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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 FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017, 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 2017

	Notes	**2017** ***HK$'000***	2016 *HK$'000*
Turnover	*4*	**790,059**	603,132
Cost of operation		**(448,698)**	(293,917)
Gross profit		**341,361**	309,215
Other revenue and other net income		**14,886**	64,815
General and administrative expenses		**(238,735)**	(287,884)
Selling expenses		**(43,590)**	(49,563)
Profit from operations before fair value changes and impairment		**73,922**	36,583
Net gain/(loss) in fair value of investment properties		**52,068**	(594,258)
Impairment loss on goodwill		**—**	(6,444)
Change in fair value of derivative financial instruments		**(77,396)**	(2,116)
Written down of stock of properties		**(83,361)**	(16,786)
Share of profit on joint venture		**5,262**	—
Loss from operations		**(29,505)**	(583,021)
Finance costs	*5(a)*	**(271,752)**	(269,421)
Loss before taxation	*5*	**(301,257)**	(852,442)
Income tax	*6*	**(36,314)**	73,884

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

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Loss for the year		**(337,571)**	(778,558)
Other comprehensive income/(loss), net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**267,902**	(254,255)
Other comprehensive income/(loss) for the year, net of income tax		**267,902**	(254,255)
Total comprehensive loss for the year, net of income tax		**(69,669)**	(1,032,813)
Profit/(loss) attributable to:			
Owners of the Company		**(340,970)**	(740,997)
Non-controlling interests		**3,399**	(37,561)
		(337,571)	(778,558)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**(95,704)**	(971,769)
Non-controlling interests		**26,035**	(61,044)
		(69,669)	(1,032,813)
Loss per share			
			(Restated)
— Basic	*8(a)*	**HK$(0.18)**	HK$(0.63)
			(Restated)
— Diluted	*8(b)*	**HK$(0.18)**	HK$(0.63)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment		**59,195**	60,897
Investment properties		**4,392,818**	4,211,566
Intangible assets		**12,122**	18,183
		4,464,135	4,290,646
Current assets			
Stock of properties		**886,488**	938,516
Trade and other receivables	*9*	**185,142**	266,874
Loan receivables		**38,424**	30,421
Financial assets at fair value through profit or loss		**23,460**	100,645
Cash and cash equivalents		**513,827**	330,102
		1,647,341	1,666,558
Current liabilities			
Deposits and other payables		**737,953**	699,414
Deposit receipts in advance		**377,603**	656,336
Bank and other borrowings		**339,231**	276,202
Promissory notes		**376,000**	376,000
Income tax payable		**52,908**	42,718
		1,883,695	2,050,670
Net current liabilities		**(236,354)**	(384,112)
Total assets less current liabilities		**4,227,781**	3,906,534

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
As at 31 December 2017

	2017	2016
	HK$'000	*HK$'000*
Non-current liabilities		
Bonds	**1,254,581**	1,335,866
Bank and other borrowings	**357,023**	591,701
Convertible bonds	**226,279**	413,116
Deferred tax liabilities	**432,295**	406,845
	2,270,178	2,747,528
Net assets	**1,957,603**	1,159,006
Capital and reserves		
Share capital	**99,531**	11,633
Reserves	**1,488,780**	793,983
Total equity attributable to owners of the Company	**1,588,311**	805,616
Non-controlling interests	**369,292**	353,390
Total equity	**1,957,603**	1,159,006

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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 management and sales of agricultural produce exchange markets in the People's Republic of China (the "**PRC**"). The consolidated financial statements are presented in Hong Kong dollars ("**HK$**") which is also the functional currency of the Company. All values are rounded to the nearest thousand ("**HK$'000**") except otherwise indicated.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the disclosure requirements of the Companies Ordinance of Hong Kong.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

(b) Basis of preparation of financial statements

(i) 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 Agricultural**") 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 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 (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 18 April 2017, the Company received the judgement of the Beijing Second Intermediate People's Court (the "**Beijing Court**") dated 31 March 2017 (the "**31 March Judgement**"). According to the 31 March Judgement, the request made by Ms. Wang Xiu Qun ("**Ms. Wang**") and Wuhan Tian Jiu Industrial and Commercial Development Co., Ltd. ("**Tian Jiu**") to revoke the MOFCOM's Decision lacked both legal and factual basis and was not supported by the Beijing Court. Accordingly, the Beijing Court dismissed the application of Ms. Wang and Tian Jiu. On 10 May 2017, the Company received a notice of appeal dated 8 May 2017 (the "**Notice of Appeal**"). By the Notice of Appeal, Ms. Wang and Tian Jiu appealed against the 31 March Judgement and requested for an order that (a) the 31 March Judgement be set aside; and (b) that MOFCOM to make a decision to revoke the approval issued in 2007 in relation to the contended agreements. The hearing for the appeal against the 31 March Judgement took place on 30 August 2017. As at the date of this announcement, the judgment for the appeal has not been available. 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 35 to the consolidated financial statements.

The Group incurred a net loss of approximately HK$337,571,000 during the year ended 31 December 2017 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$236,354,000. 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) *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 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.

(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 (the "**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 and 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$213,238,000 included under other payables as at 31 December 2017.

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.

(ii) 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 (the "**HKICPA**"), which are effective for the Group's financial year beginning 1 January 2017. A summary of the new HKFRSs are set out as below:

HKFRS 12 (Amendments)	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of deferred tax assets for unrealised losses

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)	Clarifications and measurement of share-based payment transactions[1]
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts[1]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contract[4]
HKAS 28 (Amendments)	Investments in associates and joint ventures[1]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2014-2016 Cycle
HKFRS 1 (Amendments)	First time adoption of Hong Kong Financial Reporting Standards[1]
HKAS 40 (Amendments)	Transfers of investment property[1]
HK(IFRIC)-Int 22	Foreign currency transactions and advance consideration[1]
HK(IFRIC)-Int 23	Uncertainty over income tax treatments[2]
HKFRS 9 (Amendments)	Clarifications to HKFRS 9 Financial Instruments[2]
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after 1 January 2021.

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:

	2017	2016
	HK$'000	*HK$'000*
Property rental income	**185,589**	182,150
Revenue from property ancillary services	**74,174**	66,734
Commission income from agricultural produce exchange market	**80,304**	75,649
Revenue from property sales	**449,203**	278,146
Financial service income	**789**	453
	790,059	603,132

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	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover								
External sales	**340,856**	324,986	**449,203**	278,146	**—**	—	**790,059**	603,132
Results								
Segment result	**101,628**	57,887	**77,441**	76,974	**—**	—	**179,069**	134,861
Other revenue and other income	**10,986**	59,878	**—**	—	**3,900**	4,937	**14,886**	64,815
Net gain/(loss) in fair value of investment properties	**52,068**	(594,258)	**—**	—	**—**	—	**52,068**	(594,258)
Impairment loss on goodwill	**—**	(6,444)	**—**	—	**—**	—	**—**	(6,444)
Change in fair value of derivative financial instruments	**—**	—	**—**	—	**(77,396)**	(2,116)	**(77,396)**	(2,116)
Written down of stock of properties	**—**	—	**(83,361)**	(16,786)	**—**	—	**(83,361)**	(16,786)
Share of profit on joint venture	**—**	—	**—**	—	**5,262**	—	**5,262**	—
Unallocated corporate expenses							**(120,033)**	(163,093)
Loss from operations							**(29,505)**	(583,021)
Finance costs	**(42,607)**	(45,061)	**—**	—	**(229,145)**	(224,360)	**(271,752)**	(269,421)
Loss before taxation							**(301,257)**	(852,442)
Income tax							**(36,314)**	73,884
Loss for the year							**(337,571)**	(778,558)

The accounting policies of the reportable segments are the same as the Group's accounting policies describe in note 2. Business segment represents the profit/(loss) 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 (2016: 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	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets						
Segment assets	**4,857,923**	4,709,840	**886,488**	938,516	**5,744,411**	5,648,356
Unallocated corporate assets					**367,065**	308,848
Consolidated total assets					**6,111,476**	5,957,204
Liabilities						
Segment liabilities	**1,643,907**	1,617,433	**286,828**	556,937	**1,930,735**	2,174,370
Unallocated corporate liabilities					**2,223,138**	2,623,828
Consolidated total liabilities					**4,153,873**	4,798,198

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

— all assets are allocated to reportable segments other than financial assets at fair value through profit or loss and corporate assets. 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	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Capital expenditure — others *(Note (i))*	**39,259**	47,229	**—**	—	**860**	2,273	**40,119**	49,502
Net gain/(loss) in fair value of investment properties	**52,068**	(594,258)	**—**	—	**—**	—	**52,068**	(594,258)
Impairment loss on goodwill	**—**	(6,444)	**—**	—	**—**	—	**—**	(6,444)
Change in fair value of derivative financial instruments	**—**	—	**—**	—	**(77,396)**	(2,116)	**(77,396)**	(2,116)
Written down on stock of properties	**—**	—	**(83,361)**	(16,786)	**—**	—	**(83,361)**	(16,786)
Unrealised gain/(loss) on financial assets at fair value through profit or loss	**—**	—	**—**	—	**211**	(209)	**211**	(209)
Depreciation and amortisation	**18,141**	19,899	**—**	—	**2,512**	1,915	**20,653**	21,814
Loss on early redemption of convertible bonds	**—**	—	**—**	—	**(5,419)**	—	**(5,419)**	—
Loss on early redemption of bonds	**—**	—	**—**	—	**(1,561)**	(1,167)	**(1,561)**	(1,167)

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 2017 and 2016, 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

	2017	2016
	HK$'000	*HK$'000*
Interest on bank and other borrowings wholly repayable within five years	**64,649**	72,292
Interest on bank and other borrowings wholly repayable over five years	**482**	—
Interest on promissory notes	**23,500**	23,500
Interest on convertible bonds	**36,422**	10,125
Interest on bonds	**146,699**	164,477
Less: — Amounts classified as capitalised into stock of properties	**—**	(973)
	271,752	269,421

The weighted average capitalisation rate on borrowing is approximately 7.4% per annum for the year ended 31 December 2016. No interest was capitalised for the current year.

(b) Staff costs (including directors' emoluments)

	2017	2016
	HK$'000	*HK$'000*
Contributions to defined contribution retirement plans	**459**	1,315
Salaries, wages and other benefits	**107,746**	138,129
	108,205	139,444

(c) Other items

	2017	2016
	HK$'000	*HK$'000*
Depreciation and amortisation	**20,653**	21,814
Loss on disposal on property, plant and equipment	**194**	3,278
Auditors' remuneration		
— audit services	**2,200**	2,200
— other services	**724**	200
Operating lease charges: minimum lease payments		
— property rental	**2,185**	2,694
Loss on early redemption of convertible bonds	**5,419**	—
Loss on early redemption of bonds	**1,561**	1,167
Change in fair value of derivative financial instruments	**77,396**	2,116
Unrealised (gain)/loss on financial assets through profit or loss	**(211)**	209
Total unrealised loss on financial assets through profit or loss	**77,185**	2,325
Impairment on trade receivables	**7,968**	4,227
Cost of stock of properties	**346,487**	185,262

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

Taxation in the consolidated statement of comprehensive income represents:

	2017	2016
	HK$'000	*HK$'000*
Current tax		
PRC enterprise income tax	**28,934**	14,526
Deferred tax		
Origination and reversal of temporary difference	**7,380**	(88,410)
	36,314	(73,884)

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 2017 and 2016. 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% (2016: 25%).

7. DIVIDEND

The directors do not recommend the payment of any dividend in respect of the years ended 31 December 2017 and 2016 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$340,970,000 (2016: loss attributable to owners of the Company of approximately HK$740,997,000) and the weighted average number of 1,903,573,798 ordinary shares (2016: 1,174,338,434 ordinary shares (restated)) in issue during the year. For the year ended 31 December 2017 and 2016, the weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted and restated with the effect of rights issue completed during the year.

(b) Diluted loss per share

Diluted loss per share for the year ended 31 December 2017 and 2016 were the same as basic loss per share as the convertible bonds outstanding had an anti-dilutive effect on the basic loss per share.

9. TRADE AND OTHER RECEIVABLES

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:

	2017	2016
	HK$'000	*HK$'000*
Less than 90 days	**3,321**	6,252
More than 90 days but less than 180 days	**281**	5,672
More than 180 days	**3,290**	3,160
	6,892	15,084

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 2017:

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 2017, 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 35 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 18 April 2017, the Company received the judgement of the Beijing Second Intermediate People's Court (the "**Beijing Court**") dated 31 March 2017 (the "**31 March Judgement**"). According to the 31 March Judgement, the request made by Ms. Wang Xiu Qun ("**Ms. Wang**") and Wuhan Tian Jiu Industrial and Commercial Development Co., Ltd. ("**Tian Jiu**") to revoke the MOFCOM's Decision lacked both legal and factual basis and was not supported by the Beijing Court. Accordingly, the Beijing Court dismissed the application of Ms. Wang and Tian Jiu. On 10 May 2017, the Company received a notice of appeal dated 8 May 2017 (the "**Notice of Appeal**"). By the Notice of Appeal, Ms. Wang and Tian Jiu appealed against the 31 March Judgement and requested for an order that (a) the 31 March Judgement be set aside; and (b) that MOFCOM to make a decision to revoke the approval issued in 2007 in relation to the contended agreements. As at the date of this report, the judgment for the appeal has not been available. The Company will take necessary actions in the PRC as advised by its PRC legal advisor in response to the possible court judgment. The Group incurred a net loss of approximately HK$337,571,000 during the year ended 31 December 2017 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$236,354,000. 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, gross profit and segment result

For the year ended 31 December 2017, the Group recorded a turnover of approximately HK$790 million, an increase of approximately HK$187 million or approximately 31% increase from approximately HK$603 million for the last financial year. The below table summarises the key financial performance of the Group:

	For the year ended 31 December 2017			For the year ended 31 December 2016		
HK$ million and approximate %	**Agricultural Produce Exchange Market Operation**	**Property Sales**	**Total**	Agricultural Produce Exchange Market Operation	Property Sales	Total
Turnover	**341**	**449**	**790**	325	278	603
Gross Profit	**238**	**103**	**341**	216	93	309
Segment Result	**102**	**77**	**179**	58	77	135
Gross Profit to Turnover	**70%**	**23%**	**43%**	66%	33%	51%
Segment Result to Turnover	**30%**	**17%**	**23%**	18%	28%	22%

The increase in income was mainly due to the increase in properties sales of recognition of the agricultural and by-product exchange markets in Yulin city and Kaifeng city in the PRC. The Group recorded a gross profit and a segment result of approximately HK$341 million and approximately HK$179 million, respectively (2016: approximately HK$ 309 million and approximately HK$135 million, respectively), representing an increase of approximately 10% and approximately 33%, respectively, as compared to last year mainly due to the abovementioned increase in property sales recognition.

Other revenue and other net income

The Group recorded other revenue and other net income of approximately HK$15 million (2016: approximately HK$65 million). The decrease was mainly due to the decrease in government subsidies from Huai'an Hongjin Agricultural and By-Product Exchange Market ("**Huai'an Market**") and Kaifeng Hongjin Agricultural and By-Product Exchange Market ("**Kaifeng Market**") in 2017 as compared to the prior year.

General and administrative expenses, selling expenses and finance costs

General and administrative expenses were approximately HK$239 million (2016: approximately HK$288 million). The decrease was mainly due to tight control of operating expenses in various projects. Selling expenses were approximately HK$44 million (2016: approximately HK$50 million). The decrease in selling expenses was mainly due to the implementation of cost saving policies in the Group's marketing and promotion events in 2017. Finance costs were approximately HK$272 million (2016: approximately HK$269 million) and such increase was mainly due to the slight increase in effective interest rate of interest-bearing debts.

Net gain/(loss) in fair value of investment properties and written down of stock of properties

The net gain in fair value of investment properties was approximately HK$52 million (2016: net loss of approximately HK$594 million) mainly due to the improvement of agri-products exchange markets income in the PRC. Stock of properties value was written down for approximately HK$83 million (2016: approximately HK$17 million) mainly due to the decrease in property value in Panjin Hongjin Agricultural and By-Product Exchange Market ("**Panjin Market**").

Change in fair value of derivative financial instruments

During the year, net loss in fair value of derivative financial instruments was approximately HK$77 million (2016: approximately HK$2 million) due to the exercise of conversion rights under the convertible notes issued by the Company in October 2016 and the drop of share prices of the Company during the year.

Share of profit on joint venture

In September 2017, Huai'an Market established a joint venture company with the independent third parties for the operations of agricultural produce market in vegetables and fruits transaction. During the period, the Group recorded profit in sharing of joint venture of approximately HK$5 million.

Loss attributable to owners of the Company

The loss attributable to owners of the Company for the year was approximately HK$341 million as compared to last year's loss of approximately HK$741 million. The Group recorded profit from operations before fair value changes and impairment of approximately HK$74 million and loss from operations of approximately HK$30 million (2016: profit of approximately HK$37 million and loss of approximately HK$583 million, respectively) for the year under review. The decrease in loss attributable to owners of the Company was mainly due to a turnaround from net loss in 2016 to net gain in 2017 attributable to fair value of investment properties.

DIVIDENDS

The Directors do not recommend any payment of final dividend for the year ended 31 December 2017 (2016: Nil). No interim dividend for 2017 was paid to the shareholders of the Company during the year under review (2016: 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 2017.

Agricultural Produce Markets

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, the PRC with a site area of approximately 310,000 square metres and a total gross floor area of approximately 190,000 square metres. In 2017, Wuhan Baisazhou Market was awarded top 50 of agricultural products supply chain contributors by China Agricultural Wholesale Market Association. This award was 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 year. As a mature market in Wuhan, the PRC, Wuhan Baisazhou Market has established its reputation and track record to customers and tenants and continued to make significant contribution to the community.

Yulin Market

Yulin Hongjin Agricultural and By-Product Exchange Market ("**Yulin Market**") is one of the largest agricultural produce exchange markets in Guangxi Zhuang Autonomous Region ("**Guangxi Region**"), the PRC with a site area of approximately 415,000 square metres and a total gross floor area of approximately 196,000 square metres. It consists 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 encouraging, achieving a revenue growth of approximately 184% as compared to the last financial year. One of the main reasons for the revenue growth of the year was property sales during the year in the amount of approximately HK$ 298 million (2016: approximately: HK$78 million).

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 223,000 square metres, respectively. After several years of operations, the business performance of Luoyang Market has gradually improved. In 2017, revenue of Luoyang Market increased by approximately 3% as compared to the last financial year.

Xuzhou Market

Xuzhou Agricultural and By-Product Exchange Market ("**Xuzhou Market**") occupies approximately 200,000 square metres and is located in the northern part of Jiangsu Province, the PRC. The market houses various market stalls, godowns and cold storage. Xuzhou Market is a major marketplace for the supply of fruit and seafood in the city and the northern part of Jiangsu Province, the PRC.

The operating performance of Xuzhou Market was steady. Being a mature market of the Group, Xuzhou Market's revenue in 2017 slightly decreased by approximately 3% as compared to the last financial year.

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, the operating performance of Puyang Market improved and resulted an increase of approximately 10% in turnover as compared to the last financial year.

Kaifeng Market

Kaifeng Market with a 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 last financial year. The business of Kaifeng Market is still behind our expectation and the management will take a more conservative approach in running Kaifeng Market.

Qinzhou Market

Qinzhou Hongjin Agricultural and By-Product Exchange Market ("**Qinzhou Market**"), with a 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 the Guangxi Region, the PRC. During the year under review, Qinzhou Market resulted a decrease of approximately 81% in turnover as compared to the last financial year due to property sales recognition decreased.

Huangshi Market

Following the completion of 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 Market occupies approximately 23,000 square meters. Huangshi city is a county level city in Hubei and around 100 kilometres away from Wuhan Baisazhou Market. Huangshi Market, as a second-tier agricultural produce exchange market, created 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.

Huai'an Market

Huai'an Market occupies approximately 100,000 square meters and is located at Huai'an city of Jiangsu Province, the PRC. Phase one of Huai'an Market is in operation in October 2015 and it is expected that the performance of Huai'an Market will gradually improve after the market has become more mature.

In September 2017, the Group established a joint venture company with the independent third parties for the operations of agricultural produce market in vegetables and fruits transaction. During the period, the Group recorded profit in sharing of joint venture of approximately HK$5 million.

Panjin Market

Phase one of Panjin Market, with the construction area of around 50,000 square metres, is in operation and is the first attempt of the Group's investment in Liaoning Province, the PRC. Panjin Market is focused on the trading of river crabs and is still in the preliminary stage of operation. It is expected that the performance of Panjin Market will gradually improve after the market becomes more mature.

E-commerce development

In 2016, the Group has put resources into electronic commerce development linking online and offline customers in our agricultural exchange markets. Our website and mobile phone applications of trading platform provide one-stop shopping experience to our customers. In 2017, due to the tight control of operating expenses of the Group, the management has slowed down the electronic commerce development and strengthened the existing resources of customer base and electronic commerce business. The Group will also explore opportunities to cooperate with other business partners in this area.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, the Group had total cash and cash equivalents amounting to approximately HK$514 million (2016: approximately HK$330 million) whilst total assets and net assets were approximately HK$6,111 million (2016: approximately HK$5,957 million) and approximately HK$1,958 million (2016: approximately HK$1,159 million), respectively. The Group's gearing ratio as at 31 December 2017 was approximately 1.0 (2016: approximately 2.3), being a ratio of total bank and other borrowings, bond and promissory notes of approximately HK$2,553 million (2016: approximately HK$2,993 million), net of cash and cash equivalents and pledge bank deposits of approximately HK$514 million (2016: approximately HK$330 million) to shareholders' funds of approximately HK$1,958 million (2016: approximately HK$1,159 million).

As at 31 December 2017, the ratio of total interest-bearing debts of approximately HK$2,553 million (2016: approximately HK$2,993 million) to total assets of approximately HK$6,111 million (2016: approximately HK$5,957 million) was approximately 42% (2016: approximately 50%).

CONVERTIBLE NOTES

On 19 October 2016, the Company issued 7.5% denominated convertible notes with the aggregate principal amount of HK$500 million which will mature on 18 October 2021 (the "**Convertible Notes**"), which entitle the holders to convert into the Company's ordinary shares (the "**Share(s)**") at a conversion price of HK$0.4 per Share. During the period under review, the principal amount of HK$198.2 million of the Convertible Notes were converted into 495,500,000 Shares by the Convertible Notes holders and the principal amount of HK$37,000,000 was settled by the rights issue subscription fee for Easy One Financial Group Limited ("**EOG**") (details of which were disclosed in the section entitled "Fund Raising Activities" below), with outstanding principal amount of HK$264.8 million of the Convertible Notes still in issue as at 31 December 2017.

CAPITAL COMMITMENTS, PLEDGES AND CONTINGENT LIABILITIES

As at 31 December 2017, outstanding capital commitments, contracted but not provided for, amounted to approximately HK$260 million (2016: approximately HK$194 million) in relation to the purchase of property, plant and equipment, construction contracts and operating lease agreements. As at 31 December 2017, the Group had significant contingent liabilities in the amount of approximately HK$8 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 (2016: approximately HK$15 million).

As at 31 December 2017, certain investment properties and stock of properties with carrying amount of approximately HK$2,345 million (2016: approximately HK$2,269 million for land use rights and properties) were pledged 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 2017. 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 has been considering, from time to time, alternative risk hedging tools to mitigate Renminbi currency exchange risk.

DEBT PROFILES AND FINANCIAL PLANNING

As at 31 December 2017 and 31 December 2016, interest-bearing debts of the Group were analyzed as follows:

	2017		2016	
	Carrying Amount	**Approximate effective interest rate**	Carrying Amount	Approximate effective interest rate
	HK$ million	***(per annum)***	*HK$ million*	*(per annum)*
Bond Issuance	**1,255**	**11%**	1,336	11%
Convertible Notes	**226**	**12%**	413	12%
Financial Institution Borrowings	**672**	**6%**	707	6%
Non-Financial Institution Borrowings	**24**	**10%**	161	11%
Promissory Notes	**376**	**5%**	376	5%
Total	**2,553**		2,993	

Note:

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

As at 31 December 2017, the bonds issued by the Company will mature during the period from November 2019 to September 2024; the Convertible Notes will mature in October 2021; the financial institution borrowings of the Company will mature during the period from January 2018 to November 2023; the non-financial institution borrowings will mature in September 2019; and the holders of the promissory notes have given an undertaking not to indorse, assign, transfer or negotiate the promissory notes and enforce payment by presentation of the promissory notes until the final determination of a court action or further court order. Under the said undertaking, the promissory notes will no longer fall due for payment by the Company on 5 December 2012. Details of the undertaking and the court case are disclosed in note 35 to the consolidated financial statements in our annual report for the year ended 31 December 2017 to be published in compliance with the requirements under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). In order to meet interest-bearing debts and business capital expenditure, the Group is, from time to time, considering various financing alternatives, as and when appropriate, 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.

TREASURY POLICY

The Group's treasury policy includes diversifying the funding sources. Internally generated cash flow, issuance of Shares and convertible securities and interest-bearing bank/non-financial institution loans are the general source of funds to finance the operation of the Group during the year. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations. In order to meet interest-bearing debts and business capital expenditure, the Group is from time to time considering various alternatives including equity and debt financing including but not limited to new share placing, rights issues 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.

CONTRACTUAL ARRANGEMENT OF E-COMMERCE BUSINESS

Shenzhen Gudeng Technology Limited ("**Shenzhen Gudeng**"), established in 2015, was an indirectly-owned subsidiary of the Group carrying out of 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 license issued by the Communication Authority of Guangdong Province to enable the Group to manage and operate the Internet Content Provider services of Shenzhen Gudeng. During the year under review, the above said contractual arrangements are still valid and effective between the nominee shareholder and the Group.

MATERIAL UNCERTAINTY RELATING TO GOING CONCERN

Assumption of going concern in the preparation of consolidated financial statements

The Company has adopted the going concern basis in the preparation of consolidated financial statements and implemented the following measures in order to improve the working capital and liquidity and cashflow of the Group. Firstly, the Group is taking measures to tighten cost control over various cost and expenses and sale of property with an aim to improve cash flow operations. Secondly, the Group is negotiating with various bankers to secure necessary facilities to meet the Group's working capital and financial requirements in the near future. Thirdly, the Company has obtained a court order from the High Court of the Hong Kong Special Administrative Region to the effect that the promissory notes under the sale and purchase agreement shall not be indorsed, assigned, transferred or negotiated by Ms. Wang and Tian Jiu until the final determination of the court action or further court order. Under the undertakings currently obtained by the Company, the promissory notes will no longer fall due for payment by the Company. In light of the various measures and arrangements, 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 management has prepared the consolidated financial statements on a going concern basis.

Material valuation method of investment properties and review of audit committee

The investment properties of the Group were stated at fair value as at 31 December 2017. The fair value was arrived at based on the valuations carried out by an independent firm of qualified professional valuers. Professional valuers have professional staff members of Hong Kong Institute of Surveyors with experience in the location of the properties being valued. The valuations conform to the Valuation Standard of Hong Kong Institute of Surveyors. Professional valuers valued the properties on the basis of capitalisation of the net income derived from properties rental. Direct comparison method is adopted based on the principle of substitution, where comparison is made based on prices realized on actual sales and/or asking prices of comparable properties. Comparable properties of similar size, scale, mature, character and location are analysed and carefully weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market value and capital values.

The material valuation methods of investment properties valuation have been reviewed by the audit committee of the Company (the "**Audit Committee**") and the Board.

RISK FACTORS RELATING TO OUR INDUSTRY AND BUSINESS OPERATIONS

As at 31 December 2017, the Group operated 10 agricultural products exchange markets across 5 provinces 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; (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.

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. Meanwhile, 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 their construction and operations.

Major environmental impacts are waste and wastewater generated during the construction and operations of the markets. The Group has, in compliance with the PRC environmental law, engaged independent environmental consultants to conduct environmental impact assessments on all of our construction 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" principles stipulated in the Environmental Protection Law of the 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 2017 to be published in compliance with the requirements under the Listing Rules.

MATERIAL TRANSACTIONS

Termination of acquisition of pawn loan business

In December 2016, the Company announced the entering of, inter alia, (i) a conditional sale and purchase agreement with 11 vendors, including amongst them CITIC Asset Management Corporation Ltd., under which the Company conditionally agreed to acquire the right and power to control over and the right to enjoy the economic benefits in the pawn loan business operated by CITIC XinBang Asset Management Corporation Ltd. (the "**Acquisition**") at an aggregate consideration of HK3,116,632,579 which is to be satisfied by the allotment and issue of new Shares at the issue price of HK$1.35 per Share; and (ii) a subscription agreement with 3 subscribers for the subscription of 114,400,626 Shares at the subscription price of HK$1.35 per Share (the "**Subscription**").

On 17 May 2017, for commercial reasons, the Company entered into (i) a termination agreement with the vendors to terminate the sale and purchase agreement; and (ii) a termination agreement with the subscribers to terminate the subscription agreement, and hence the Acquisition and the Subscription did not proceed. Details of the above were disclosed in the announcements of the Company dated 4 December 2016 and 17 May 2017, respectively.

Extension of payment dates on outstanding bonds interest

On 29 May 2017, 4 July 2017, 15 September 2017 and 18 October 2017, the Company entered into the agreements for extension of payment dates on outstanding bonds interest with a subsidiary of Wai Yuen Tong Medicine Holdings Limited ("**WYT**", together with its subsidiaries, the "**WYT Group**"), a subsidiary of Wang On Group Limited ("**WOG**", together with its subsidiaries, the "**WOG Group**") and a subsidiary of EOG (together with its subsidiaries, the "**EOG Group**"), respectively, in the aggregate amount of approximately HK$115.9 million from 29 May 2017 to 31 January 2018. Details of the above were disclosed in the announcements of the Company dated 29 May 2017, 25 August 2017 and 18 October 2017, respectively. Please also see the section "Liquidity and Financial Resources" above regarding the Company's plan to meet the financial obligations under the loans.

FUND RAISING ACTIVITIES

Proposed Capital Reorganisation, Rights Issue and Issue of Convertible Notes in July 2017 and their termination in September 2017

On 26 July 2017, the Company announced, inter alia, a capital reorganisation whereby, among other things, every 5 Shares of HK$0.01 each will be consolidated into 1 consolidated Share (the "**Capital Reorganisation**") and a rights issue (the "**First Rights Issue**") of a minimum of 2,322,382,489 rights shares (the "**First Rights Share(s)**") or a maximum of 2,888,682,489 First Rights Shares (depending on whether the conversion rights under the Convertible Notes will be exercised or not before the record date for the First Rights Issue) on the basis of 7 First Rights Shares for every 1 consolidated Share at the price of HK$0.45 per First Rights Share. The Company also entered into the agreements with Kingston Securities Limited ("**KSL**") and Key High Limited ("**Key High**", a wholly-owned subsidiary of WYT), respectively on 4 July 2017 in relation to the placing and issue of convertible notes in the aggregate principal amount of HK$400 million at the initial conversion price of HK$0.58 per convertible share (the "**New Convertible Notes**"). The total net proceeds raised from the First Rights Issue and the New Convertible Notes will be not less than approximately HK$1,403.8 million and not more than approximately HK$1,658.7 million depending on the number of the First Rights Shares to be issued, out of which approximately HK$877 million was intended to be utilized towards the repayment of bonds and loans due to the subsidiaries of WOG, WYT and EOG, approximately HK$58 million was intended to be utilized towards the repayment of the outstanding interests, approximately HK$441 million to approximately HK$695 million was intended to be utilized towards the repayment of the outstanding bank and other borrowings and the remaining balance of approximately HK$28 million was intended to be utilized for general working capital. Details of the Capital Reorganisation, the First Rights Issue and the issue of the New Convertible Notes were disclosed in the announcement of the Company dated 26 July 2017.

As disclosed in the announcement of the Company dated 26 July 2017, the Company received negative feedback from the Listing Division of the Stock Exchange. Based on information provided to it, the Listing Division is concerned with the substantial dilution of non-subscribing minority shareholders' interests. The Company has not yet demonstrated, to the satisfaction of the Listing Division, that the terms of the Rights Issue are fair and reasonable. The Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong (the "**Executive**") is concerned whether the proposed transactions are oppressive to the minority shareholders and contrary to the General Principles of the Hong Kong Code on Takeovers and Mergers. The Board did not share the same view in respect of the above concerns from the Stock Exchange and the Executive.

On 15 September 2017, the Company, KSL, WYT and Key High entered into a series of termination agreements in which the parties have mutually agreed to terminate, with no further liability of or claims towards each other, the underwriting agreement, the placing agreement and the subscription agreements about the First Rights Issues and the issue of the New Convertible Notes.

Rights Issue in October 2017 and completion in December 2017

On 4 October 2017, the Company proposed to raise gross proceeds of not less than approximately HK$730 million (the "**October 2017 Rights Issue**") (assuming the conversion rights under the Convertible Notes are not exercised on or before the record date). The Company should allot and issue not less than 8,294,223,185 rights shares (the "**October 2017 Rights Share(s)**") assuming the conversion rights under the Convertible Notes are not exercised on or before the record date, on the basis of five October 2017 Rights Shares for every one existing Share. The subscription price is HK$0.088 per October 2017 Rights Share payable in full. The aggregate net proceeds were of approximately HK$697 million of which (a) approximately HK$110 million was intended to be utilized towards the offsetting of outstanding principal amounts of the bonds issued by the Company to EOG Group; (b) approximately HK$37 million was intended to be utilized towards the offsetting of outstanding principal amounts of the Convertible Notes held by EOG Group; (c) approximately HK$100 million was intended to be utilized towards the repayment of outstanding principal amounts on loans of the Group due to WOG Group; (d) approximately HK$205 million was intended to be utilized towards the repayment of outstanding interests accrued on the bonds, loans and the Convertible Notes held by/owed to EOG Group, WYT Group and WOG Group; (e) approximately HK$235 million was intended to be utilized towards the repayment of outstanding indebtedness of the Group owed to independent third parties; and (f) the remaining net proceeds of approximately HK$10 million was intended to be utilized as general working capital of the Group.

As at 31 December 2017, (a) approximately HK$110 million was utilized towards the offsetting of outstanding principal amounts of the bonds issued by the Company to Peony Finance Limited, a wholly-owned subsidiary of EOG; (b) approximately HK$37 million was utilized towards the offsetting of outstanding principal amounts of the Convertible Notes held by EOG Group; (c) approximately HK$100 million was utilized towards the repayment of outstanding principal amounts on loans of the Group due to WOG Group; (d) approximately HK$140 million was utilized towards the repayment of outstanding interests accrued on the bonds, loans and the Convertible Notes held by/ owed to EOG Group, WYT Group and WOG Group; (e) approximately HK$56 million was utilized towards the repayment of outstanding indebtedness of the Group owed to independent third parties; and (f) the remaining balance of net proceeds from the October 2017 Rights Issue will be used as intended and the expected timing of usage will be principally determined by reference to, inter alia, the date of maturity of debts, the possibility of early repayment of debts with higher interest rate and/or early redemption of outstanding Convertible Notes.

Details of the October 2017 Rights Issue were disclosed in the announcements of the Company dated 4 October 2017, 26 October 2017, 14 November 2017, 15 November 2017 and 18 December 2017 and the circular of the Company dated 26 October 2017 and the prospectus of the Company dated 27 November 2017, respectively.

FUND RAISING ACTIVITIES IN 2016: ISSUE OF CONVERTIBLE NOTES

On 23 August 2016, the Company entered into a notes placing agreement with KSL in relation to the placing of the 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 with Peony Finance Limited, a wholly-owned subsidiary of EOG Group, a substantial shareholder of the Company, pursuant to which the Company agreed to issue to Peony Finance Limited the 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. As at 29 December 2017 (i.e. the last trading day in 2017), the closing price of the Shares was HK$0.087.

The total gross proceeds and net proceeds of the Notes Placing and the 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 Group; (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 2017, (i) approximately HK$200 million was utilized for the repayment of the bonds due in 2016; (ii) approximately HK$40 million was utilized for offsetting part of the principal amount of the 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 Group; (iv) approximately HK$100 million was utilized for the repayment of principal amount and interest of interest-bearing debts; and (v) approximately HK$48 million was utilized for general working capital of the Group, major components of which were operating expenses, such as rental expenses, marketing expenses and salary expenses.

As at 31 December 2017, the Convertible Notes with the principal amount of HK$264,800,000 were outstanding which were convertible into 662,000,000 Shares, representing approximately 6.7% of the total number of Shares in issue (i.e. 9,953,067,822 Shares). If all outstanding Convertible Notes (including the Convertible Notes held by EOG Group in the principal amount of HK$103,000,000) were converted on 31 December 2017, the interest of EOG Group, the substantial shareholder of the Company, in the Company would have been increased from approximately 20.17% to approximately 21.34%. As mentioned in the section entitled “Treasury Policy” above, the Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligation (including the repayment obligation of the Convertible Notes).

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 15 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, 31 August 2016, 19 April 2017 and 11 May 2017 in relation to the civil proceedings (the "**Legal Proceedings**") in the PRC initiated by Ms. Wang and Tian Jiu as plaintiffs against the Company as defendant and joined Baisazhou Agricultural as third party.

Ms. Wang and Tian Jiu alleged that the share transfer agreements in relation to the acquisition of an aggregate of 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 Court**"). On 13 January 2015, the Company received the judgment (the "**Beijing Judgment**") handed down from the Supreme Court in relation to Ms. Wang and Tian Jiu's appeal against the Hubei Court Judgment. The Supreme 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, 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 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.

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.

Upon the making of the Decision by MOFCOM that the Approval shall not be revoked and shall remain 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.

On 18 April 2017, the Company received the 31 March Judgement stating that the request made by Ms. Wang and Tian Jiu to revoke the Decision lacked both legal and factual basis and was not supported by the Beijing Court. Accordingly, the Beijing Court dismissed the application of Ms. Wang and Tian Jiu.

On 10 May 2017, the Company received a notice of appeal dated 8 May 2017 (the "**Notice of Appeal**"). By the Notice of Appeal, Ms. Wang and Tian Jiu appealed against the 31 March Judgement and requested for an order that (a) the 31 March Judgement be set aside and (b) MOFCOM to make a decision to revoke the Approval.

The hearing for the appeal against the 31 March Judgement took place on 30 August 2017. As at the date of this announcement, the judgment for the appeal has not been available.

Separately, 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 MOFCOM.

On 10 May 2017, Ms. Wang and Tian Jiu applied to the Hubei Court for a freezing order in respect of the Company's 70% interest in Baisazhou Agricultural. According to the order of the Hubei Court dated 26 May 2017 (the "**26 May Order**"), the Hubei Court granted the freezing order as against the Company's 70% interest in Baisazhou Agricultural. The Company then applied for review of the 26 May Order which was dismissed by the Hubei Court on 12 June 2017.

On 26 May 2017, Ms. Wang and Tian Jiu applied to add a counterclaim for return of the Company's 90% interest in Baisazhou Agricultural (70% for Ms. Wang and 20% for Tian Jiu).

As advised by the PRC legal advisors of the Company, (i) the Supreme 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 Province Administration for Industry and Commerce. The Company will take all necessary actions in the PRC as advised by its PRC legal advisors in response to the Beijing Judgment.

For other detailed information of the litigation cases, please refer to note 35 to the consolidated financial statement in our annual report for the year ended 31 December 2017 to be published in compliance with the requirements under the Listing Rules.

EVENT AFTER THE REPORTING PERIOD

In January 2018 and up to the date of this announcement, the Company has completed the purchase of outstanding 1 per cent notes due 2024 in the aggregate principal amount of HK$110,000,000.

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2017, the Group had 1,355 employees (2016: 1,698), approximately 98% of whom were located in the PRC. The Group's remuneration policy was reviewed periodically by the remuneration committee of the Company 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 the 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 2018, 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.

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 2018". The document promises to promote investments in agricultural produce markets, expand agricultural produce network, build logistic infrastructure and storage of agriculture and improve regional cold storage infrastructure. On the other hand, it is expected that the "One Belt, One Road" policy will drive the overall growth of the PRC economy and provide a sustainable way for the PRC's continuing development.

In order to capture new business opportunity, the Group has taken further steps to expand its operations/coverage in the PRC by cooperating with different partners while managing capital investments that such expansion may entail by pursuing an "asset light" strategy going forward. Recently, the Group took up the management rights of Suizhou market in Hubei Province in collaboration with the property owner as local partner. 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 2017.

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 2017, 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, a deviation from 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 management 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted 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 as its own code of conduct regarding Directors' securities transaction. 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 2017.

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 2017 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, 6 March 2018

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.