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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 2018

The board of directors (the "**Board**" or the "**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 2018, 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 2018

	Notes	**2018** *HK$'000*	2017 *HK$'000*
Turnover	*4*	**778,857**	790,059
Cost of operation		**(387,962)**	(448,698)
Gross profit		**390,895**	341,361
Other revenue and other net income		**21,313**	14,886
General and administrative expenses		**(234,876)**	(238,735)
Selling expenses		**(50,356)**	(43,590)
Profit from operations before fair value changes and impairment		**126,976**	73,922
Net gain in fair value of investment properties		**4,507**	52,068
Change in fair value of derivative financial instruments		**(17,687)**	(77,396)
Written down of stock of properties		**(66,371)**	(83,361)
Share of profit on joint venture		**10,352**	5,262
Gain on disposal of subsidiaries		**39,846**	—
Profit/(loss) from operations		**97,623**	(29,505)
Finance costs	*5(a)*	**(211,702)**	(271,752)
Loss before taxation	*5*	**(114,079)**	(301,257)
Income tax	*6*	**(65,240)**	(36,314)

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

For the year ended 31 December 2018

	Notes	2018 *HK$'000*	2017 *HK$'000*
Loss for the year		**(179,319)**	(337,571)
Other comprehensive income/(loss), net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Release of exchange differences upon disposal of subsidiaries		**1,353**	—
Exchange differences on translating foreign operations		**(184,698)**	267,902
Other comprehensive income/(loss) for the year, net of income tax		**(183,345)**	267,902
Total comprehensive loss for the year, net of income tax		**(362,664)**	(69,669)
Profit/(loss) attributable to:			
Owners of the Company		**(212,596)**	(340,970)
Non-controlling interests		**33,277**	3,399
		(179,319)	(337,571)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**(378,013)**	(95,704)
Non-controlling interests		**15,349**	26,035
		(362,664)	(69,669)
Loss per share			
— Basic	*8(a)*	**HK$(0.02)**	HK$(0.18)
— Diluted	*8(b)*	**HK$(0.02)**	HK$(0.18)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**52,768**	59,195
Investment properties		**3,165,921**	4,392,818
Intangible assets		**6,061**	12,122
		3,224,750	4,464,135
Current assets			
Stock of properties		**1,597,574**	886,488
Trade and other receivables	9	**250,431**	185,142
Loan receivables		**40,327**	38,424
Financial assets at fair value through profit or loss		**2,175**	23,460
Cash and cash equivalents		**488,415**	513,827
		2,378,922	1,647,341
Current liabilities			
Deposits and other payables		**776,193**	737,953
Deposit receipts in advance		**—**	377,603
Contract liabilities		**652,362**	—
Bonds		**844,055**	—
Bank and other borrowings		**328,036**	339,231
Promissory notes		**376,000**	376,000
Income tax payable		**73,639**	52,908
		3,050,285	1,883,695
Net current liabilities		**(671,363)**	(236,354)
Total assets less current liabilities		**2,553,387**	4,227,781

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 31 December 2018

	2018	2017
	HK$'000	*HK$'000*
Non-current liabilities		
Bonds	**182,192**	1,254,581
Bank and other borrowings	**120,003**	357,023
Convertible bonds	**234,747**	226,279
Deferred tax liabilities	**421,081**	432,295
	958,023	2,270,178
Net assets	**1,595,364**	1,957,603
Capital and reserves		
Share capital	**99,531**	99,531
Reserves	**1,109,440**	1,488,780
Total equity attributable to owners of the Company	**1,208,971**	1,588,311
Non-controlling interests	**386,393**	369,292
Total equity	**1,595,364**	1,957,603

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 properties in 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 ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**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 Group incurred a net loss of approximately HK$179,319,000 during the year ended 31 December 2018 and, as of that day, the Group's current liabilities exceeded its current assets by approximately HK$671,363,000. 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.

Subsequent to the year ended 31 December 2018 and as of the date of this announcement, the Group repaid an aggregate principal amount of approximately HK$50 million of the Bonds 2019, the Group may negotiate with the bondholders for renewal if necessary.

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

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

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. Pursuant to the Undertakings, the Instruments will no longer fall due for payment by the Company. The Instruments are recorded at book value at approximately HK$376,000,000, and interest payable at approximately HK$236,738,000 included under other payables as at 31 December 2018.

In the opinion of the Directors, in light of the said various measures or arrangements implemented after the end of reporting period together with the expected results of the said 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")

The Group has applied, for the first time in the current year, the following new standard, amendments and interpretations of HKFRSs ("**new HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"):

HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 28 (Amendments)	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
HKAS 40 (Amendments)	Transfers of investment property
HK(IFRIC) — 22	Foreign currency transactions and advance consideration

The above new HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

(a) Impact on the consolidated financial statements

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the application of new HKFRSs have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Consolidated statement of financial position (extract)	**31 December 2017** *HK$'000*	**HKFRS 9** *HK$'000*	**HKFRS 15** *HK$'000*	**1 January 2018** *HK$'000*
Current assets				
Trade and other receivables	185,142	(998)	15,916	200,060
Loan receivables	38,424	(187)	—	38,237
Current liabilities				
Deposits receipts in advance	377,603	—	(377,603)	—
Contract liabilities	—	—	393,519	393,519
Net current liabilities	(236,354)	(1,185)	—	(237,539)
Total assets less current liabilities	4,227,781	(1,185)	—	4,226,596
Net assets	1,957,603	(1,185)	—	1,956,418
Capital and reserves				
Reserves	1,488,780	(1,004)	—	1,487,776
Non-controlling interest	369,292	(181)	—	369,111
Total equity	1,957,603	(1,185)	—	1,956,418

(b) HKFRS 9 Financial Instruments

Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments"

In the current period, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("**ECL**") for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

Under the transition methods chosen, the Group recognises the cumulative effect of the initial application of HKFRS 9 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been affected by HKFRS 9.

	At 31 December 2017	**Impact on initial application of HKFRS 9**	**At 1 January 2018**
	HK$'000	*HK$'000*	*HK$'000*
Trade and other receivables	185,142	(998)	184,144
Loan receivables	38,424	(187)	38,237
Reserves	1,488,780	(1,004)	1,487,776
Non-controlling interests	369,292	(181)	369,111

(i) Classification and measurement

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("**FVOCI**") and at fair value through profit or loss ("**FVPL**"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial assets is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

— Amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

— FVOCI — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

— FVPL, if the investment does not meet the criteria for being measured at amortise cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

There is no reclassification or remeasurement of the financial assets, including cash and cash equivalent, loan receivables, trade and other receivables, financial assets at fair value through profit or loss for the adoption of HKFRS 9.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been significantly impacted by the initial application of HKFRS 9.

(ii) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. Except for those which had been determined as credit impaired under HKAS 39, the remaining balances are grouped based on internal credit rating and/or past due analysis. The Group has therefore estimated the expected loss rates for the trade receivables on the same basis.

Except for those which had been determined as credit impaired under HKAS 39, ECL for other financial assets at amortised cost, including deposit, other receivables, loan receivables and bank balances, are assessed on 12-month ECL ("**12m ECL**") basis as there had been no significant increase in credit risk since initial recognition.

All loss allowances including trade receivables and other financial assets at amortised cost as at 31 December 2017 reconciled to the opening loss allowances as at 1 January 2018 are as follows:

	Trade and other receivables *HK$'000*	**Loan receivables** *HK$'000*	**Total** *HK$'000*
At 31 December 2017 - HKAS 39	12,209	—	12,209
Amounts re-measured through opening accumulated losses	817	187	1,004
Amounts re-measured through opening non-controlling interests	181	—	181
At 1 January 2018	13,207	187	13,394

(c) HKFRS 15 Revenue from Contracts with Customers

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in HKFRS 15, prior period comparative figures have not been restated. In summary, the following adjustments were made to the amounts recognised in the balance sheet at the date of initial application (1 January 2018):

	HKAS 18 carrying amount 31 December 2017	Reclassification	Remeasurement	HKFRS 15 carrying amount 1 January 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other receivables	185,142	—	15,916	201,058
Contract liabilities	—	377,603	15,916	393,519
Deposits receipts in advance	377,603	(377,603)	—	—

(i) Presentation of assets and liabilities related to contracts with customers

The Group has also changed the presentation of the following amounts in the balance sheet to reflect the terminology of HKFRS 15:

- Contract liabilities in relation to property sales contracts and rental contracts were previously included in deposits receipts in advance (approximately HK$377,603,000 as at 1 January 2018).

- At the date of initial application, consideration amount of approximately HK$15,916,000 was due arising from sale of properties contracts which are unconditional and hence such balance was recognised to other receivables and contract liabilities.

(a) Timing of revenue recognition

The new revenue standard does not likely to have significant impact on how the Group recognised revenue from rental income from agricultural produce exchange market operation and revenue recognition for sales of development properties is not affected. Previously the Group's property development activities are carried out in the Mainland China only. Taking into account the contract terms, the Group's business practice and the legal and regulatory environment of the Mainland China, the Group assessed that its property sales contracts do not meet the criteria for recognising revenue over time and therefore revenue from property sales is recognised at a point in time. Previously the Group recognised revenue from property sales upon the execution of binding sale agreement or when the relevant occupation permit or certificate of compliance is issued by the respective building authority, whichever is the later. Under HKFRS 15, revenue from property sales was recognised when the legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property.

(b) *Significant financing component*

For contracts where the period between the payment by the customer and transfer of the promised property or service exceeds one year, the transaction price should be adjusted for the effects of a financing component, if significant. The Group has assessed that the financing component effect was insignificant.

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

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015-2017 Cycle[1]
HKFRS 3 (Amendments)	Definition of a Business[4]
HKFRS 9 (Amendments)	Clarification to HKFRS 9 Financial Instrument[1]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
HKFRS 16	Leases[1]
HKFRS 17	Insurance Contract[3]
HKAS 1 and HKAS 8 (Amendments)	Defintion of Material[3]
HKAS 19 (Amendments)	Plan Amendments, Curtailment or Settlement[1]
HKAS 28 (Amendments)	Investments in associates and joint ventures[1]
HK (IFRIC) — Int 23	Uncertainty over income tax treatments[1]

1 Effective for annual periods beginning on or after 1 January 2019.

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

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

4 Effective for business combinations and assets acquisition for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

5. Effective for annual periods beginning on or after 1 January 2020.

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, (v) financial service income and (vi) food and agricultural by-products merchandising. The amount of each significant category of revenue recognised during the year, net of discount and sales related tax, is analysed as follows:

	2018	2017
	HK$'000	*HK$'000*
Revenue from contracts with customers:		
Recognised at a point in time		
Revenue from property ancillary services	**84,688**	74,174
Commission income from agricultural produce exchange market	**94,827**	80,304
Revenue from property sales	**399,772**	449,203
Financial service income	**24**	789
Food and agricultural by-products merchandising	**4,410**	—
	583,721	604,470
Revenue from other sources:		
Property rental income	**195,136**	185,589
	778,857	790,059

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	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover								
External sales	**379,085**	340,856	**399,772**	449,203	—	—	**778,857**	790,059
Results								
Segment result	**125,985**	101,628	**73,440**	77,441	—	—	**199,425**	179,069
Other revenue and other income	**14,561**	10,986	—	—	**6,752**	3,900	**21,313**	14,886
Net gain in fair value of investment properties	**4,507**	52,068	—	—	—	—	**4,507**	52,068
Change in fair value of derivative financial instruments	—	—	—	—	**(17,687)**	(77,396)	**(17,687)**	(77,396)
Written down of stock of properties	—	—	**(66,371)**	(83,361)	—	—	**(66,371)**	(83,361)
Share of profit on joint venture	—	—	—	—	**10,352**	5,262	**10,352**	5,262
Gain on disposal of subsidiaries	—	—	—	—	**39,846**	—	**39,846**	—
Unallocated corporate expenses							**(93,762)**	(120,033)
Profit/(loss) from operations							**97,623**	(29,505)
Finance costs	**(33,204)**	(42,607)	—	—	**(178,498)**	(229,145)	**(211,702)**	(271,752)
Loss before taxation							**(114,079)**	(301,257)
Income tax							**(65,240)**	(36,314)
Loss for the year							**(179,319)**	(337,571)

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 expenses. 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 (2017: 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**	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets						
Segment assets	**3,702,285**	4,857,923	**1,626,386**	886,488	**5,328,671**	5,744,411
Unallocated corporate assets					**275,001**	367,065
Consolidated total assets					**5,603,672**	6,111,476
Liabilities						
Segment liabilities	**1,563,833**	1,643,907	**455,921**	286,828	**2,019,754**	1,930,735
Unallocated corporate liabilities					**1,988,554**	2,223,138
Consolidated total liabilities					**4,008,308**	4,153,873

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. Goodwill is 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	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Capital expenditure — others *(Note (i))*	**64,287**	39,259	**—**	—	**2,706**	860	**66,993**	40,119
Net gain in fair value of investment properties	**4,507**	52,068	**—**	—	**—**	—	**4,507**	52,068
Change in fair value of derivative financial instruments	**—**	—	**—**	—	**(17,687)**	(77,396)	**(17,687)**	(77,396)
Written down of stock of properties	**—**	—	**(66,371)**	(83,361)	**—**	—	**(66,371)**	(83,361)
Unrealised (loss)/profit on financial assets at fair value through profit or loss	**—**	—	**—**	—	**(213)**	211	**(213)**	211
Depreciation and amortisation	**18,379**	18,141	**—**	—	**1,490**	2,512	**19,869**	20,653
Loss on early redemption of convertible bonds	**—**	—	**—**	—	**—**	(5,419)	**—**	(5,419)
Loss on early redemption of bonds	**—**	—	**—**	—	**(3,776)**	(1,561)	**(3,776)**	(1,561)
Gain on disposal of subsidiaries	—	—	**—**	—	**39,846**	—	**39,846**	—

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 2018 and 2017, 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

	2018	2017
	HK$'000	*HK$'000*
Interest on bank and other borrowings wholly repayable within five years	**34,085**	64,649
Interest on bank and other borrowings wholly repayable over five years	—	482
Interest on promissory notes	**23,500**	23,500
Interest on convertible bonds	**28,317**	36,422
Interest on bonds	**126,673**	146,699
Less: — Amounts classified as capitalised into stock of properties	**(873)**	—
	211,702	271,752

The weight average capitalisation rate on borrowing is 7.39% per annum (2017: Nil).

(b) Staff costs (including directors' emoluments)

	2018	2017
	HK$'000	*HK$'000*
Contributions to defined contribution retirement plans	**251**	459
Salaries, wages and other benefits	**79,433**	107,746
	79,684	108,205

(c) Other items

	2018	2017
	HK$'000	*HK$'000*
Depreciation and amortisation	**19,869**	20,653
Loss on disposal on property, plant and equipment	**410**	194
Auditors' remuneration		
— audit services	**2,200**	2,200
— other services	**280**	724
Operating lease charges: minimum lease payments		
— property rental	**1,574**	2,185
Loss on early redemption of convertible bonds	**—**	5,419
Loss on early redemption of bonds	**3,776**	1,561
Charge in fair value of derivative financial instruments	**17,687**	77,396
Unrealised loss/(profit) on financial assets through profit or loss	**213**	(211)
Total unrealised loss on financial assets through profit or loss	**17,900**	77,185
Impairment loss on trade and other receivables and loan receivables	**1,642**	7,968
Cost of stock of properties	**286,301**	346,487

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

Taxation in the consolidated statement of comprehensive income represents:

	2018	2017
	HK$'000	*HK$'000*
Current tax		
— PRC enterprise income tax	**54,259**	28,934
Deferred tax		
Origination and reversal of temporary difference	**10,981**	7,380
	65,240	36,314

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 2018 and 2017. 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% (2017: 25%).

7. DIVIDEND

The directors do not recommend the payment of any dividend in respect of the years ended 31 December 2018 and 2017 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$212,596,000 (2017: loss attributable to owners of the Company of approximately HK$340,970,000) and the weighted average number of 9,953,067,822 ordinary shares (2017: 1,903,573,798 ordinary shares in issue during the year). For the year ended 31 December 2017, the weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted with the effect of rights issue completed during the year end 31 December 2017.

(b) Diluted earnings per share

Diluted loss per share for the year ended 31 December 2018 and 2017 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 (net of provision allowance) with the following ageing analysis presented based on the payment terms on the tenancy agreement as of the end of reporting period:

	2018	2017
	HK$'000	HK$'000
Less than 90 days	**1,887**	3,321
More than 90 days but less than 180 days	**482**	281
More than 180 days	**5,986**	3,290
	8,355	6,892

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 2018:

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 2018, 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 note 2(b) in the consolidated financial statements, which indicates that the Group incurred a net loss of approximately HK$179,319,000 during the year ended 31 December 2018 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$671,363,000. As stated in note 2(b), these events or conditions, along with other matters as set forth in note 2(b), indicate that a material uncertainty exists that may cast significant doubt on 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 2018, the Group recorded a turnover of approximately HK$779 million, representing a decrease of approximately HK$11 million as compared to the last financial year. The below table summarises the key financial performance of the Group:

	For the year ended 31 December 2018			For the year ended 31 December 2017		
HK$ million and approximate %	**Agricultural Produce Exchange Market Operation**	**Property Sales**	**Total**	Agricultural Produce Exchange Market Operation	Property Sales	Total
Turnover	**379**	**400**	**779**	341	449	790
Gross Profit	**278**	**113**	**391**	238	103	341
Segment Result	**126**	**73**	**199**	102	77	179
Gross Profit to Turnover	**73%**	**28%**	**50%**	70%	23%	43%
Segment Result to Turnover	**33%**	**18%**	**26%**	30%	17%	23%

The Group recorded a turnover of approximately HK$779 million, representing a decrease of approximately 1% as compared to approximately HK$790 million of last financial year mainly due to the decrease in property sales recognition. The Group recorded a gross profit and a segment result of approximately HK$391 million and approximately HK$199 million, respectively (2017: approximately HK$341 million and approximately HK$179 million, respectively), representing an increase of approximately 15% and an increase of approximately 11%, respectively, as compared to the last financial year. The increase in gross profit and segment result was mainly due to increase in rental income and implementation of effective cost saving policies.

Other revenue and other net income

The Group recorded other revenue and other net income of approximately HK$21 million (2017: approximately HK$15 million). The increase was mainly due to increase in interest income.

General and administrative expenses, selling expenses and finance costs

General and administrative expenses were approximately HK$235 million (2017: approximately HK$239 million). The decrease was mainly due to the implementation of cost saving policies during the year under review. Selling expenses were approximately HK$50 million (2017: approximately HK$44 million). The increase in selling expenses was mainly due to the increase in the sales and promotion activities in 2018. Finance costs were approximately HK$212 million (2017: approximately HK$272 million) and such decrease was mainly due to the early repayments of debts.

Net gain 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$5 million (2017: net gain of approximately HK$52 million). The decrease in the net gain was mainly due to decrease in fair value of Kaifeng Hongjin Agricultural and By-Product Exchange Market ("**Kaifeng Market**") and Huai'an Hongjin Agricultural and By-Product Exchange Market ("**Huai'an Market**"). Stock of properties value was written down for approximately HK$67 million (2017: approximately HK$83 million) mainly due to written down of stock of properties of Kaifeng Market, Huai'an Market and Panjin Hongjin Agricultural and By-Product Exchange Market ("**Panjin Market**").

Change in fair value of derivative financial instruments

During the year under review, net loss in fair value of derivative financial instruments was approximately HK$18 million (2017: approximately HK$77 million) due to the drop of share price of the Company during the year.

Loss attributable to owners of the Company

The loss attributable to owners of the Company for the year under review was approximately HK$213 million as compared to the loss of approximately HK$341 million in the last financial year. Profit from operations before fair value changes and impairment, interest and tax was approximately HK$127 million and the profit from operations was approximately HK$98 million (2017: profit of approximately HK$74 million and loss of approximately HK$30 million, respectively) for the year under review. The decrease in loss attributable to owners of the Company was mainly due to (i) an increase in gain from disposal of subsidiaries holding a parcel of land; (ii) a decrease in finance costs by early repayment of debts during the year under review; and (iii) a decrease in loss in fair value of derivative financial instruments arising from convertible notes issued in 2016, as compared to the financial year ended 31 December 2017.

DIVIDENDS

The Directors do not recommend any payment of final dividend for the year ended 31 December 2018 (2017: Nil). No interim dividend for 2018 was paid to the shareholders of the Company during the year under review (2017: 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. In order to cope with future growth and provide more comprehensive services to our customers, the Group strives for diversification of income streams in order to align its corporate mission and goals with the aim to delivering a long term benefit to the shareholders of the Company. From traditional operation of our wholly-owned agricultural produce markets to cooperation projects with local partners, the Group took a further step to adopt the light assets model. With the benefit of our reputation in the industry, we had started the provision of management service in recent year. In 2018, we made small amount of investment and provided management service to a local partner in Suizhou, the PRC, to operate an agricultural market under our brand name. During the year under review, the Group further extended its scope of business to provision of food and agricultural by-products merchandising services to our customers. During the year under review, both of the operating performance and market ranking of our markets remarked steady progress.

Agricultural Produce Markets

Hubei Province

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 2018, Wuhan Baisazhou Market was awarded top 10 of agricultural produce exchange market by China Agricultural Wholesale Market Association. The 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 increased significantly as compared to the last financial year due to the rise in rental rate. 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.

Huangshi Market

Following the completion of acquisition of Huangshi Hongjin Agricultural and By-Product Exchange Market ("**Huangshi Market**") in January 2015, Huangshi Market had become one of the Group's joint venture projects in Hubei Province, the PRC. The contracted operating space of Huangshi Market was approximately 23,000 square metres. 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 by increasing vegetables and by-products trading. During the year under review, the operating performance of Huangshi Market was satisfactory, bringing positive operating cashflow to the Group. During the year under review, the operating turnover of Huangshi Market was approximately HK$16 million and remained stable as compared to the last financial year.

Suizhou Market

In March 2018, the Group formed a joint venture company with an independent third party in Suizhou City, Hubei Province, the PRC, to operate Suizhou Baisazhou Agricultural and By-Product Exchange Market ("**Suizhou Market**"), which is the third project of the Group in Hubei Province, the PRC, which occupied approximately 240,000 square metres. Phase one of Suizhou Market focused on vegetables and fruits transactions. The Group pursued asset light business model by taking up the contract management rights to operate this new market in Hubei Province, the PRC. Suizhou Market was in its early stage of development and was expected to grow gradually.

Henan Province

Luoyang Market

Luoyang Hongjin Agricultural and By-Product Exchange Market ("**Luoyang Market**") was the flagship project of the Group in Henan Province, the PRC, with a site area and gross floor area of approximately 255,000 square metres and approximately 223,000 square metres, respectively. After several years of operations, the business performance of Luoyang Market had gradually improved, while both occupancy rate and vehicles traffic were satisfactory. During the year under review, Luoyang Market had brought positive contribution to the Group. In 2018, Luoyang Market was awarded "The Most Influential Market" by the Market Development Committee of the Marketing Association of the PRC and the "Model Market of Modern and Reliability" by the Industrial and Commercial Bureau of Luoyang City, the PRC. In 2018, the operation income of Luoyang Market changed from loss to profit.

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 in Henan Province, the PRC. During the year under review, the operating performance of Puyang Market improved and resulted in an increase of approximately 22% 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. During the year under review, the Company had implemented various operating strategies to improve the market performance of Kaifeng Market.

Guangxi Zhuang Autonomous Region

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, the PRC ("**Guangxi Region**") 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 godowns. Phase two development of Yulin Market became a new growth driver for the Group. In 2018, Yulin Market was awarded the "Food Safety Model Wholesale Market of Guangxi Region" by the Food and Medicine Supervision and Management Authority, the Guangxi Region. 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 27% for the year under review as compared to the last financial year. One of the main reasons for the revenue growth of the year was the property sales recognition during the year under review increased to approximately HK$394 million from approximately HK$298 million in the last financial year.

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. During the year under review, the Group focused on enhancing the market's operation performance and it resulted in an increase of approximately 18% in operation turnover as compared to the last financial year.

Jiangsu Province

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, the turnover of Xuzhou Market during the year under review was approximately HK$46 million and was approximately the same as compared to the last financial year.

Huai'an Market

Huai'an Market, with contracted operating area of approximately 100,000 square metres, is located at Huai'an City of Jiangsu Province, the PRC. Phase one of Huai'an Market had been in operation since October 2015 and it was expected that the performance of Huai'an Market will gradually improve after the market has become more mature. During the year under review, the Company is under a legal dispute with the partner of the joint venture founded in September 2017, the details of which will be disclosed in note 36 to the consolidated financial statements in the annual report for the year ended 31 December 2018 to be published in compliance with the requirements under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

Liaoning Province

Panjin Market

Phase one of Panjin Market, with a construction area of around 50,000 square metres, is the first attempt of the Group's investment in Liaoning Province, the PRC. Panjin Market focused on the trading of river crabs. During the year under review, the management of the Company expanded the business scope by holding regular market fairs in Panjin Market to improve its performance.

Food and agricultural by-products merchandising

As more and more projects had become mature with stable operation, the Group saw robust demand for food and agricultural by-products merchandising services in our markets. Therefore, the Group strategically extended its footprints to the business of food and agricultural by-products merchandising during the year under review. Leveraging on the Company's advantages in market penetration, products knowledge, price, quality sensitivity and suppliers' network, the Group launched its first pilot site in Wuhan Baisazhou Market. This new business was gradually improving. The management would closely monitor the performance of this new business and would launch this new service to other markets when the business model becomes mature.

E-commerce development

With the robust mobile network and widespread use of intelligent mobile devices in the PRC, the Group allocated resources to e-commerce development linking online and offline customers in our agricultural exchange markets. Our website and mobile phone applications formed a trading platform providing one-stop shopping experience to our customers. During the year under review, the management continued to slow down the e-commerce development and strengthened the existing resources of customer base and e-commerce business. The Group would also explore opportunities to cooperate with other business partners in this area.

Cyber risk and security

With information technology system and internet network playing a vital role in our operation, the Group has designated professionals to monitor and assess potential cyber risks. Both hardware and software are kept track with appropriate Company's policies. Potential cyber risks and network security are the key concerns of the management, thus the Group has formulated policies and procedures to regulate the use of internet, physical safeguard of system power supply, regular update of internet protection system and firewall to separate the Company's intranet from the outside network. Designated professionals are responsible for the day-to-day monitoring on any abnormal network activities.

Data fraud or theft risk

The Group continuously reviews and updates its internal control system on data and information access. Appropriate policies have been adopted to protect data, and access permissions are only granted to the authorised personnel. The management believes the effective policies and procedures are in place to avoid data fraud or theft risk.

Environmental and social risk

Due to the nature of business, the Company will face a moderate environmental risk if serious and permanent climate change happens in the PRC. Such risk may cause an adverse effect on agricultural production and affect the Company's turnovers from market operation and property sales.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, the Group had total cash and cash equivalents amounting to approximately HK$488 million (2017: approximately HK$514 million) whilst total assets and net assets were approximately HK$5,604 million (2017: approximately HK$6,111 million) and approximately HK$1,595 million (2017: approximately HK$1,958 million), respectively. The Group's gearing ratio as at 31 December 2018 was approximately 1.0 (2017: approximately 1.0), being a ratio of total bank and other borrowings, bond and promissory notes of approximately HK$2,085 million (2017: approximately HK$2,553 million), net of cash and cash equivalents of approximately HK$488 million (2017: approximately HK$514 million) to shareholders' funds of approximately HK$1,595 million (2017: approximately HK$1,958 million).

As at 31 December 2018, the ratio of total interest-bearing debts of approximately HK$2,085 million (2017: approximately HK$2,553 million) to total assets of approximately HK$5,604 million (2017: approximately HK$6,111 million) was approximately 37% (2017: approximately 42%).

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 year under review, no Convertible Notes were converted into Shares by the Convertible Notes' holders. As at 31 December 2018, Convertible Notes with the outstanding principal amount of HK$264.8 million was in issue.

CAPITAL COMMITMENTS, PLEDGES AND CONTINGENT LIABILITIES

As at 31 December 2018, outstanding capital commitments, contracted but not provided for, amounted to approximately HK$214 million (2017: approximately HK$260 million) in relation to the purchase of property, plant and equipment, construction contracts and operating lease agreements. As at 31 December 2018, the Group had significant contingent liabilities in the amount of approximately HK$0.2 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 (2017: approximately HK$8 million).

As at 31 December 2018, certain investment properties and stock of properties with carrying amount of approximately HK$1,669 million (2017: approximately HK$2,345 million for land use right 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 2018. The revenue, operating costs and bank deposits of the Group were mainly denominated in Renminbi ("**RMB**") and Hong Kong dollars. The activities of the Group are exposed to foreign currency risks mainly arising from its operations in mainland China and certain bank deposits denominated in RMB. Currently, the Group does not have a foreign currency hedging policy. During the year under review, due to the currency fluctuation of RMB against Hong Kong dollars, the Group had been considering, from time to time, alternative risk hedging tools to mitigate RMB currency exchange risk.

DEBT PROFILES AND FINANCIAL PLANNING

As at 31 December 2018 and 31 December 2017, interest-bearing debts of the Group were analyzed as follows:

	2018		2017	
	Carrying amount *HK$ million*	**Approximate effective interest rate** *(per annum)*	Carrying amount *HK$ million*	Approximate effective interest rate *(per annum)*
Bond Issuance	**1,026**	**11%**	1,255	11%
Convertible Notes	**235**	**12%**	226	12%
Financial Institution Borrowings	**448**	**6%**	672	6%
Non-Financial Institution Borrowings	**0**	**0%**	24	10%
Promissory Notes	**376**	**5%**	376	5%
Total	**2,085**		2,553	

Note:

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

As at 31 December 2018, 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 2019 to November 2023; 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 will be disclosed in note 36 to the consolidated financial statements in the annual report for the year ended 31 December 2018 to be published in compliance with the requirements under 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 properties.

TREASURY POLICY

The Group's treasury policy includes diversifying the funding sources. Internally generated cash flow, issuance of shares and interest-bearing bank/non-financial institution loans are the general source of funds to finance the operation of the Group during the year under review. 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 properties.

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 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 were 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 obtained a court order from the Hong Kong Court of First Instance to the effect that undertakings (the "**Undertakings**") were given by Ms. Wang Xiu Qun ("**Ms. Wang**") and Wuhan Tian Jiu Industrial and Commercial Development Co., Ltd ("**Tian Jiu**") not to indorse, assign, transfer or negotiate the two instruments (purportedly described as promissory notes in the sale and purchase agreement) (the "**Instruments**"); and enforce payment by presentation of the Instruments until the final determination of the court action or further court order. Pursuant to the Undertakings, the Instruments 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 2018. 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, maturity, character and location are analysed and carefully weighed 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 2018, the Group operated 11 agricultural products exchange markets across 5 provinces in the PRC. In view of the ever-changing business environment in the PRC, the followings are the principal risks, challenges and uncertainties faced by the Group, including (1) fluctuation in the exchange rate of RMB against Hong Kong dollars, which affects the translation of the PRC assets and liabilities from RMB 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 of the impact on 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 2018 to be published in compliance with the requirements under the Listing Rules.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

Repurchase and cancellation of notes

During the period from January to March 2018, the Company completed the purchase of and subsequently cancelled part of the outstanding 1 per cent notes due 2024 (the "**Listed Notes**") in the aggregate principal amount of HK$110 million. As at 31 December 2018, the Listed Notes in the principal amount of HK$290 million remained outstanding.

Disposal of subsidiaries holding a parcel of land in Yulin city

On 23 August 2018, an indirect wholly-owned subsidiary of the Company entered into a sale and purchase agreement with an independent third party to sell the entire issued share capital of an indirect wholly-owned subsidiary of the Company at the consideration of RMB78 million (equivalent to approximately HK$88 million). This subsidiary indirectly held a parcel of land with a total site planned area of 73,333.51 square metres in Yulin City, the PRC. The disposal was completed on 10 October 2018, in which the Group recorded a gain of approximately HK$40 million arising from the disposal. The net proceeds (after deducting other expenses in relation thereto and the relevant tax) arising from such disposal were approximately RMB72.7 million (equivalent to approximately HK$82.4 million), in which approximately HK$70 million was utilized for repayment of indebtedness and related interest and approximately HK$12.4 million was utilized for general working capital.

Use of proceeds of rights issue announced in 2017

On 4 October 2017, the Company announced a rights issue on the basis of five rights shares for every one existing share at a price of HK$0.088 per rights share. The aggregate net proceeds of approximately HK$697 million were utilized as intended, in which (i) approximately HK$110 million was utilized for offsetting of outstanding principal amounts of the bonds issued by the Company to a subsidiary of Easy One Financial Group Limited ("**EOG**") as intended; (ii) approximately HK$37 million was utilized for offsetting of outstanding principal amounts of the convertible notes held by a subsidiary of EOG as intended; (iii) approximately HK$100 million was utilized for repayment of outstanding principal amounts on loans of the Group due to a subsidiary of Wang On Group Limited ("**WOG**") as intended; (iv) approximately HK$205 million was utilized for repayment of outstanding interests accrued on the bonds, loans and convertible notes held by/owed to the subsidiaries of EOG, Wai Yuen Tong Medicine Holdings Limited and WOG as intended; (v) approximately HK$235 million was utilized for repayment of outstanding indebtedness of the Group owed to independent third parties as intended and; (vi) approximately HK$10 million was utilized for the general working capital of the Group as intended.

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, 11 May 2017 and 27 December 2018 in relation to the civil proceedings (the "**Legal Proceedings**") in the PRC initiated by Ms. Wang Xiu Qun ("**Ms. Wang**") and Wuhan Tian Jiu Industrial and Commercial Development Co., Ltd ("**Tian Jiu**") as plaintiffs against the Company as defendant and joined Wuhan Baisazhou Agricultural By-Product Grand Market Company Limited ("**Baisazhou Agricultural**") as third party.

Ms. Wang and Tian Jiu alleged that the share transfer agreements in relation to the acquisition of an aggregate 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 the Ministry of Commerce ("**MOFCOM**") of the PRC alleging that MOFCOM failed to discharge its statutory duties for handling their application submitted in January 2015 for revoking the certificate of approval and letter of approval in relation to the Contended Agreements (the "**Application**"). The cases were accepted by the Beijing Second Intermediate People's Court (the "**Beijing Court**") in May 2015. The Company and Baisazhou Agricultural then made an application to join the cases as third party. The Company received a judgment dated 31 December 2015 on 8 January 2016 issued by the Beijing Court, by which the Beijing Court demanded MOFCOM to handle the Application again within 30 days.

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, 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 judgment of the Beijing Court dated 31 March 2017 (the "**31 March Judgment**") 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 Judgment and requested for an order that (a) the 31 March Judgment be set aside and (b) MOFCOM to make a decision to revoke the Approval.

The hearing for the appeal against the 31 March Judgment took place on 30 August 2017. The Company received the judgment of the Beijing High People's Court dated 20 December 2018 (the "**20 December Judgment**") on 24 December 2018. By the 20 December Judgment, the Beijing High People's Court dismissed the appeal of Ms. Wang and Tian Jiu and upheld the ruling of the Beijing Second Intermediate People's Court as set out in the 31 March Judgment. In other words, the Approval shall not be revoked and remain to be in force, and the Company continues to be the legal and beneficial owner of Baisazhou Agricultural under the PRC Laws.

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 Contended Agreements 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 a 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 36 to the consolidated financial statements in our annual report for the year ended 31 December 2018 to be published in compliance with the requirements under the Listing Rules.

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2018, the Group had 1,229 employees (2017: 1,355), 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. The Company has adopted a share option scheme on 3 May 2012 for the primary purpose of providing incentive to selected eligible persons to take up options for their contribution to the Group. During the year under review, no share option had been granted.

PROSPECTS

During the year under review, the economy in the PRC generally maintained a stable growth path while showing positive signs of development. Looking ahead to 2019, 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. In 2019, the Central Committee of Communist Party of China and the State Council of PRC released the "Number 1 Policy of 2019". The document promises to promote investments in agricultural produce markets, expand agricultural produce network, build logistic infrastructure and storage facilities 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 with "asset light" strategy. 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 its 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

During the year ended 31 December 2018, the Company completed the purchase of and subsequently cancelled part of the outstanding Listed Notes under the HK$1,000,000,000 medium term note programme in the aggregate principal amount of HK$110,000,000. As at 31 December 2018, the Listed Notes in the principal amount of HK$290,000,000 remained outstanding. For details, please refer to the announcements of the Company dated 29 January 2018 and 8 March 2018.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2018.

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 2018, 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 operations of the Group which is of great value in enhancing the efficiency to cope with the dynamic business environment. The daily business operation of the Group is delegated to various experienced individuals under the supervision of Mr. Chan. Furthermore, the Board believes that a balance of power and authority is adequately ensured by the operations of the Board which 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 will continue to review such deviation to enhance the best interest of the Group as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of all Directors, the Company confirmed that all Directors had complied with the required standard set out in the Model Code throughout the year ended 31 December 2018.

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 the independent non-executive Directors, namely Mr. Wong Ping Yuen, Mr. Ng Yat Cheung and Mr. Lau King Lung, and is chaired by Mr. Wong Ping Yuen. The Audit Committee has reviewed with the management and the Company's auditors the consolidated financial statements for the year ended 31 December 2018.

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 2018 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, 14 March 2019

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 Ping Yuen.