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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)

PLACING OF NEW SHARES UNDER A SPECIFIC MANDATE

Placing Agent



KINGSTON SECURITIES LIMITED

PLACING AGREEMENT

The Board is pleased to announce that on 3 February 2010 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best effort basis, a maximum of 2,300,000,000 Placing Shares to not fewer than six Placées at a price of HK\$0.05 per Placing Share. The Placing Shares may be issued in tranches provided that the number of Placing Shares for each tranche is an integral multiple of 100,000,000.

The maximum number of 2,300,000,000 Placing Shares represents approximately 78.80% of the existing issued share capital of the Company of 2,918,658,596 Shares as at the date of this announcement and approximately 44.07% of the issued share capital of the Company of 5,218,658,596 Shares as enlarged by the Placing. The aggregate nominal value of the Placing Shares under the Placing will be HK\$23,000,000.

The Placing Price of HK\$0.05 represents (i) a discount of approximately 50.98% to the closing price per Share of HK\$0.102 on the Last Trading Day; (ii) a discount of approximately 51.92% to the average closing price per Share of approximately HK\$0.104 in the last 5 trading days prior to the Last Trading Day; (iii) a discount of approximately 53.27% to the average closing price per Share of approximately HK\$0.107 in the last 10 trading days prior to the Last Trading Day; and (iv) a discount of approximately 65.75% to the net asset value per Share as at 30 June 2009 of approximately HK\$0.146, and a discount of approximately 15.25% to the net tangible asset value per Share as at 30 June 2009 of approximately HK\$0.059, in each case based on the unaudited financial statements of the Company for the six months ended 30 June 2009 and on the total number of 2,918,658,596 Shares in issue as at the date of this announcement.

The maximum gross proceeds and the maximum net proceeds (after deducting the fees and commissions payable to the Placing Agent and other expenses incurred in the Placing) to be raised from the Placing are estimated to amount to HK\$115.0 million and approximately HK\$111.3 million respectively. The maximum net proceeds raised per Share upon the completion of the Placing will be approximately HK\$0.048 per Placing Share.

The maximum 2,300,000,000 Placing Shares to be placed under the Placing Agreement will be issued pursuant to a specific mandate to be obtained at the SGM. The Placing Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Placing Shares.

GENERAL

Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Placing Shares.

A SGM will be convened and held for the purposes of considering and, if thought fit, approving the Placing and the specific mandate to issue the Placing Shares. To the best knowledge of the Directors, none of the Shareholders has a material interest in the transactions contemplated under the Placing Agreement as at the date of this announcement. Accordingly, none of the Shareholders will be required to abstain from voting at the SGM in respect of the resolution(s) relating to the Placing and the specific mandate.

A circular, containing further details of the Placing and the specific mandate to issue the Placing Shares together with a notice convening the SGM, will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

Since completion of the Placing is subject to a number of conditions mentioned herein and the Placing is on a best effort basis, Shareholders and potential investors are advised to exercise caution when dealing in Shares.

THE PLACING AGREEMENT

Date

3 February 2010 (after trading hours)

Parties

- (i) The Company, as the issuer; and
- (ii) Kingston Securities Limited, as the Placing Agent.

The Placing Agent and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules). The Placing Agent will receive a placing commission of 2.5% on the gross proceeds of the Placing upon completion of the relevant tranche of the Placing, which was arrived at after arm's length negotiations between the Company and the Placing Agent under normal commercial terms and with reference to prevailing market rates for similar transactions.

The Placing

Pursuant to the Placing Agreement, the Company has conditionally agreed to place, through the Placing Agent on a best effort basis, a maximum of 2,300,000,000 Placing Shares to not fewer than six Placees at a price of HK\$0.05 per Placing Share during the period of three months commencing on the date of fulfillment of condition (c) set out under heading “Conditions” below in this announcement. The Placing Shares may be issued in tranches provided that the number of Placing Shares for each tranche is an integral multiple of 100,000,000.

Placing Shares and Ranking of the Placing Shares

The maximum number of 2,300,000,000 Placing Shares represents approximately 78.80% of the existing issued share capital of the Company of 2,918,658,596 Shares as at the date of this announcement and approximately 44.07% of the issued share capital of the Company of 5,218,658,596 Shares as enlarged by the Placing. The aggregate nominal value of the Placing Shares under the Placing will be HK\$23,000,000.

The Placing Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Placing Shares.

Placing Price

The Placing Price of HK\$0.05 represents (i) a discount of approximately 50.98% to the closing price per Share of HK\$0.102 on the Last Trading Day; (ii) a discount of approximately 51.92% to the average closing price of per Share of approximately HK\$0.104 in the last 5 trading days prior to the Last Trading Day; (iii) a discount of approximately 53.27% to the average closing price per Share of approximately HK\$0.107 in the last 10 trading days prior to the Last Trading Day; and (iv) a discount of approximately 65.75% to the net asset value per Share as at 30 June 2009 of approximately HK\$0.146, and a discount of approximately 15.25% to the net tangible asset value per Share as at 30 June 2009 of approximately HK\$0.059, in each case based on the unaudited financial statements of the Company for the six months ended 30 June 2009 and on the total number of 2,918,658,596 Shares in issue as at the date of this announcement.

The Placing Price was negotiated on an arm’s length basis between the Company and the Placing Agent and was determined after taking into account (a) the previous financial results and the current financial position of the Company; and (b) the market risks assumed by the Placing Agent and any Placees thereunder, on account of the fact that the Placing is subject to and cannot be completed until the approval by the Shareholders is obtained at the SGM.

Placees

The Placing Agent shall, on a best effort basis, place the Placing Shares to not fewer than six Placees who (and such Placees and their respective ultimate beneficial owners) are third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules) and are not acting in concert with any connected persons (as defined in the Listing Rules) of the Company.

It is expected that none of the Placee will become a substantial shareholder of the Company immediately after the Placing.

Conditions

Completion of the Placing is conditional upon:

- (a) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Placing Shares;
- (b) the obligations of the Placing Agent under the Placing Agreement not being terminated in accordance with the terms thereof; and
- (c) the passing of a resolution(s) by the Shareholders approving the allotment and issue of the Placing Shares at the SGM.

If condition (c) as set out above are not fulfilled prior to 10:00 a.m. on 31 March 2010 (or such later date as may be agreed by the Company and the Placing Agent), the Placing Agreement shall terminate and neither party shall have any claim against the other for costs, damages or compensation.

Further announcement(s) will be made upon the earlier of (a) expiry of the three-month period commencing from the date of fulfillment of condition (c) above; (b) the completion of the placing of all 2,300,000,000 Placing Shares; or (c) the termination of the Placing in accordance with the terms of the Placing Agreement.

Mandate to issue the Placing Shares

The Placing Shares to be issued under the Placing Agreement will be issued pursuant to a specific mandate to be obtained at the SGM.

Termination and force majeure

The Placing Agent may terminate the Placing Agreement by notice in writing prior to 10:00 a.m. on the last day of the three-month period commencing from the date of fulfillment of condition (c) set out under the heading “Conditions” above in this announcement, if in its absolute opinion, the success of the Placing would be materially and adversely affected by any of the following force majeure events:

- (a) the introduction of any new laws or regulations or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date hereof) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or adversely prejudices the success of the Placing of the Placing Shares by potential investor(s) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Placing; or

- (c) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction or trading in securities) occurs which affect the success of the Placing (such success being the placing of the Shares to potential investor(s)) or otherwise in the absolute opinion of the Placing Agent makes it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing.

The Placing Agent may also terminate the Placing Agreement by notice in writing to the Company prior to 10:00 a.m. on the last day of the three-month period commencing from the date of fulfillment of condition (c) set out under the heading “Conditions” above in this announcement, if:

- (a) the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed or assumed under the Placing Agreement; or
- (b) the trading of the Shares on the Stock Exchange has been suspended for more than ten consecutive trading days save for the purposes of clearing any announcement relating to the Placing or any announcements or circulars relating to any notifiable transactions or connected transactions of the Company under Chapter 14 or 14A of the Listing Rules; or
- (c) the Placing Agent shall become aware of the fact that any of the representations or warranties contained in the Placing Agreement was, when given, untrue or inaccurate or would in any respect be untrue or inaccurate if repeated the Placing Agent shall determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the financial or trading position or prospects of the Group taken as a whole or will otherwise likely to have a material prejudicial effect on the Placing.

Since completion of the Placing is subject to a number of conditions mentioned herein and the Placing is on a best effort basis, Shareholders and potential investors are advised to exercise caution when dealing in Shares.

USE OF PROCEEDS AND REASONS FOR THE PLACING

The gross and net proceeds (after deducting the fees and commissions payable to the Placing Agent and other expenses incurred in the Placing) of the Placing assuming 2,300,000,000 Placing Shares are placed in full are estimated to amount to HK\$115.0 million and approximately HK\$111.3 million respectively.

The principal reasons for the Placing are:

- (a) the Group has experienced 12 consecutive years of loss since 1997;
- (b) as disclosed in the unaudited financial statements of the Company for the six months ended 30 June 2009, as at that date, the Group’s consolidated current liabilities exceeded its consolidated current assets by approximately HK\$97.4 million with a relatively high gearing level of approximately 129.3%;
- (c) as also disclosed in the unaudited financial statements of the Company for the six months ended 30 June 2009, as at that date, the outstanding balance of the Group’s substantial bank borrowings and other debts amounted to approximately HK\$861 million, of which approximately HK\$325 million falls due for repayment during the year ending 31 December 2010; and

(d) the Placing Price of HK\$0.05 per Placing Share represents:

- (i) a discount of approximately 15.25% when compared to the net tangible asset value per Share of approximately HK\$0.059 (reached by dividing the net tangible asset value as at 30 June 2009 of approximately HK\$172.3 million by the total number of 2,918,658,596 Shares in issue as at the date of this announcement); or
- (ii) a higher discount of approximately 65.75% when compared to the net asset value per Share of approximately HK\$0.146 (reached by dividing the net asset value as at 30 June 2009 of approximately HK\$424.8 million by the total number of 2,918,658,596 Shares in issue as at the date of this announcement),

in each case based on the unaudited financial statements of the Group as at 30 June 2009, and which is considered by the Directors to be reasonable in the context of the amount of funds being raised under the Placing and the overall current financial position of the Group.

For the reasons stated above, the Directors consider that the Placing represents an opportunity to reduce the Group's debt and gearing levels, raise additional capital for the Group, strengthen the financial position of the Group and provide additional funding for the Group's business needs. The Directors also consider that the terms of the Placing Agreement are fair and reasonable based on the current market conditions and in view of the current financial position of the Group, and that the Placing is in the interests of the Company and the Shareholders as a whole.

The Company intends to apply the net proceeds to be raised from the Placing for repayment of loans, expansion and further development of the Group's agricultural produce exchanges and as general working capital of the Group.

FUND RAISING ACTIVITIES OF THE COMPANY FOR THE PAST 12 MONTHS

The following table summaries the capital raising activities of the Group for the 12 months immediately before the date of this announcement:

Date of initial announcement	Description	Net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds as at the date of this announcement
7 May 2009	Placing of new shares	HK\$155.2 million	For working capital requirements of the agricultural produce exchanges operated by the Group and other general working capital requirements	Approximately HK\$69.8 million has been utilised as working capital for the agricultural produce exchanges operated by the Group and approximately HK\$16.5 million has been utilised for the Group's general working capital. The remaining balance of HK\$68.9 million has not yet been utilised.
13 February 2009	Top-up placing and placing of new shares	HK\$37.0 million	Approximately HK\$37.0 million for general working capital purpose	Approximately HK\$37.0 million has been utilised for general working capital.

CHANGES IN SHARE CAPITAL AND SHAREHOLDING STRUCTURE

The expected changes in the share capital and shareholding structure of the Company resulting from the Placing are as follows:

	As at the date of this announcement		Immediately after the Placing (assuming the Placing Shares are placed in full)	
	Number of Shares	Approximate % of shareholding	Number of Shares	Approximate % of shareholding
Major Shareholders				
LeRoi ^{Note 1}	263,265,080	9.02	263,265,080	5.04
Wang Xiu Qun	180,000,000	6.17	180,000,000	3.45
Sub-total	443,265,080	15.19	443,265,080	8.49
Other Shareholders				
The Places	—	—	2,300,000,000	44.07
Others	2,475,393,516	84.81	2,475,393,516	47.44
	<u>2,918,658,596</u>	<u>100.00</u>	<u>5,218,658,596</u>	<u>100.00</u>

Notes:

1. LeRoi through Onger Investments Limited, its wholly-owned subsidiary, was taken to be interested in 263,265,080 Shares as at the date of this announcement.
2. The shareholdings of the major Shareholders set out above are based on information presently available to the Company and assume that there will not be dealing in the Shares and that there will be no issue of other new Shares by the Company apart from the Placing Shares in the period up to the Completion of the Placing.

GENERAL

The Group is principally engaged in property rental in respect of agricultural produce exchanges and the food and beverage business in the PRC.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Placing Shares.

A SGM will be convened and held for the purposes of considering and, if thought fit, approving the Placing and the specific mandate to issue the Placing Shares. To the best knowledge of the Directors, none of the Shareholders has a material interest in the transactions contemplated under the Placing Agreement as at the date of this announcement. Accordingly, none of the Shareholders will be required to abstain from voting at the SGM in respect of the resolution(s) relating to the Placing and the specific mandate.

A circular, containing further details of the Placing and the specific mandate to issue the Placing Shares together with a notice convening the SGM, will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions have the meanings as set out below:

“Board”	the board of Directors
“Business Day”	means a day (other than a Saturday or Sunday) on which banks are open for general business in Hong Kong
“Company”	China Agri-Products Exchange Limited 中國農產品交易有限公司, a company incorporated in Bermuda with limited liability and whose shares are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Group”	the Company together with its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Last Trading Day”	3 February 2010, being the date of the Placing Agreement, which is a Stock Exchange trading day
“LeRoi”	LeRoi Holdings Limited (利來控股有限公司), a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the main board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placee(s)”	any professional, institutional or other investor(s) procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the obligations of the Placing Agent under the Placing Agreement
“Placing”	placing of the Placing Shares at the Placing Price pursuant to the Placing Agreement
“Placing Agent”	Kingston Securities Limited, a licensed corporation to carry on business in type 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	a conditional placing agreement dated 3 February 2010 entered into between the Company and the Placing Agent in relation to the Placing
“Placing Price”	HK\$0.05 per Placing Share
“Placing Share(s)”	a maximum of 2,300,000,000 new Shares to be issued pursuant to the Placing Agreement

“PRC”	the People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“SGM”	a special general meeting of the Company to be convened and held for the purpose of considering, and if thought fit, approving, the Placing Agreement and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“subsidiaries”	has the meaning given to it under the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“substantial shareholder”	has the meaning given to it in the Listing Rules
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

Hong Kong, 3 February 2010

As at the date of this announcement, the Board comprises Mr. Chan Chun Hong, Thomas, Mr. Ying Yat Man and Mr. Leong Weng Kin, as executive Directors, and Mr. Ng Yat Cheung, Mr. Lee Chun Ho and Ms. Lam Ka Jen, Katherine, as independent non-executive Directors.