CHINA AGRI-PRODUCTS EXCHANGE LIMITED

中國農產品交易有限公司*

(formerly China Velocity Group Limited
中國高速(集團)有限公司*)

(Incorporated in Bermuda with limited liability)

(Stock code: 0149)

ANNUAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2007

The board of directors (the "Board") of China Agri-Products Exchange Limited (the "Company") announces that the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2007 together with comparative figures for the corresponding year in 2006 are as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2007

	Notes	**2007** *HK$'000*	2006 *HK$'000*
Revenue	*3*	**45,929**	31,740
Cost of operation		**(25,244)**	(30,192)
Gross profit		**20,685**	1,548
Other income		**10,510**	489
Administrative expenses		**(14,886)**	(6,792)
Other expenses		**(4,224)**	(2,002)
Impairment loss recognised in respect of prepaid lease payments		**(33,162)**	—
Fair value change on conversion options embedded in convertible notes		**24,566**	—
Impairment losses recognised in respect of goodwill		**(1,847)**	(1,300)
Finance costs		**(7,069)**	(10,104)
Loss before taxation		**(5,427)**	(18,161)
Income tax expense	*4*	**(6,195)**	(16)
Loss for the year	*5*	**(11,622)**	(18,177)
Attributable to:			
Equity holders of the Company		**(12,650)**	(18,169)
Minority interests		**1,028**	(8)
		(11,622)	(18,177)
Loss per share	*6*		
— Basic		**HK$(0.03)**	HK$(0.07)
— Diluted		**HK$(0.08)**	N/A

** For identification purpose only*

CONSOLIDATED BALANCE SHEET

As at 31st December, 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment		**37,654**	2,372
Investment properties		**604,210**	—
Prepaid lease payments		**—**	32,842
Goodwill		**900,712**	1,847
		1,542,576	37,061
Current assets			
Inventories, at cost		**1,172**	1,107
Trade and other receivables	*7*	**31,193**	33,870
Prepaid lease payments		**—**	959
Bank balances and cash		**260,894**	2,140
		293,259	38,076
Current liabilities			
Trade and other payables	*8*	**217,150**	6,927
Derivative financial instruments		**49,869**	—
Loan from former ultimate holding company		**—**	6,696
Tax payable		**52,684**	3
Bank and other borrowings		**71,628**	—
		391,331	13,626
Net current (liabilities) assets		**(98,072)**	24,450
Total assets less current liabilities		**1,444,504**	61,511
Non-current liabilities			
Convertible notes		**287,957**	—
Bank and other borrowings		**194,355**	—
Promissory notes		**279,575**	—
Deferred taxation		**5,510**	—
		767,397	—
		677,107	61,511
Capital and reserves			
Share capital		**91,363**	43,276
Share premium and reserves		**551,210**	4,388
Equity attributable to equity holders of the Company		**642,573**	47,664
Minority interests		**34,534**	13,847
Total equity		**677,107**	61,511

Notes:

1. General

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on 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 introduction to the annual report.

The functional currency of the Company is Renminbi ("RMB"). The consolidated financial statements are presented in Hong Kong dollars ("HK$") for the convenience of the shareholders, as the Company is listed in Hong Kong.

The Company is an investment holding company and the activities of its principal subsidiaries are property investment and development, restaurant operation and leasing of properties for the operation of agricultural products exchange in the People's Republic of China.

2. 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, amendment 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 1st January, 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) — Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) — Int 8	Scope of HKFRS 2
HK(IFRIC) — Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) — Int 10	Interim Financial Reporting and Impairment

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) — Int 11	HKFRS 2: Group and Treasury Share Transactions[3]
HK(IFRIC) — Int 12	Service Concession Arranagements[4]
HK(IFRIC) — Int 13	Customer Loyalty Programmes[5]
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

[1] Effective for annual periods beginning on or after 1st January, 2009
[2] Effective for annual periods beginning on or after 1st July, 2009
[3] Effective for annual periods beginning on or after 1st March, 2007
[4] Effective for annual periods beginning on or after 1st January, 2008
[5] Effective for annual periods beginning on or after 1st July, 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that the application of these new and revised standards or interpretations will have no material impact on the results and the financial position of the Group.

3. Revenue

Revenue represents the fair value of the consideration received and receivable from outside customers during the year, net of sales taxes, and is analysed as follows:

	2007	2006
	HK$'000	*HK$'000*
Sales of food and beverages	**23,612**	23,061
Property rental income and income from ancillary services	**15,878**	2,277
Commission income from operation of agricultural exchange market	**6,439**	—
Sales of properties	**—**	6,402
	45,929	31,740

An analysis of the Group's revenue and result by business segments is presented below:

For the year ended 31st December, 2007

	Property sales and development	**Property rental**	**Restaurant operation**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE				
External sales	—	22,317	23,612	45,929
RESULT				
Segment result	(33,870)	16,357	(2,308)	(19,821)
Unallocated corporate expenses				(13,613)
Other income				10,510
Fair value change on derivative embedded in convertible notes				24,566
Finance costs				(7,069)
Loss before taxation				(5,427)
Income tax expense				(6,195)
Loss for the year				(11,622)

3. Revenue *(continued)*

For the year ended 31st December, 2007

	Property sales and development *HK$'000*	Property rental *HK$'000*	Restaurant operation *HK$'000*	Consolidated *HK$'000*
ASSETS				
Segment assets	—	1,636,381	22,733	1,659,114
Unallocated corporate assets				176,721
Consolidated total assets				1,835,835
LIABILITIES				
Segment liabilities	26	202,868	8,766	211,660
Unallocated corporate liabilities				947,068
Consolidated total liabilities				1,158,728

For the year ended 31st December, 2006

	Property sales and development *HK$'000*	Property rental *HK$'000*	Restaurant operation *HK$'000*	Consolidated *HK$'000*
REVENUE				
External sales	6,402	2,277	23,061	31,740
RESULT				
Segment result	(1,856)	1,454	(1,763)	(2,165)
Unallocated corporate expenses				(6,381)
Other income				489
Finance costs				(10,104)
Loss before taxation				(18,161)
Income tax expense				(16)
Loss for the year				(18,177)
ASSETS				
Segment assets	33,801	—	5,782	39,583
Unallocated corporate assets				35,554
Consolidated total assets				75,137
LIABILITIES				
Segment liabilities	—	—	3,568	3,568
Unallocated corporate liabilities				10,058
Consolidated total liabilities				13,626

4. Income tax expense

	2007	2006
	HK$'000	*HK$'000*
PRC Enterprise Income Tax		
Current tax	**5,853**	16
Underprovision in prior years	**342**	—
	6,195	16

Taxation in the PRC is calculated at the rates prevailing in the jurisdiction.

On 16th March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6th December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 33% to 25% for the Group's subsidiaries established in the PRC from 1st January 2008.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Company and its subsidiaries had no assessable profit in both years.

5. Loss for the year

	2007	2006
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Directors' emoluments	**2,618**	1,823
Other staff costs	**5,661**	4,827
Share based payments, excluding directors	**4,632**	—
Total staff costs	**12,911**	6,650
Auditors' remuneration	**3,000**	1,162
Cost of inventories recognised as expenses	**14,854**	14,910
Depreciation	**1,334**	1,061
Loss on disposal of property, plant and equipment	**—**	77
Rental expense	**2,904**	—
Release of prepaid lease payments	**639**	959
Share-based payments of consultants	**539**	—
and after crediting:		
Interest income included in other income	**10,045**	11
Net exchange gain	**226**	—
Net rental income in respect of premises after direct expenses of HK$146,000 (2006: HK$120,000)	**15,732**	2,157
Gain on disposal of subsidiaries	**—**	50

Included in total staff costs is an aggregate amount of approximately HK$204,000 (2006: HK$58,000) in respect of contribution to retirement benefit schemes paid or payable by the Group.

6. Loss per share

The calculation of the basic and diluted loss per share attributable to the ordinary equity holders of the Company is based on the following data:

	2007	2006
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to equity holders of the Company	**(12,650)**	(18,169)
Effect of dilutive potential ordinary shares:		
Interest on convertible notes	**2,392**	—
Fair value change on conversion options embedded in convertible notes	**(24,566)**	—
Loss for the purposes of diluted earnings per share	**(34,824)**	(18,169)

Number of shares

	2007	2006
	'000	*'000*
Weighted average number of ordinary shares for the purposes of basic loss per share	**425,098**	277,408
Effect of dilutive potential ordinary shares:		
Convertible notes	**13,315**	—
Weighted average number of ordinary shares for the purposes of diluted loss per share	**438,413**	277,408

No diluted loss per share has been presented for the year ended 31st December, 2006 as there is no potential ordinary share in issue during the year.

7. Trade and other receivables

The Group allows an average credit period of 30 days to 180 days to its trade customers. Included in trade and other receivables at 31st December, 2007 are trade receivables of HK$20,492,000 (2006: HK$456,000), which are aged within 0 to 90 days.

	2007	2006
	HK$'000	*HK$'000*
Trade receivables:		
0-90 days	**5,756**	456
91-180 days	**4,912**	—
Above 180 days	**9,824**	—
	20,492	456
Consideration receivable	**—**	32,800
Other receivables	**10,701**	614
	31,193	33,870

8. Trade and other payables

Included in trade and other payables are trade payables of HK$1,395,000 (2006: HK$1,033,000), and their aged analysis is as follows:

	2007	2006
	HK$'000	*HK$'000*
0 to 90 days	**—**	310
Over 90 days	**1,395**	723
	1,395	1,033
Construction payables	**71,178**	—
Rental receipt in advance	**49,881**	—
Other tax payables	**18,559**	—
Other payables and accruals	**76,137**	5,894
	217,150	6,927

SUMMARY OF OPERATING RESULTS

With the acquisition of the agricultural products operations on 5th December 2007, almost a month's revenue and expenses from the Wuhan Baisazhou Agricultural By-product Grand Market Company Limited (the "Baisazhou") had been consolidated to the 2007's yearly financial statements of the Group, with such, the revenue of the Group increased by 44.8% from approximately HK$31.7 million for the year ended 31st December 2006 to approximately HK$45.9 million for the year ended 31st December 2007.

The loss attributable to the shareholders of the Group has also decreased by 36.2% from approximately HK$18.2 million, for the year ended 31st December 2006 to approximately HK$11.6 million for the year ended 31st December, 2007. With the exclusion of the impairment loss arose from the prepaid lease payments amounting of HK$33.2 million, the Group can have approximately HK$21.6 million profit for the year ended 31st December 2007.

DIVIDENDS AND OTHER DISTRIBUTION

No interim dividend was paid to the shareholders of the Company during the year. The Directors do not recommend any payment of final dividend for the year ended 31st December, 2007.

REVIEW OF OPERATIONS

During the year under review, the Group principally engaged in the business of agricultural products exchange and restaurant operations.

Acquisition of Baisazhou

On 2nd May 2007, the Group entered into the sale and purchase agreements for the acquisition of 90% interest in the Baisazhou at a total consideration of HK$1,156 million. With the approval obtained from the Ministry of Commerce of the PRC Government on 5th December 2007, the Group successfully acquired the Baisazhou as the subsidiary on the same date. Pursuant to the sale and purchase agreements, the Group had issued HK$360 million convertible notes; HK$376 million of promissory notes and HK$270 million cash to the vendors for the settlement of the transaction. As the vendor had guaranteed to the Group that the audited net profit of the Baisazhou for the year ended 31st December 2007 would not be less than HK$150 million, the balance of payment will be paid to the vendor upon such guarantee can be fully pursued.

Baisazhou Agricultural Products Exchange

The Baisazhou is principally engaged in the operation of the agricultural products exchange in the city of Wuhan, the PRC. The Baisazhou was situated at Hongshan District of Wuhan with a site area of approximately 270,000 sq.m. and a total gross floor area of approximately 160,000 sq.m. as at 31st December, 2007. It provides a platform and trading floors for trading of various agricultural products, including vegetables, fresh water products, cereal and oil, etc. Strategically located in Wuhan, Hubei province, it is a key gathering point for all buyers and sellers. The Baisazhou is located in the intersection of national highways, railroads and river trade linking northern, central and southern regions of China, making it a necessary pass-through and stopover for all participants in the trade.

Restaurant Operation

The business of both restaurants located in Shenzhen and Beijing was roughly the same as last year with the turnover of about HK$23 million. Although the significant increase in the percentage of inflation in the year affected the cost of running of the business, the managements still confident that the restaurant operations can have positive contribution to the Group in the forthcoming year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December 2007, the Group had cash and bank balances amounted to approximately HK$260.9 million (2006: HK$ 2.1 million) while the total assets and net assets were approximately HK$1,835.8 million (2006: HK$75.1 million) and HK$677.1 million (2006: HK$61.5 million) respectively. The Group's gearing ratio as at 31st December 2007 was 0.8 (2006: Nil), being a ratio of total bank and other borrowings and promissory notes of approximately HK$545.5 million (2006: HK$Nil) to shareholders' funds of approximately HK$677.1 million (2006: HK$61.5 million).

As at 31st December 2007, the Baisazhou pledged all of the land use rights in respect of the investment properties to secure the bank loan granted to the Company itself.

The Group did not enter into any foreign exchange contracts, interest or currency swaps or other financial derivatives.

Borrowing requirement are not seasonal as they tend to follow the pattern of capital expenditure and investment.

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 31st December 2007, the Group had approximately 544 employees in Hong Kong and the PRC. Remuneration policy is reviewed periodically and determined by reference to market terms, company performance, and individual qualifications and performance.

MANAGEMENT TEAM

The Group has strengthened its management team by adding several new members to the board of directors. These new members include Mr. Yang Zong Lin, the Chief Executive Officer, Mr. Yang Wei Yuan, Chief Operating Officer, Dr. Zhu Zhou and Prof. Yan Feng Xian. They have in-depth knowledge and extensive experience in the agricultural industry. With their broad network, they can definitely benefit the future development of the Group's agri-products exchange business.

PROSPECTS

The spike in food prices over past few months is urging the Chinese government to step up support for agri-industry to modernize food production as well as supply chain and increase the productivity in the sector. Chinese Government recognizes that modern industrialized agricultural should not only focus on production but also to integrate production with food safety control, logistic service, modern management and distribution.

In 2008, we foresee strong government measures will continue to come up to stabilize food prices. However, regardless of whether agri-products price will stabilize, we believe that industry participants from upstream to downstream should all benefit.

If food price continue to rise, the Baisazhou will benefit from higher pricing and increase transaction levy income.

If government can successfully stabilize prices by aggressively boosting supply resulting in volume growth in agri-products. This will increase the demand for the Baisazhou trading space and services.

Thus in either scenario, the Baisazhou is a sure winner as it will benefit from stronger levy, stronger rental and services income, or both.

In addition, we are of the view that China's agri-product exchange industry is at the stage of development and consolidation. Chinese government will step up support in the development of agri-product exchanges to enhance the efficiency of the supply chain of foods and food safety control. To do that, Chinese government will support major industry players to lead the development and consolidation of the industry. As such, the fragmented industry operated by small operators will gradually develop into modernized agri-product exchanges. At the same time, efforts and supports will gradually shift from focusing on production to distribution. As such, we will be in an advantage position as consolidator to lead the development and consolidation of the industry.

Looking ahead, given the strong growth momentum of the PRC economy, it is easy to appreciate that the demand for agri-products exchange services will rise in a relatively steady manner over the long term.

The rising consumer spending on food on a macro level will be a key driver to the future profitability of the Baisazhou. On a micro level organic expansion in terms of product diversification and selling area expansion will be the other key drivers to the future profitability.

The Baisazhou has a reasonable dominant position in its industry and a leading position in Central China region. On the whole, such dominance is very important as all sort of advantages come with it. The branding effect is one of such advantages. It's brand value is making buyers and sellers within the region to recognize the Baisazhou as the most efficient and effective trading platform for agri-products. The Group will continue to build and maintain a strong image and reputation.

As a national leading agri-product exchange operator, we will seize the opportunity to expand the Baisazhou and will prudently looking for geographic expansion opportunities as well as other business opportunities in the upstream of the food supply chain.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has reviewed with the management and the Company's auditors of the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the consolidated financial statements for the year ended 31st December, 2007. The Audit Committee currently comprises three independent non-executive directors, namely Mr. Yan Feng Xian, Mr. James Yin and Mr. Jee Wengue.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the company's listed shares during the year ended 31st December, 2007.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the year ended 31st December, 2007 except for the following deviations:—

Code Provision A.4.1

Under the code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. The current independent non-executive directors of the Company are not appointed for a specific term. However, all directors (including executive and non-executive) of the Company are subject to retirement by rotation at the annual general meeting in accordance with Bye-Law 98 of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance are no less than those in the Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 to the Listing Rules as its own code for dealing in securities of the Company by the directors (the "Model Code"). Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standard as set out in the Model Code during the year ended 31st December, 2007.

APPRECIATIONS

On behalf of the board, I would like to thank all our customers and business associates for their support and to all out staff their contributions during the year.

As at the date of this announcement, the Board comprises:

Executive Directors:
Fu Jie Pin
Yang Zong Lin
Chen Hong Bo
Zhu Zhou
Yang Wei Yuan

Independent Non-executive Directors:
Yan Feng Xian
James Yin
Jee Wengue

By Order of the Board
China Agri-Products Exchange Limited
Fu Jie Pin
Chairman

Hong Kong, 28th April, 2008