



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

(Incorporated in Bermuda with limited liability)



Interim Report 2007

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CORPORATE INFORMATION

Board of Directors

Executive directors

Fu Jie Pin (*Chairman*)

Yang Zong Lin (*Chief Executive Officer*)

Chen Hong Bo

Zhu Zhou

Independent non-executive directors and audit committee members

Yan Feng Xian

Tong Ka Ming

Jee Wengue

Company Secretary

Sin Ka Man

Auditors

Deloitte Touche Tohmatsu

Solicitors

Hong Kong

Coudert Brothers

Bermuda

Appleby

Principal Bankers

Bank of China

Citic Ka Wah Bank

Principal Registrar and Transfer Agent

Butterfield Fund Services (Bermuda) Limited

Rosebank Centre

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Registered Office

Canon's Court

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Principal Place of Business in Hong Kong

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Stock Code

Hong Kong Stock Exchange (Main Board) 149

Review of Operations and Results

The turnover of the Group for the half year ended 30th June, 2007 was approximately HK\$11.1 million compared to approximately HK\$17.9 million for the corresponding period in the previous year. The decrease was mainly due to the drop of the turnover of the business of property sale and development and the business of property rental in the period.

The loss attributable to shareholders of the Group for the period was HK\$10.7 million while the loss was HK\$11.7 million for the corresponding period in the previous year.

The Board of the Company does not recommend the payment of any interim dividend for the period (2006: Nil).

Acquisition of Baisazhou

On 2nd May, 2007, the Group entered into the sale and purchase agreement for the acquisition of 90% interest in Wuhan Baisazhou Agricultural By-product Grand Market Co., Ltd. at a total consideration of HK\$1,156 million. Except for the approval from Ministry of Commerce of the PRC Government, all precedent conditions has been fulfilled and the acquisition expected to be completed shortly.

Baisazhou Agricultural Products Exchange

Wuhan Baisazhou Agricultural By-products Grand Market Co., Ltd. is principally engaged in the operation of the agricultural products exchange ("Baisazhou Exchange") in the city of Wuhan, the PRC. The Baisazhou Exchange 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, 2006. It provides a platform and trading floors for trading of various agricultural products, including vegetables, fresh water products, cereal and oil, etc. Located at the centre of the PRC, Wuhan is the necessary passthrough and stopover for the northern and southern buyers and sellers in the PRC with advantage of proximity to major railway, highways and river-trade terminal. For the year ended 31st December, 2006, Wuhan Baisazhou Agricultural By-products Grand Market Co., Ltd. had an audited profit after taxation of HK\$75.3 million. The vendors has guaranteed to the Group that the audited net profit for the year ending 31st December, 2007 will not less than HK\$150 million.

Placing of Shares

The Company entered into a Placing Agreement with Cazenove Asia Limited, the placing agent, to place 300 million new shares to independent placees at HK\$2.05 per share on 4th July, 2007. The placing was completed on 13th July, 2007 and approximately HK\$591 million of net proceeds has been received by the Company, of which, HK\$410 million will be used for the completion of the acquisition of Wuhan Baisazhou Agricultural By-products Grand Market Co., Ltd. and the remaining approximately HK\$181 million will be used as capital expenditure in Baisazhou Exchange and general working capital purpose.

Employees and Remuneration Policies

As at 30th June, 2007, the Group had approximately 150 employees in Hong Kong and the PRC. Remuneration policies are reviewed periodically and determined by reference to market terms, company performance, an individual qualifications and performance.

Liquidity and Financial Resources

During the period, the Group was mainly financed by cash from operations and cash from the ultimate holding company of the Group, Velocity International Limited.

As at 30th June, 2007, the Group's cash and bank balances amounted to approximately HK\$4.5 million while the total assets and the net assets were approximately HK\$82.1 million and HK\$57.3 million respectively. Most of the Group's deposits were deposited with banks as short-term deposits and denominated in either Hong Kong dollars or Renminbi, which are directly related to the Group's business in the areas of currencies concerned.

As at 30th June, 2007, there was no borrowings, either short or long term, in the Group.

As at 30th June, 2007, the Group did not enter into any material foreign exchange contracts, interest or currency swaps or other financial activities and did not have any committed borrowing facilities.

Prospects and Plan for the Future

The Group mainly engages in the business of property investment and development and the food and beverage business in the PRC. Looking ahead, given the strong growth momentum of the PRC economy, the Group had entered into the sale and purchase agreement for the acquisition of 90% interest of Wuhan Baisazhou By-product Grand Market Co., Ltd. The Directors are of the view that the acquisition provides an opportunity for the Group to diversify into the agricultural products exchange business in the PRC; broaden the income base of the Company and consistent with the Company's business strategy and interest of the Company and its shareholders as a whole.

Change of Name

The Company proposed to change its name to "China Agri-Products Exchange Limited" to reflect the diversion into the agricultural products exchange business upon the completion of the acquisition of Wuhan Baisazhou By-product Grand Market Co., Ltd.

Other Information

Substantial Shareholders

As at 30th June, 2007, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance ("SFO") showed that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long position

Ordinary share of US\$0.02 each of the Company

	Capacity	Number of Shares			Percentage of issued share capital	Note
		Direct interest	Deemed interest	Total interest		
Velocity International Limited (the "Velocity")	Beneficial owner	207,765,080	—	207,765,080	74.4%	a
Chan Yeung Nam	Interest of a controlled corporation	—	207,765,080 (through 100% direct interest in Velocity)	207,765,080	74.4%	a

Notes:

- (a) Mr. Chan Yeung Nam holds the entire beneficial interest in Velocity and Mr. Chan Yeung Nam is accordingly deemed to be interested in 207,765,080 shares in the Company.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30th June, 2007.

Directors' Interests in Securities

Other than as disclosed in the section "Substantial shareholders", none of the directors, chief executives, nor their associates, had any interests or short positions in any shares or debentures of the Company or any of its associated corporation at 30th June, 2007, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Director of Listed Companies.

Other than as disclosed above, none of the directors, chief executives of the Company or their associates had any right to subscribe for securities of the Company, or had exercised any such right during the period under review, and at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Share Options Scheme

On 4th June, 2002, the Company adopted a new share option scheme (the “Scheme”) for the primary purpose of providing incentives and/or rewards to employees, executives or officers, directors of the Company or any of its subsidiaries and any business consultants, agents, legal or financial advisers of the Company or any of its subsidiaries for their contribution to the Group.

No share options under the Scheme were outstanding at the beginning of the period and the following share options were granted and outstanding during the period:

Capacity	Date of grant	Exercisable period	Exercise price (HK\$)	Number of share options		
				Granted during the period	Exercised during the period	Outstanding as at 30.6.07
Employees	4.6.2007	05/06/2007 — 04/06/2012	2.48	5,300,000	—	5,300,000
Employees	20.3.2007	20/03/2007 — 19/03/2012	0.72	5,500,000	1,750,000	3,750,000
Consultant	20.3.2007	20/03/2007 — 19/03/2012	0.72	2,750,000	—	2,750,000
				13,550,000	1,750,000	11,800,000

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 six months ended 30th June, 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 six months ended 30th June, 2007 except for the following deviation:—

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

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors' securities transactions. The Company has confirmed with all directors that they had complied with the required standard set out in the Model Code throughout the six months ended 30th June, 2007.

Review by Audit Committee

The Group's interim financial report for the six months ended 30th June, 2007 have been reviewed by the audit committee which comprises three independent non-executive directors of the Company and by the Company's auditors, Deloitte Touche Tohmatsu.

Appreciations

The Board would like to take this opportunity to thank the Company's shareholders for their continual support and wish to extend its sincere appreciation for the efforts and loyalty of our staff.

By Order of the Board
China Velocity Group Limited
Fu Jie Pin
Chairman

Hong Kong, 21st September, 2007.

Report on Review of Interim Financial Information



TO THE BOARD OF DIRECTORS OF CHINA VELOCITY GROUP LIMITED

中國高速(集團)有限公司

(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 9 to 20 which comprises the condensed consolidated balance sheet of China Velocity Group Limited as of 30th June, 2007 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

21st September, 2007

Condensed Consolidated Income Statement

For the six months ended 30th June, 2007

	NOTES	Six months ended 30th June,	
		2007 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited)
Revenue	3	11,069	17,891
Cost of sales		(6,964)	(11,882)
Gross profit		4,105	6,009
Other income		6	254
Administrative expenses		(12,537)	(7,615)
Impairment loss recognised on goodwill		(1,847)	—
Other expenses		(397)	(550)
Finance costs	4	—	(9,844)
Loss before taxation		(10,670)	(11,746)
Income tax expense	5	(2)	(4)
Loss for the period	6	(10,672)	(11,750)
Attributable to:			
— Equity holders of the Company		(10,664)	(11,743)
— Minority interests		(8)	(7)
		(10,672)	(11,750)
Loss per share	7		
— Basic		HK\$(0.04)	HK\$(0.04)
— Diluted		N/A	N/A

Condensed Consolidated Balance Sheet

At 30th June, 2007

	NOTES	30.6.2007 HK\$'000 (unaudited)	31.12.2006 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		1,849	2,372
Prepaid lease payments		32,362	32,842
Deposits for acquisition of subsidiary		10,271	—
Goodwill	8	—	1,847
		44,482	37,061
Current assets			
Inventories, at cost		910	1,107
Trade and other receivables	9	31,252	33,870
Prepaid lease payments		959	959
Bank balances and cash		4,530	2,140
		37,651	38,076
Current liabilities			
Trade and other payables	10	3,737	6,927
Loan from ultimate holding company		21,057	6,696
Tax payable		—	3
		24,794	13,626
Net current assets		12,857	24,450
		57,339	61,511
Capital and reserves			
Share capital	11	43,549	43,276
Reserves		(49)	4,388
Equity attributable to equity holders of the Company		43,500	47,664
Minority interests		13,839	13,847
Total equity		57,339	61,511

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2007

	Attributable to equity holders of the Company										
	Share capital	Share premium	Capital reserve	Shareholders' contribution	Contributed surplus	Translation reserve	Share options reserve	Accumulated losses	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2006	43,276	—	945	664	2,096,598	—	—	(2,075,759)	65,724	14,422	80,146
Loss for the period and total recognised expenses for the period	—	—	—	—	—	—	—	(11,743)	(11,743)	(7)	(11,750)
Disposal of a subsidiary	—	—	—	—	—	—	—	—	—	(567)	(567)
At 30th June, 2006	43,276	—	945	664	2,096,598	—	—	(2,087,502)	53,981	13,848	67,829
Exchange differences arising on translation of foreign operations recognised directly in equity	—	—	—	—	—	109	—	—	109	—	109
Loss for the period	—	—	—	—	—	—	—	(6,426)	(6,426)	(1)	(6,427)
Total recognised income and expenses for the period	—	—	—	—	—	109	—	(6,426)	(6,317)	(1)	(6,318)
At 31st December, 2006	43,276	—	945	664	2,096,598	109	—	(2,093,928)	47,664	13,847	61,511
Exchange differences arising on translation of foreign operations recognised directly in equity	—	—	—	—	—	68	—	—	68	—	68
Loss for the period	—	—	—	—	—	—	—	(10,664)	(10,664)	(8)	(10,672)
Total recognised income and expenses for the period	—	—	—	—	—	68	—	(10,664)	(10,596)	(8)	(10,604)
Recognition of equity settled share-based payments	—	—	—	—	—	—	5,171	—	5,171	—	5,171
Issue of shares	273	1,171	—	—	—	—	(183)	—	1,261	—	1,261
At 30th June, 2007	43,549	1,171	945	664	2,096,598	177	4,988	(2,104,592)	43,500	13,839	57,339

Condensed Consolidated Cash Flow Statement

For the six months ended 30th June, 2007

	Six months ended 30th June,	
	2007 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited)
Net cash used in operating activities	(2,968)	(321)
Net cash (used in) from investing activities:		
Disposal of a subsidiary	—	128,954
Deposit paid for acquisition of a subsidiary	(10,271)	—
Other investing cash flows	(1)	(224)
	(10,272)	128,730
Net cash from (used in) financing activities:		
Advance from ultimate holding company	14,361	—
Proceeds from issue of shares	1,260	—
Interest paid	—	(9,844)
Repayment of other borrowing	—	(119,228)
Other financing cash flows	—	(1,370)
	15,621	(130,442)
Net increase (decrease) in cash and cash equivalents	2,381	(2,033)
Cash and cash equivalents at 1st January,	2,140	3,247
Effect of foreign exchange rate changes	9	—
Cash and cash equivalents at 30th June, representing bank balances and cash	4,530	1,214

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2007

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard No. 34 "Interim Financial Reporting".

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31st December, 2006. In addition, the Group newly adopted the following accounting policies during the period.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

In the current interim period, the Group has applied, for the first time, a number of 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 on 1st January, 2007. The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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

HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC) — Int 11	HKFRS 2: Group and Treasury Share Transactions ²
HK(IFRIC) — Int 12	Service Concession Arrangements ³

¹ Effective for annual periods beginning on or after 1st January, 2009

² Effective for annual periods beginning on or after 1st March, 2007

³ Effective for annual periods beginning on or after 1st January, 2008

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

3. SEGMENTAL INFORMATION

Business segments

For management purposes, the Group is currently organised into the following divisions. These divisions are the basis on which the Group reports its primary segment information.

An analysis of the Group's turnover and contribution to operating results by business segment is presented below:

Six months ended 30th June, 2007

	Property sale and development	Restaurant operation	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE			
External sales	—	11,069	11,069
RESULT			
Segment result	(491)	(262)	(753)
Unallocated corporate expenses			(8,076)
Impairment loss recognised on goodwill	—	(1,847)	(1,847)
Other income			6
Loss before taxation			(10,670)
Income tax expense			(2)
Loss for the period			(10,672)

Six months ended 30th June, 2006

	Property sale and development	Property rental	Restaurant operation	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE				
External sales	4,595	2,277	11,019	17,891
RESULT				
Segment result	(483)	1,454	(251)	720
Unallocated corporate expenses				(2,876)
Other income				254
Finance costs				(9,844)
Loss before taxation				(11,746)
Income tax expense				(4)
Loss for the period				(11,750)

4. FINANCE COSTS

	Six months ended 30th June,	
	2007 HK\$'000	2006 HK\$'000
Interest on other borrowing wholly repayable within five years	—	4,844
Penalty interest on default of other borrowing	—	5,000
	—	9,844

5. INCOME TAX EXPENSE

The income tax charge for the six months ended 30th June, 2006 and 2007 represented taxation charge in the People's Republic of China (the "PRC").

Taxation charge in the PRC is calculated at the rates prevailing in the respective jurisdictions.

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

6. LOSS FOR THE PERIOD

	Six months ended 30th June,	
	2007 HK\$'000	2006 HK\$'000
Loss for the period has been arrived at after charging the following items:		
Depreciation and amortisation	588	596
Amortisation of prepaid lease payments	480	480

7. LOSS PER SHARE

The calculation of the basic loss per share attributable to the equity holders of the Company is based on the loss attributable to equity holders of the Company of HK\$10,664,000 (six months ended 30th June, 2006: HK\$11,743,000) and on the weighted average number of 277,630,972 (six months ended 30th June, 2006: 277,408,596) ordinary shares in issue during the period.

No diluted loss per share has been presented for the six months ended 30th June, 2007 as the exercise of the share options would result in a decrease in the loss per share for the period.

No diluted loss per share has been presented for the six months ended 30th June, 2006 as there is no potential ordinary share in issue during the period.

8. GOODWILL

At 30th June, 2007, the amounts of the goodwill of approximately HK\$540,000 and HK\$1,307,000 with respect to the restaurant operations in Shenzhen and Beijing, respectively, have been assessed for impairment based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period and discount rate of 10%, for both units. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the units' past performance and management's expectations for the market development.

During the six months ended 30th June, 2007, after considering the increased competition in the market, the Group recognised an aggregate impairment loss of HK\$1,847,000 in relation to goodwill in connection to the restaurant operations in Shenzhen and Beijing, the PRC.

9. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables at 30th June, 2007 are trade receivables of approximately HK\$833,000 (31.12.2006: HK\$456,000) and their aged analysis is as follows:

	30.6.2007 HK\$'000	31.12.2006 HK\$'000
0 — 90 days	763	456
Over 90 days	70	—
Trade receivables	833	456
Other receivables (<i>note</i>)	30,419	33,414
	31,252	33,870

Note:

Included in other receivables at 30th June, 2007 is the remaining consideration receivables of HK\$27.6 million (31.12.2006: HK\$32.8 million) from the Group's disposal of its entire interests in, and shareholders' loan to, Huizhou Gladly Property Limited, Huizhou World Express Property Limited and Huizhou Best Glory Limited (the "Huizhou Companies") to State Achieve Properties Limited (the "Purchaser"), an independent third party, for a cash consideration of RMB50.0 million (equivalent to HK\$46.8 million) in August, 2004.

The shareholder of the Purchaser has pledged the share of the Purchaser for the consideration receivables. The net assets of the Purchaser mainly comprised of properties in the PRC with fair value amounting to approximately RMB111,000,000 (equivalent to HK\$102,000,000) at 31st December, 2006. The remaining amount of HK\$27.6 million have been fully settled up to the report date.

10. TRADE AND OTHER PAYABLES

Included in trade and other payables at 30th June, 2007 are trade payables of approximately HK\$1,016,000 (31.12.2006: HK\$1,033,000) and their aged analysis is as follows:

	30.6.2007 HK\$'000	31.12.2006 <i>HK\$'000</i>
0 - 90 days	1,016	310
Over 90 days	—	723
Other payables	1,016 2,721	1,033 5,894
	3,737	6,927

11. SHARE CAPITAL

	Number of shares	Share capital US\$
Ordinary shares of US\$0.02 each:		
Authorised		
At 1st January, 2006, 31st December, 2006 and 30th June, 2007	19,000,000,000	380,000
		<i>HK\$'000</i>
Issued and fully paid		
At 1st January, 2006, 31st December, 2006	277,408,596	43,276
Exercise of share options (Note)	1,750,000	273
At 30th June, 2007	279,158,596	43,549

Note:

During the year, the Company issued 1,750,000 ordinary shares of US\$0.02 each at cash consideration of HK\$0.72 per share pursuant to the exercise of the share options granted.

The new share issued during the period rank pari passu with the then existing shares in issue in all respects.

12. SHARE BASED PAYMENTS

The Company has a share option scheme for eligible employees, executives or officers, directors and any business consultants, agents, legal or financial advisors of the Group. Details of the share options outstanding during the current period are as follows:

	Number of share options
Granted during the period	13,550,000
Exercised during the period	<u>(1,750,000)</u>
Outstanding at 30th June, 2007	<u>11,800,000</u>

In the current period, share options were granted on 20th March, 2007 and 4th June, 2007. The fair value per option determined at the dates of grant using the Binomial option pricing model were approximately HK\$0.11 and HK\$0.81 respectively and an aggregate amount of HK\$1,617,000 and HK\$3,554,000 were charged to the income statement during the period.

The following assumptions were used to calculate the fair values of share options.

	20th March, 2007	4th June, 2007
Grant date share price	HK\$0.72	HK\$2.48
Option exercisable period	20.3.2007 to 19.3.2012	5.6.2007 to 4.6.2012
Vesting date	20th March, 2007	4th June, 2007
Exercise price	HK\$0.72	HK\$2.48
Sub optimal factor	140%	140%
Expected volatility	71.38%	82.49%
Dividend yield	0%	0%
Risk-free interest rate	4.209%	4.698%
Fair value of option per share	HK\$0.11	HK\$0.81

The Binomial option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the director's best estimate. The value of an option varies with different variables of certain objective assumptions.

The closing price of the Company's shares immediately before 20th March, 2007 and 4th June, 2007, the date of grant of options, were HK\$0.72 and HK\$2.48, respectively.

The weighted average closing price of the Company's shares immediately before the date on which the options were exercised was HK\$2.47.

13. CAPITAL COMMITMENTS

On 2nd May, 2007 and 10th May, 2007, the Company entered into conditional sales and purchase agreements ("Sales and Purchase Agreements") with Ms. Wang Xiu Qun and Wuhan Tian Jiu Industrial and Commercial Development Co., Limited for their respective 70% and 20% interest in Wuhan Baisazhou Agricultural By-product Grand Market Co., Limited ("Baisazhou") for consideration of HK\$900 million and HK\$256 million, respectively. Of the total consideration of HK\$1,156 million, HK\$420 million shall be satisfied in cash, HK\$360 million shall be satisfied by the issue of convertible notes ("Convertible Notes") and HK\$376 million shall be satisfied by the issue of promissory notes ("Promissory Notes"). Baisazhou is engaged in the operation of agricultural products exchange in Wuhan, Hubei Province, the PRC. A deposit of HK\$10.3 million has been made and included in as non-current assets at 30th June, 2007.

The Convertible Notes are non-interest bearing, mature in two year from the date of issue with the conversion price of \$2.00 per share, subject to anti-dilutive adjustments ("Conversion Shares"). The Conversion Shares will be subjected to a lock up period of twelve months.

The Promissory Notes are interest bearing at 5% per annum and mature five year from the completion of the acquisition of Baisazhou.

The acquisition of Baisazhou and the issue of Convertible Notes and Promissory Notes were approved by the shareholders of the Company at the special general meeting on 27th June, 2007, details of which are set out in the circular of the Company dated 8th June, 2007 and announcements of the Company dated 10th May, 2007 and 22nd May, 2007.

Up to the date of this report, the acquisition of Baisazhou has not being completed and all parties to the Sales and Purchase Agreements have agreed to extend the completion date from 2nd August, 2007 to 2nd October, 2007.

14. CONTINGENT LIABILITIES

The Group had no material contingent liabilities at 30th June, 2007.

15. RELATED PARTY DISCLOSURES

(a) Balance

Loan from ultimate holding company is unsecured, interest free and repayable on demand.

(b) Compensation of key management personnel

The remuneration of directors as key management of the Group during the period was as follows:

	Six months ended 30th June,	
	2007 HK\$'000	2006 HK\$'000
Short-term benefits	944	905
Post-employment benefits	12	12
	956	917

The remuneration of key management personnel, which were the directors of the Company, were decided by the Board of Directors, who are authorised by the shareholders, having regard to the performance of the individuals and market trends.

16. SUBSEQUENT EVENTS

The Group had the following post balance sheet events:

- (a) On 4th July, 2007, the Company entered into a placing agreement with an independent placing agent for the placing of 300,000,000 new shares of US\$0.02 each at a price of HK\$2.05 per new share, representing a discount of approximately 29.55% to the closing price of HK\$2.91 per share on 4th July, 2007. These shares were issued under the specific mandate granted to the directors of the Company on 27th June, 2007. The placing was completed on 13th July, 2007. The proceeds of HK\$591 million will primarily be used to finance the acquisition of Baisazhou and for general working capital purpose.

Details of the above are set out in the announcement of the Company dated 5th July, 2007.

- (b) On 11th July, 2007, the board of directors proposed the name of the Company be changed to "China Agri-Products Exchange Limited 中國農產品交易有限公司". This change of name has been approved by the shareholders of the Company at the special general meeting on 12th September, 2007, details of which are set out in the circular of the Company dated 9th August, 2007.
- (c) On 19th July, 2007, 6,500,000 share options were exercised at a price of HK\$0.72 per share, resulting in the issue of 6,500,000 ordinary shares of US\$0.02 each in the Company.