Court. The Company will take all necessary actions in the PRC as advised by its PRC legal advisor in response to the possible court judgement. The Group incurred a net loss of approximately HK$778,558,000 during the year ended 31 December 2016 and, as of that date, the Group's net current liabilities exceeded its current assets by approximately HK$384,112,000. Notwithstanding the above, the consolidated financial statements 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 2(b), indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY OF FINANCIAL RESULTS

Turnover and gross profit

For the year ended 31 December 2016, the Group recorded a turnover of approximately HK$603 million, an increase of approximately HK$238 million or approximately 65% increase from approximately HK$365 million for the last financial year. The increase was mainly attributable to the properties sales recognition of Yulin Hongjin Agricultural and By-Product Exchange Market ("**Yulin Market**") and Qinzhou Hongjin Agricultural and By-Product Exchange Market ("**Qinzhou Market**").

The gross profit of the Group increased by approximately 30% to approximately HK$309 million from approximately HK$238 million for the last financial year. The gross profit margin of the Group for the financial year under review was approximately 51% as compared to approximately 65% for the last financial year. The decrease in gross profit margin was mainly due to the effect of the property sales margin being lower than that of agricultural produce exchange market operation and the increase of operating costs incurred by our newly opened agricultural markets.

Net loss in fair value of investment properties and impairment loss of stock of properties

The net loss in fair value of investment properties of approximately HK$594 million (2015: approximately HK$33 million) and the written down of stock of properties of approximately HK$17 million (2015: approximately HK$60 million) were mainly due to the rapid change of commercial property market and professionalisation of the entire market business environment in the PRC.

General and administrative expenses, selling expenses and finance costs

General and administrative expenses were approximately HK$288 million (2015: approximately HK$326 million). The decrease was mainly due to the tightening control of operating expenses netting off by our expenses incurred for our new projects. Selling expenses were approximately HK$50 million (2015: approximately HK$55 million). The decrease in selling expenses was mainly due to the implementation of cost saving polices in the Group's marketing and promotion events in 2016. Finance costs were approximately HK$269 million (2015: approximately HK$268 million).

Loss attributable to owners of the Company

The loss attributable to owners of the Company for the year under review was approximately HK$741 million as compared to the last year loss of approximately HK$489 million. While the profit from operations before fair value changes and impairment achieved a turnaround from the loss from operations before fair value changes and impairment of approximately HK$121 million for the last financial year to profit from operations before fair value changes and impairment of approximately HK$37 million for the year under review. The loss attributable to owners of the Company was mainly due to the significant increase of net loss in fair value of investment properties.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, the Group had total cash and cash equivalents amounting to approximately HK$330 million (2015: approximately HK$276 million) whilst total assets and net assets were approximately HK$5,957 million (2015: approximately HK$7,043 million) and approximately HK$1,159 million (2015: approximately HK$1,778 million), respectively. The Group's gearing ratio as at 31 December 2016 was approximately 2.3 (2015: approximately 1.6), being a ratio of total bank and other borrowings, bonds, convertible bonds and promissory notes of approximately HK$2,993 million (2015: approximately HK$3,262 million), net of cash and cash equivalents and pledged bank deposits of approximately HK$330 million and nil respectively (2015: cash and cash equivalents of approximately HK$276 million and pledged bank deposit of approximately HK$148 million) to shareholders' funds of approximately HK$1,159 million (2015: approximately HK$1,778 million).

DIVIDENDS

The Directors do not recommend any payment of final dividend for the year ended 31 December 2016 (2015: Nil). No interim dividend for 2016 was paid to the shareholders of the Company during the year under review (2015: Nil).

REVIEW OF OPERATIONS

During the year under review, the Group was principally engaged in management and sales of properties in agricultural produce exchange markets in the PRC. Both the operating performance and market ranking of our markets remarked steady progress in 2016.

Agricultural Produce Markets

1. *Wuhan Baisazhou Market*

   Located in the provincial capital of Hubei Province, the PRC, Wuhan Baisazhou Agricultural and By-Product Exchange Market ("**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 2016, Wuhan Baisazhou Market was awarded top 50 of agricultural products supply chain contributors by China Agricultural Wholesale Market Association. In October 2016, Wuhan Baisazhou Market was awarded National Prominent Enterprise in Agricultural Industry by the Ministry of Agriculture. These awards were a sign to the market contribution being made by the Group's effort and expertise as an agricultural produce exchange market operator in the PRC.

During the year under review, the turnover of Wuhan Baisazhou Market continued to operate at a steady pace compared to last financial year. As a mature market in Wuhan, Wuhan Baisazhou Market has established its reputation and track record to customers and tenants and continued to make significant contribution to the community.

2. *Yulin Market*

Yulin Market is one of the largest agricultural produce exchange markets in Guangxi Zhuang Autonomous Region ("**Guangxi Region**"), the PRC with site area of approximately 415,000 square metres and total gross floor area of approximately 196,000 square metres. It consisted of various types of market stalls and multi-storey godown. Phase two development of the Yulin Market became a new growth driver for the Group. As an energetic agricultural produce exchange market, Yulin Market's continuously remarkable performance proved it having become one of the key agricultural produce exchange markets in the Guangxi Region.

Yulin Market's operation performance was satisfactory, achieving a revenue growth of approximately 164% as compared to the last financial year.

3. *Luoyang Market*

Luoyang Hongjin Agricultural and By-Product Exchange Market ("**Luoyang Market**") was the flagship project of the Group in Henan Province, the PRC. Both occupancy rate and vehicles traffic were satisfactory. The site area and gross floor area of Luoyang Market were approximately 255,000 square metres and approximately 213,000 square metres, respectively. After several years' operation, the business performance of Luoyang Market has gradually improved. In December 2016, operation income of Luoyang Market increased by 39% compared to the last financial year. In 2016, Luoyang Market was awarded one of the best agricultural products supply chain contributors by China Agricultural Wholesale Market Association.

4. *Xuzhou Market*

Xuzhou Agricultural and By-Product Exchange Market ("**Xuzhou Market**") occupied approximately 200,000 square metres and was located in the northern part of Jiangsu Province, the PRC. The market housed various market stalls, godowns and cold storage. Xuzhou Market was a major marketplace for the supply of fruit and seafood in the city and the northern part of Jiangsu Province, the PRC. In October 2016, Xuzhou Market was awarded National Prominent Enterprise in Agricultural Industry by the Ministry of Agriculture.

Being a mature market of the Group, Xuzhou Market's income in 2016 decreased by approximately 19% as compared to the last financial year.

5. *Puyang Market*

Puyang Hongjin Agricultural and By-Product Exchange Market ("**Puyang Market**") is one of our joint venture projects in cooperation with a local partner. During the year under review, Puyang Market resulted a decrement of approximately 9% in turnover as compared to the last financial year.

6. *Kaifeng Market*

Kaifeng Hongjin Agricultural and By-Product Exchange Market ("**Kaifeng Market**"), with the gross floor construction area of approximately 120,000 square metres, was the third point of market operations for facilitating the Group to build an agricultural produce market network in Henan Province, the PRC. After a year of business operations, Kaifeng Market was still in the business development stage during the financial year. It was expected that the performance of Kaifeng Market will gradually improve after the market has become more mature.

7. *Qinzhou Market*

Qinzhou Market, with the gross floor construction area of approximately 180,000 square metres, was the second point of market operations and facilitated the Group to build an agricultural produce market network in Guangxi Region. During the year under review, approximately HK$200 million were recognized as property sales income of Qinzhou Market.

8. *Huangshi Market*

The Group completed the acquisition of Huangshi Hongjin Agricultural and By-Product Exchange Market ("**Huangshi Market**") in January 2015. Huangshi Market was one of the Group's joint venture projects in Hubei Province, the PRC. Huangshi city is a county level city in Hubei and around 100 kilometers away from Wuhan Baisazhou Market. Huangshi Market, as a second tier agricultural produce exchange market, creates synergy effect with Wuhan Baisazhou Market for increasing vegetable and by-products trading. During the year under review, the operating performance of Huangshi Market was satisfactory, bringing positive operating cashflow to the Group.

9. *Huai'an Market*

Huai'an Hongjin Agricultural and By-Product Exchange Market ("**Huai'an Market**") is the Group's joint venture project located at Huai'an city of Jiangsu Province, the PRC. Phase one of Huai'an Market has been in operation since October 2015 and it is expected that the performance of Huai'an Market will gradually improve after the market has become more mature.

10. *Panjin Market*

Phase one of Panjin Hongjin Agricultural and By-Product Exchange Market ("**Panjin Market**") with the construction area of around 50,000 square metres is in operation and the first attempt of the Group's investment in Liaoning Province, the PRC. Panjin Market focused on the trading of river crabs and was still in the preliminary stage of operation development. It was expected that the performance of Panjin Market will gradually improve after the market has become more mature.

11. *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 PRC. 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, the performance of Huanggang Market was not up to expectations and the project ceased during the year under review.

E-commerce development

With extensive usage of internet application and online shopping in the PRC, the Group has allocated resources in e-commerce development for linking customers in the physical agricultural exchange markets to the virtual electronic market. Our e-commerce trading platform comprising one website and two mobile applications, providing one-stop shopping experience to our customers, was launched in early 2016 and has achieved a steady progress in its business development during the year under review. The advanced technology model in e-commerce brings benefit to both the customers and the Group. On the one hand, customers and suppliers can save time and manpower to handle paper documents and cash transactions. On the other hand, the Group can acquire big data from the transactions from customers and suppliers in order to analyse their needs and, in turn, provide more comprehensive services to them. During the year under review, our e-commerce platform has attracted more than 250,000 registered members from our customers and suppliers and captured more than RMB8 billion food trading transactions between customers and suppliers. Apart from carrying business in our physical existing agricultural produce markets, our e-commerce business model has extended our footprints to a new area. The operation of the e-commerce business was held via Shenzhen Gudeng Technology Limited by using contractual arrangements. Details of the establishment of the contractual arrangements were disclosed in the section below headed "Material Transactions".

RISK FACTORS RELATING TO OUR INDUSTRY AND BUSINESS OPERATIONS

As at 31 December 2016, the Group operated 10 agricultural products exchange markets across 5 provinces and e-commerce in the PRC. In view of the ever-changing business environment in the PRC, the following are the principal risks, challenges and uncertainties faced by the Group, including (1) fluctuation in the exchange rate of Renminbi against Hong Kong dollars, which affects the translation of the PRC assets and liabilities from Renminbi to Hong Kong dollars in the Group's financial reporting; (2) difficulty in obtaining adequate financing, including equity and debt financing to support our agri-products exchange markets that are capital intensive and high gearing ratio of approximately 2.3 as at 31 December 2016 (Details of the gearing ratio were disclosed in the above section headed "Liquidity and Financial Resources"); (3) preserving or enhancing our competitive position in the agri-products exchange markets industry; (4) maintaining or enhancing the level of occupancy at our agri-products exchange markets; (5) obtaining all necessary licenses and permits for the development, construction, operations and acquisition of agri-products exchange markets; and (6) the effect of changes and amendments in the national and local laws and regulations, especially the laws and regulations relating to agri-products exchange markets, on the Group's operations and development.

Through our governance processes and proactive management approach we seek to mitigate, where possible, the impacts of certain risks, challenges and uncertainties should they materialise. In particular, we would consider, from time to time, to (1) make use of risk hedging tools, if appropriate, to mitigate Renminbi currency exchange risk; (2) utilise various financing alternatives including equity and debt financing to obtain sufficient financing to support our operations; (3) adapt to the fast-changing market and adhere to any changes in the PRC government's policies and regulations; and (4) review the external environment and modify our market strategies.

DEPENDENCE OF EMPLOYEES, CUSTOMERS AND SUPPLIERS

As the Group is adopting market remuneration practices by reference to market terms, company performance, and individual qualifications and performance and well-organized structure management, no key and specific employee would materially and significantly affect the Group's success. During the year under review, no major customers and suppliers accounted for over 5% of the Group's income and no major suppliers cannot be replaced by other appropriate suppliers. In this connection, no customers and suppliers would have material impact on the success of the Group's business performance.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The operations and development of agri-products exchange markets are subject to a variety of environmental laws and regulations during the construction and operations of agri-products exchange markets. Major environmental impacts are waste and wastewater generated during the construction and operation of the markets. The Group has, in strict compliance with the PRC environmental law, engaged independent environmental consultants to conduct environmental impact assessments at all of our constructions projects in all material aspects. The environmental investigations conducted to date have not revealed any environmental liability that would be expected to have a material adverse effect on our business condition. Upon completion of construction of each market, the environmental authorities will inspect the site to ensure compliance with all applicable environmental standards. All our construction projects comply with the "three simultaneities" principle stipulated in the "Environmental Protection Law of PRC". For further details on the impact of the environmental laws and regulations on our operations and our environmental policies, please refer to our Environmental, Social and Governance Report in our annual report for the year ended 31 December 2016 to be distributed by the Company in compliance with the requirements under the Listing Rules.

MATERIAL TRANSACTIONS

Establishment of e-commerce business by using contractual arrangements

Shenzhen Gudeng Technology Limited ("**Shenzhen Gudeng**"), established in 2015, was an indirect-owned subsidiary of the Group carrying out the business of e-commerce and electronic trading platform of the Group. For the compliance of the PRC regulatory requirements, on 11 July 2016, the Group entered into an agreement to transfer its entire interest in Shenzhen Gudeng to a nominee shareholder and further entered into a series of contractual arrangements after obtaining the Internet Content Provider ("**ICP**") license issued by the Communication Authority of Guangdong Province on 7 September 2016 to enable the Group to manage and operate the ICP services of Shenzhen Gudeng. Details of the disposal and the contractual arrangements were disclosed in the Company's announcements dated 11 July 2016 and 11 October 2016.

Acquisition of pawn loan business

On 16 November 2016, the Company entered into the sale and purchase agreement with, inter alia, CITIC Asset Management Corporation Ltd. and other vendors (the "**Vendors**") pursuant to which the Company has conditionally agreed to acquire the right and power to control over and the right to enjoy the economic benefits in the pawn loan business through structured contracts. The aggregate consideration of the acquisition is HK$3,116,632,579, which will be satisfied by the allotment and issue of 2,308,616,725 consideration shares of the Company at the issue price of HK$1.35 per share. Completion of the acquisition has yet to take place as at the date of this announcement. Details of the transaction and structured contracts were disclosed in the Company's announcements dated 4 December 2016, 23 December 2016 and 6 January 2017.

CAPITAL COMMITMENTS, PLEDGES AND CONTINGENT LIABILITIES

As at 31 December 2016, outstanding capital commitments, contracted but not provided for, amounted to approximately HK$194 million (2015: approximately HK$305 million) in relation to the purchase of property, plant and equipment, construction contracts, capital injection of entity and operating lease agreements. As at 31 December 2016, the Group had significant contingent liabilities in the amount of approximately HK$15 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 (2015: approximately HK$0.1 million).

As at 31 December 2016, the Group pledged the land use rights and properties with an aggregate carrying amount of approximately HK$2,269 million (2015: approximately HK$3,005 million for land use rights, properties and bank deposits) 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 31 December 2016. The revenue, operating costs and bank deposits of the Group were mainly denominated in Renminbi and Hong Kong dollars. During the year under review and due to the currency fluctuation of Renminbi against Hong Kong dollars, the Group had been considering alternative risk hedging tools to mitigate Renminbi currency exchange risk.

DEBT PROFILES AND FINANCIAL PLANNING

As at 31 December 2016 and 31 December 2015, interest bearing debts profiles in the consolidated balance sheet of the Group were analyzed as follows:

	2016		2015	
	Carrying amount *HK$ million*	**Approximate effective interest rate** *(per annum)*	Carrying amount *HK$ million*	Approximate effective interest rate *(per annum)*
Bonds issuance	**1,336**	**11%**	1,548	11%
Convertible bonds	**413**	**12%**	–	–
Financial Institution Borrowings	**707**	**6%**	1,069	6%
Non-Financial Institution Borrowings	**161**	**11%**	269	11%
Promissory Notes	**376**	**5%**	376	5%
Total	**2,993**		3,262	

Note:

Save as the financial institution borrowings was made in Renminbi with fixed and floating interest rates, other items as mentioned in the above table were made in Hong Kong dollars with fixed interest rates.

In order to meet interest bearing debts and business capital expenditure, the Group is, from time to time, considering various financing alternatives including equity and debt financing 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 property inventories.

FUND RAISING ACTIVITIES

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 a special general meeting of the Company held on 21 December 2015. The closing price of the shares in the Company as at 30 October 2015 was HK$0.117. The Capital Reorganisation and the Rights Issue were completed on 22 December 2015 and 28 January 2016, respectively.

The gross proceeds and net proceeds of the Rights Issue were approximately HK$293 million and approximately HK$283 million, respectively in which approximately HK$264 million was intended to be utilized for the repayment of borrowings and interests of the Group and the remaining balance of approximately HK$19 million was intended to be utilized for general working capital. As at 31 December 2016, (i) approximately HK$264 million was utilized for the repayment of borrowings and interest of the Group; and (ii) approximately HK$19 million was utilized for general working capital (major component of which was operating expenses, such as rental and salary expenses). Details of the Capital Reorganisation and the Right Issue were disclosed in the announcements of the Company dated 4 November 2015 and 27 January 2016, the circular of the Company dated 27 November 2015 and the prospectus of the Company dated 5 January 2016, respectively.

Issue and placing of convertible notes

On 23 August 2016, the Company entered into a notes placing agreement (the "**Notes Placing Agreement**") with Kingston Securities Limited (the "**Placing Agent**") in relation to the placing of convertible notes in the aggregate principal amount of HK$360 million convertible into 900,000,000 convertible shares at the conversion price of HK$0.40 per convertible share (the "**Notes Placing**") in the Company. On 23 August 2016, the Company entered into a note subscription agreement (the "**Note Subscription Agreement**") with Peony Finance Limited, a wholly-owned subsidiary of Easy One Financial Group Limited ("**EOG**"), a substantial shareholder of the Company, pursuant to which the Company has agreed to issue to Peony Finance Limited a convertible note in the principal amount of HK$140 million convertible into 350,000,000 convertible shares at the conversion price of HK$0.40 per convertible share (the "**EOG Note Subscription**") in the Company.

The total gross proceeds and net proceeds of the Notes Placing and EOG Note Subscription were HK$500 million and approximately HK$488 million, respectively. The net proceeds of (i) approximately HK$200 million was intended to be utilized for the repayment of the bonds due in 2016; (ii) approximately HK$40 million was intended to be utilized for offsetting part of the principal amount of the bonds due in 2019; (iii) approximately HK$100 million was intended to be utilized towards the offsetting of the outstanding principal amounts and interest of loan from EOG; (iv) approximately HK$100 million was intended to be utilized for the repayment of principal amount and interest of interest bearing debts; and (v) the remaining balance of approximately HK$48 million was intended to be utilized for general working capital. As at 31 December 2016, (i) approximately HK$200 million was utilized for the repayment of 8.5% annual coupon bonds due in 2016; (ii) approximately HK$40 million was utilized for offsetting part of the principal amount of bonds due in 2019; (iii) approximately HK$100 million was utilized towards the offsetting of the outstanding principal amounts and interest of loan from EOG; (iv) approximately HK$43 million was utilized for the repayment of principal amount and interest of interest bearing debts; (v) approximately HK$35 million was utilized for general working capital major component of which was operating expenses, such as rental expenses, marketing expenses and salary expenses; and (vi) the remaining balance will be used as intended. Details of the Notes Placing and the EOG Note Subscription were disclosed in the announcement of the Company dated 23 August 2016 and the circular of the Company dated 14 September 2016, respectively.

LITIGATION

References were 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, 24 May 2016 and 31 August 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 PRC 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 of the PRC (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, among other things, that its approval issued in November 2007 (the "**Approval**") 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 the 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.

Upon the making of the Decision by MOFCOM that the Approval shall not be revoked and shall remain to be in force, in August 2016, the Company noted that Ms. Wang and Tian Jiu had brought another administrative proceedings (the "**Administrative Proceedings**") to the Beijing Court. According to a writ dated 3 August 2016, Ms. Wang and Tian Jiu requested the Beijing Court to revoke the Decision and to order MOFCOM to make a decision to revoke the Approval. According to a notice issued by the Beijing Court dated 26 August 2016 together with the writ which was served to the Company on 30 August 2016, each of the Company and Baisazhou Agricultural has been added as third party by the Beijing Court to the Administrative Proceedings.

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; 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 advisers in response to the Administrative Proceedings.

For other detailed information of litigation cases, please refer to note 36 to the financial statements in the annual report of the Company for the year ended 31 December 2016 to be published in compliance with the requirements under the Listing Rules.

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2016, the Group had 1,698 employees (2015: 1,951), approximately 98% of whom were located in the PRC. The Group's remuneration policy was reviewed periodically by the remuneration committee and the Board's remuneration is determined by reference to market terms, company performance, and individual qualifications and performance. The Group aimed to recruit, retain and develop competent individuals who were committed to the Group's long-term success and growth. Remunerations and other benefits of employees were reviewed annually in response to both market conditions and trends, and were based on qualifications, experience, responsibilities and performance.

PROSPECTS

Looking forward to 2017, the Group will continue to build a nationwide agricultural produce exchange network by leveraging on its leading position in the industry, readily replicable business model, well-advanced management system, information technology infrastructure and quality customer services. In 2016, State Council, Ministry of Commerce and Ministry of Agriculture issued various policies in accelerating the pace of development of "Internet Plus" policy. Ministry of Commerce has issued a 5-Year Plan for internet commerce development in December 2016. The Group is paying high attention to the government policies supporting internet development. In order to grasp the opportunities arising from the "Internet Plus" policy issued by the PRC government, the Group had established our e-commerce platform to complement our physical, online and logistic network for the provision of a more comprehensive service package for our customers. It is expected that e-commerce through internet development will change the business environment of traditional agricultural exchange market. The Group will be mindful for the change and get well prepared for this new electronic business model.

Once again, agricultural issue is the PRC central government's first priority policy for the next consecutive years under the document named "the Number 1 Policy of 2017" (the "**Policy**"). The Policy promotes agricultural e-commerce companies interface with agricultural products and agricultural processing industries. It also encourages agricultural e-commerce companies to provide comprehensive electronic solutions to the agricultural infrastructure, brand building, agricultural product logistic, manpower training, technical support and food quality assurance control.

In order to capture the new line of business opportunity, the Group has taken further steps in expanding business scope in the PRC by entering into a conditional agreement in respect of the proposed acquisition of pawn loan business operated by CITIC Asset Management Corporation Ltd.. This is a remarkable step for the Group and it is expected that, following the completion of the acquisition, it can diversify our existing business portfolio, broaden the source of income and eventually enhance the value of the Group. Taking the advantage of a leading position in the industry, the Group is confident that this strategy and business model will deliver long-term benefits to the Company and its shareholders as a whole.

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 Company's listed securities during the year ended 31 December 2016.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Board, 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 throughout the year ended 31 December 2016, except for the following deviations:

Code provision A.2.1

Mr. Chan Chun Hong, Thomas, the chairman of the Board, also assumed the role of chief executive officer that deviates code provision A.2.1 of the CG Code. Mr. Chan has extensive executive and financial management experience and is responsible for overall corporate planning, strategic policy making and managing of day-to-day operations of the Group which is of great value in enhancing the efficiency to cope with the dynamic business environment. Furthermore, there are various experienced individuals in charge of the daily business operation and the Board comprises three executive Directors and three independent non-executive Directors with balance of skills 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.

Code provision A.5.1

Code provision A.5.1 of the CG Code requires that the nomination committee should comprise a majority of independent non-executive directors. Furthermore, Rule 3.10(1) of the Listing Rules provides that every board of directors of listed companies must include at least three independent non-executive directors, Rule 3.10(2) of the Listing Rules provides that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise, Rule 3.21 of the Listing Rules provides that the audit committee should comprise a minimum of three members and Rule 3.25 of the Listing Rules provides that the remuneration committee should comprise a majority of independent non-executive directors.

Subsequent to the resignation of Ms. Lam Ka Jen, Katherine as an independent non-executive Director, the chairman of the audit committee of the Company (the "**Audit Committee**"), a member of the remuneration committee and nomination committee of the Company on 30 September 2016, the number of independent non-executive Directors, the number of members of each of the Audit Committee, remuneration committee and nomination committee of the Company have fallen below the minimum number as required under Rules 3.10(1), 3.10(2), 3.21 and 3.25 of the Listing Rules and code provision A.5.1 of the CG Code. On 23 December 2016, the Company appointed Mr. Wong Hin Wing as an independent non-executive Director, the chairman of the Audit Committee and a member of the remuneration committee and nomination committee of the Company. Accordingly, the Company has fulfilled the requirements under Rules 3.10(1), 3.10(2), 3.21 and 3.25 of the Listing Rules and code provision A.5.1 of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its code of conduct regarding the securities transactions by the Directors on the terms no less exacting than the required standard set forth in the Model Code for the Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. 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 financial year under review.

AUDIT COMMITTEE

The Audit Committee was established in accordance with the requirements of the Listing Rules, for the purposes of, inter alia, reviewing and providing supervision over the Group's financial reporting processes, internal controls and risk management. The Audit Committee comprises all of the independent non-executive Directors, namely Mr. Wong Hin Wing, Mr. Ng Yat Cheung and Mr. Lau King Lung, and is chaired by Mr. Wong Hin Wing. The Audit Committee has reviewed with the management and the Company's auditors the consolidated financial statements for the year ended 31 December 2016.

PUBLICATION OF FINAL RESULTS AND DESPATCH OF ANNUAL REPORT

This results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cnagri-products.com). The 2016 annual report of the Company containing all the information required by the Listing Rules will be despatched to the Company's shareholders and available on the above websites in due course.

By Order of the Board
CHINA AGRI-PRODUCTS EXCHANGE LIMITED
中國農產品交易有限公司
Chan Chun Hong, Thomas
Chairman and Chief Executive Officer

Hong Kong, 21 February 2017

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, Mr. Lau King Lung and Mr. Wong Hin Wing.