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## CHINA AGRI-PRODUCTS EXCHANGE LIMITED

### 中國農產品交易所有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 0149)

## ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

### INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Director(s)**”) of China Agri-Products Exchange Limited (the “**Company**”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 September 2020 (the “**Period**”), together with the comparative figures for the six months ended 30 June 2019 (“**2019 Corresponding Period**”). These condensed consolidated interim financial statements were not audited, but have been reviewed by HLB Hodgson Impey Cheng Limited (“**HLB**”), the Group’s external auditors, and the audit committee of the Company (the “**Audit Committee**”).

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2020

		For the six months ended 30 September 2020 (Unaudited) HK\$'000	For the six months ended 30 June 2019 (Unaudited) HK\$'000
	Notes		
<b>Turnover</b>	3	<b>292,413</b>	462,473
Cost of operation		<b>(141,780)</b>	(243,214)
<b>Gross profit</b>		<b>150,633</b>	219,259
Other revenue and other net income	4	<b>10,592</b>	9,983
General and administrative expenses		<b>(79,426)</b>	(92,436)
Selling expenses		<b>(14,608)</b>	(38,823)
<b>Profit from operations before fair value changes and impairment</b>		<b>67,191</b>	97,983
Net gain in fair value of investment properties		<b>39,473</b>	60,242
Change in fair value of derivative financial instruments		<b>(308)</b>	69
Written down of stock of properties		<b>(1,689)</b>	—

		<b>For the six months ended 30 September 2020 (Unaudited) HK\$'000</b>	<b>For the six months ended 30 June 2019 (Unaudited) HK\$'000</b>
	<i>Notes</i>		
<b>Profit from operations</b>		<b>104,667</b>	158,294
Finance costs	6	<u>(82,487)</u>	<u>(93,800)</u>
<b>Profit before taxation</b>	7	<b>22,180</b>	64,494
Income tax	8	<u>(40,772)</u>	<u>(49,673)</u>
<b>(Loss)/profit for the period</b>		<b>(18,592)</b>	14,821
<b>Other comprehensive income/(loss), net of income tax</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>130,655</u>	<u>(4,214)</u>
Other comprehensive income/(loss) for the period, net of income tax		<u>130,655</u>	<u>(4,214)</u>
<b>Total comprehensive income for the period, net of income tax</b>		<u><b>112,063</b></u>	<u>10,607</u>
<b>(Loss)/profit attributable to:</b>			
Owners of the Company		(22,567)	8,194
Non-controlling interests		<u>3,975</u>	<u>6,627</u>
		<u><b>(18,592)</b></u>	<u>14,821</u>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		93,687	4,531
Non-controlling interests		<u>18,376</u>	<u>6,076</u>
		<u><b>112,063</b></u>	<u>10,607</u>
<b>(Loss)/earnings per share</b>			
– Basic ( <i>HK cents</i> )	10	<u><b>(0.23)</b></u>	<u>0.08</u>
– Diluted ( <i>HK cents</i> )	10	<u><b>(0.23)</b></u>	<u>0.08</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2020 (Unaudited) <i>Notes</i> <b>HK\$'000</b>	As at 31 March 2020 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		52,776	45,759
Right-of-use assets		21,306	18,802
Investment properties		<u>3,000,246</u>	<u>2,839,091</u>
		<u>3,074,328</u>	<u>2,903,652</u>
<b>Current assets</b>			
Stock of properties		1,650,538	1,611,442
Trade and other receivables	11	291,422	233,817
Loan receivables		43,358	49,769
Financial assets at fair value through profit or loss		79	394
Bank and cash balances		<u>448,796</u>	<u>339,599</u>
		<u>2,434,193</u>	<u>2,235,021</u>
<b>Current liabilities</b>			
Deposits and other payables	12	772,592	683,044
Contract liabilities		560,232	464,983
Receipts in advance		211,912	160,237
Bank and other borrowings		270,809	231,820
Lease liabilities		4,703	3,590
Promissory notes		376,000	376,000
Income tax payable		<u>24,806</u>	<u>25,899</u>
		<u>2,221,054</u>	<u>1,945,573</u>
<b>Net current assets</b>		<u>213,139</u>	<u>289,448</u>
<b>Total assets less current liabilities</b>		<u>3,287,467</u>	<u>3,193,100</u>

	As at <b>30 September</b> <b>2020</b> <b>(Unaudited)</b> <b>HK\$'000</b>	As at 31 March 2020 (Audited) HK\$'000
<b>Non-current liabilities</b>		
Bonds	<b>186,080</b>	176,998
Bank and other borrowings	<b>744,193</b>	779,669
Convertible bonds	<b>252,315</b>	246,894
Lease liabilities	<b>22,802</b>	20,653
Deferred tax liabilities	<b>519,752</b>	483,521
	<u><b>1,725,142</b></u>	<u>1,707,735</u>
<b>Net assets</b>	<u><b>1,562,325</b></u>	<u>1,485,365</u>
<b>Capital and reserves</b>		
Share capital	<b>99,531</b>	99,531
Reserves	<u><b>1,085,796</b></u>	<u>992,109</u>
<b>Total equity attributable to owners of the Company</b>	<b>1,185,327</b>	1,091,640
Non-controlling interests	<u><b>376,998</b></u>	<u>393,725</u>
<b>Total equity</b>	<u><b>1,562,325</b></u>	<u>1,485,365</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

### (a) Statement of compliance

The unaudited condensed consolidated interim financial statements (the “**Interim 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 (the “**Listing Rules**”) and with Hong Kong Accounting Standard (the “**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

The Interim Financial Statements has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of Interim Financial Statements conformity with HKAS 34 requires management to make judgement, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

### (b) Change of financial year end date

The financial year end date of the Company has been changed from 31 December to 31 March commencing from the financial period ended 31 March 2020. Accordingly, the Interim Financial Statements now presented cover the six months period from 1 April 2020 to 30 September 2020, and the comparative figures in the Interim Financial Statements cover the six months period from 1 January 2019 to 30 June 2019.

## 2. APPLICATION OF AMENDMENTS TO HKFRSs

The Interim Financial Statements has been prepared under historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in Hong Kong Financial Reporting Standards (“**HKFRSs**”) and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2020 for the preparation of the Interim Financial Statements:

HKAS 1 and HKS 8 (Amendments)	Definition of Material
HKFRS 3 (Amendments)	Definition of a Business
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these Interim Financial Statements.

### 3. TURNOVER

Turnover represents revenue from (i) property rental income, (ii) property ancillary services, (iii) commission income from agricultural produce exchange market, (iv) property sales, and (v) food and agricultural by-products merchandising. The amount of each significant category of revenue recognised during the period, net of discount and sales related tax, is analysed as follows:

	For the six months ended 30 September 2020 <i>HK\$'000</i> (Unaudited)	For the six months ended 30 June 2019 <i>HK\$'000</i> (Unaudited)
Revenue from contracts with customers:		
<i>Recognised at a point in time</i>		
Revenue from property ancillary services	48,919	49,004
Commission income from agricultural produce exchange market	39,286	36,879
Revenue from property sales	109,008	266,222
Food and agricultural by-products merchandising	10,637	14,602
	<u>207,850</u>	<u>366,707</u>
Revenue from other sources:		
Property rental income	84,563	95,766
	<u>292,413</u>	<u>462,473</u>

### 4. OTHER REVENUE AND OTHER NET INCOME

	For the six months ended 30 September 2020 <i>HK\$'000</i> (Unaudited)	For the six months ended 30 June 2019 <i>HK\$'000</i> (Unaudited)
<b>Other revenue and other net income</b>		
Bank and other interest income	3,777	3,648
Government subsidies	5,701	350
Others	1,114	5,985
	<u>10,592</u>	<u>9,983</u>

## 5. SEGMENT REPORTING

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

An analysis of the Group's revenues and results by reportable segment for the six months ended 30 September 2020 and 30 June 2019:

	Agricultural produce exchange market operation		Property sales		Unallocated		Consolidated	
	For the six months ended 30 September 2020 HK\$'000 (Unaudited)	For the six months ended 30 June 2019 HK\$'000 (Unaudited)	For the six months ended 30 September 2020 HK\$'000 (Unaudited)	For the six months ended 30 June 2019 HK\$'000 (Unaudited)	For the six months ended 30 September 2020 HK\$'000 (Unaudited)	For the six months ended 30 June 2019 HK\$'000 (Unaudited)	For the six months ended 30 September 2020 HK\$'000 (Unaudited)	For the six months ended 30 June 2019 HK\$'000 (Unaudited)
<b>Turnover</b>								
External sales	183,405	196,251	109,008	266,222	-	-	292,413	462,473
<b>Result</b>								
Segment result	72,132	90,733	20,455	43,716	-	-	92,587	134,449
Other revenue and other net income	7,658	6,256	-	-	2,934	3,727	10,592	9,983
Net change in fair value of investment properties	39,473	60,242	-	-	-	-	39,473	60,242
Change in fair value of derivative financial instruments	-	-	-	-	(308)	69	(308)	69
Written down of stock of properties	-	-	(1,689)	-	-	-	(1,689)	-
Unallocated corporate expenses							(35,988)	(46,449)
Profit from operations							104,667	158,294
Finance costs	(13,924)	(14,014)	-	-	(68,563)	(79,786)	(82,487)	(93,800)
Profit before taxation							22,180	64,494
Income tax							(40,772)	(49,673)
(Loss)/profit for the period							(18,592)	14,821

## Segment assets and liabilities

An analysis of the Group's assets and liabilities by reportable segment as at 30 September 2020 and 31 March 2020:

	Agricultural produce exchange market operation		Property sales		Consolidated	
	As at	As at	As at	As at	As at	As at
	30 September	31 March	30 September	31 March	30 September	31 March
	2020	2020	2020	2020	2020	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
<b>Assets</b>						
Segment assets	3,511,834	3,334,415	1,650,538	1,611,442	5,162,372	4,945,857
Unallocated corporate assets					346,149	192,816
Consolidated total assets					5,508,521	5,138,673
<b>Liabilities</b>						
Segment liabilities	1,631,180	1,448,318	560,137	475,800	2,191,317	1,924,118
Unallocated corporate liabilities					1,754,879	1,729,190
Consolidated total liabilities					3,946,196	3,653,308

## 6. FINANCE COSTS

	For the six months ended 30 September 2020 HK\$'000 (Unaudited)	For the six months ended 30 June 2019 HK\$'000 (Unaudited)
Interest on bank and other borrowings wholly repayable within five years	41,128	13,984
Interest on bank and other borrowings wholly repayable over five years	2,523	30
Interest on promissory notes	11,750	11,750
Interest on convertible bonds	15,373	14,443
Interest on bonds	10,525	53,070
Interest on leases liabilities	1,188	523
	82,487	93,800



## 7. PROFIT BEFORE TAXATION

	For the six months ended 30 September 2020 HK\$'000 (Unaudited)	For the six months ended 30 June 2019 HK\$'000 (Unaudited)
Profit before taxation has been arrived at after charging/(crediting) the following items:		
Depreciation and amortisation	5,889	9,732
Depreciation of right-of-use assets	2,001	989
Change in fair value of derivative financial instruments	308	(69)
Short-term lease expenses	146	436
(Reversal of)/allowance for expected credit losses on trade and other receivables and loan receivables	(269)	13
Loss on disposal of property, plant and equipment	<u>147</u>	<u>163</u>

## 8. INCOME TAX

	For the six months ended 30 September 2020 HK\$'000 (Unaudited)	For the six months ended 30 June 2019 HK\$'000 (Unaudited)
<b>Current tax</b>		
PRC enterprise income tax	25,033	49,346
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<u>15,739</u>	<u>327</u>
	<u><b>40,772</b></u>	<u><b>49,673</b></u>

No provision for Hong Kong Profits Tax has been made in the Interim Financial Statements as the Company and its subsidiaries had no assessable profits in both periods. PRC Enterprise Income Tax is computed to the relevant legislation interpretations and practices in respect thereof during the period. PRC Enterprise Income Tax rate is 25% (six months ended 30 June 2019: 25%)

## 9. DIVIDENDS

The Directors do not propose the payment of any interim dividend in respect of the period under review (six months ended 30 June 2019: Nil).

## 10. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss attributable to owners of the Company of approximately HK\$22,567,000 (six months ended 30 June 2019: profit attributable to owners of the Company of approximately HK\$8,194,000) and weighted average number of approximately 9,953,068,000 ordinary shares (six months ended 30 June 2019: approximately 9,953,068,000 ordinary shares). The diluted (loss)/earnings per share for the six months ended 30 September 2020 and 30 June 2019 were the same as the basic (loss)/earnings per share because the outstanding convertible bonds had an anti-diluted effect on the basic (loss)/earnings per share.

## 11. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period ranging from 30 days to its trade customers. Included in trade and other receivables are trade receivables of approximately HK\$10,419,000 (31 March 2020: approximately HK\$3,587,000) and their aged analysis, presented based on the payment terms on the tenancy agreement, at each reporting period is as follow:

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Less than 90 days	9,479	2,953
More than 90 days but less than 180 days	365	369
More than 180 days	<u>575</u>	<u>265</u>
Total trade receivables	10,419	3,587
Deposit for land acquisition	55,240	53,019
Other deposits	7,325	9,866
Prepayments	147,108	101,399
Other receivables	<u>72,419</u>	<u>67,074</u>
	292,511	234,945
Less: allowance for expected credit losses	<u>(1,089)</u>	<u>(1,128)</u>
Trade and other receivables, net	<u><u>291,422</u></u>	<u><u>233,817</u></u>

## 12. DEPOSITS AND OTHER PAYABLES

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Accrued charges	27,239	21,726
Construction payables	52,671	48,038
Deposit received	96,558	99,902
Interest payables	311,315	298,598
Other tax payables	27,432	18,463
Other payables	257,377	196,317
	<u>772,592</u>	<u>683,044</u>

## 13. INDEPENDENT REVIEW

The Interim Financial Statements for the six months ended 30 September 2020 is unaudited, but has been reviewed by HLB, 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 HKICPA. The Interim Financial Statements has also been reviewed by the Audit Committee.

## INTERIM DIVIDEND

The Board has resolved not to declare any payment of interim dividend for the Period (for the six months ended 30 June 2019: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### SUMMARY OF FINANCIAL RESULTS

#### Turnover, Gross Profit and Segment Result

For the Period, the Group recorded a turnover of approximately HK\$292 million, representing a decrease of approximately HK\$170 million or approximately 37% from approximately HK\$462 million for the six months period ended 30 June 2019 as property sales recognition was lower than that of the 2019 Corresponding Period. The below table summarises the key financial performance of the Group:

	For the six months ended 30 September 2020			For the six months ended 30 June 2019		
	Agricultural Produce Exchange Market Operations	Property Sales	Total	Agricultural Produce Exchange Market Operations	Property Sales	Total
HK\$ million and approximate %						
Turnover	183	109	292	196	266	462
Gross Profit	126	25	151	136	83	219
Segment Result	72	21	93	91	43	134
Gross Profit to Turnover	69%	23%	52%	69%	31%	47%
Segment Result to Turnover	39%	19%	32%	46%	16%	29%

During the Period, the Group recorded a gross profit and a segment result of approximately HK\$151 million and approximately HK\$93 million, respectively (for the six months ended 30 June 2019: approximately HK\$219 million and approximately HK\$134 million, respectively), representing a decrease of approximately 31% and approximately 31%, respectively, as compared to the 2019 Corresponding Period. The decrease is mainly due to the COVID-19 pandemic which slowed down the properties sales activities during the Period and, therefore, lower the related sales recognition compared to the 2019 Corresponding Period.

## **General and Administrative Expenses, Selling Expenses and Finance Costs**

The Group recorded general and administrative expenses of approximately HK\$79 million in the Period (for the six months ended 30 June 2019: approximately HK\$92 million). The decrease is mainly due to the implementation of cost saving policies during the Period. Selling expenses were approximately HK\$15 million in the Period (for the six months ended 30 June 2019: approximately HK\$39 million), which is mainly due to the effect of COVID-19 pandemic that slowed down the property sales activities. Finance costs were approximately HK\$82 million in the Period (for the six months ended 30 June 2019: approximately HK\$94 million) and such decrease is mainly due to the repayment of interest-bearing 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\$39 million (for the six months ended 30 June 2019: net gain of approximately HK\$60 million). Such gain is mainly due to the improvement of income derived from Wuhan Baisazhou Agricultural and By-Product Exchange Market (“**Wuhan Baisazhou Market**”) and Luoyang Hongjin Agricultural and By-Product Exchange Market (“**Luoyang Market**”). Stock of properties value of approximately HK\$2 million was impaired during the Period (no stock of properties value was impaired during the six months ended 30 June 2019). The fair value was arrived at based on the valuations carried out by an independent firm of qualified professional valuers. The professional valuers are professional members of The Hong Kong Institute of Surveyors and the valuations conform to the Valuation Standard of The Hong Kong Institute of Surveyors.

## **Change in Fair Value of Derivative Financial Instruments**

During the Period, net loss in fair value of derivative financial instruments was approximately HK\$308,000 (for the six months ended 30 June 2019: net gain of approximately HK\$69,000) due to the closer to the maturity date.

## **Loss Attributable to Owners of the Company**

The loss attributable to owners of the Company for the Period was approximately HK\$23 million as compared with the profit attributable to owners of the Company of approximately HK\$8 million in the 2019 Corresponding Period. The Group recorded profit from operations before fair value change of investment properties and impairment of approximately HK\$67 million and profit from operations of approximately HK\$105 million for the Period (for the six months ended 30 June 2019: approximately HK\$98 million and approximately HK\$158 million, respectively). The loss attributable to owners of the Company are mainly due to the decrease of properties sales recognition and decrease in net gain in fair value of investment properties.

## REVIEW OF OPERATIONS

During the Period, the Group was principally engaged in management and sales of properties in agricultural produce exchange markets in the People's Republic of China (the “**PRC**”). The COVID-19 pandemic affected the properties sale performance and the operating performance of agricultural by-products exchange markets of the Group.

### Agricultural Produce Exchange Markets

#### *Hubei Province*

##### *Wuhan Baisazhou Market*

Located in the provincial capital of Hubei Province, the PRC, Wuhan Baisazhou Market is one of the largest agricultural produce exchange market 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 2020, it was awarded top 10 of agricultural produce exchange markets by China Agricultural Wholesale Market Association. The award recognises the effort and contribution of the Group in the agricultural market and it acknowledges the expertise of the Group as an agricultural produce exchange market operator in the PRC. Rental income from properties letting is the major income generated from Wuhan Baisazhou Market.

The outbreak of the COVID-19 pandemic significantly affected the market performance in the early 2020 as the Wuhan Baisazhou Market maintained a very limited operation during the period of the COVID-19 pandemic as required by the local government, resulting in a drop in the turnover of the Wuhan Baisazhou Market. However, since the COVID-19 pandemic had been gradually brought under control with the implementation of stringent precautionary control measures in the PRC, Wuhan Baisazhou Market had resumed its full operation and reported a satisfactory result.

##### *Huangshi Market*

Huangshi Hongjin Agricultural and By-Product Exchange Market (“**Huangshi Market**”) is one of the Group's joint venture projects in Hubei Province, the PRC. Huangshi Market occupies approximately 23,000 square metres. Huangshi city is a county level city in Hubei Province and around is 100 kilometres away from Wuhan Baisazhou Market. Huangshi Market, as a second-tier agricultural produce exchange market, created synergy with Wuhan Baisazhou Market to boost vegetables and by-products trading. During the early 2020, the performance of Huangshi Market was significantly affected by the COVID-19 pandemic, but had resumed to its full operation afterwards.

### *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. Suizhou Market occupies approximately 240,000 square metres. Phase one of Suizhou Market focused on vegetables and fruits transactions. The Group has pursued asset light business model by taking up the contract management rights to operate this new market in Hubei Province. The COVID-19 pandemic had moderately affected the performance of the market. During the Period, the operating performance of Suizhou Market was satisfactory.

### *Henan Province*

#### *Luoyang Market*

Luoyang Market is the flagship project of the Group in Henan Province, the PRC, with a site area and a gross floor area of approximately 255,000 square metres and approximately 223,000 square metres, respectively. During the Period, the COVID-19 pandemic slowed down the properties sale activities of Luoyang Market. As the outbreak of the COVID-19 pandemic was gradually brought under control, the operation of Luoyang Market had returned to normal. The market performance was satisfactory and contributed a positive cash flow to the Group.

#### *Puyang Market*

Puyang Hongjin Agricultural and By-Product Exchange Market (“**Puyang Market**”) was one of our joint venture projects in cooperation with a local partner in Henan Province, the PRC. During the Period, the operating performance of Puyang Market was satisfactory.

#### *Kaifeng Market*

Kaifeng Hongjin Agricultural and By-Product Exchange 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. The performance of Kaifeng Market had improved during the Period due to the closure of a competitive 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 (“**Guangxi Region**”), the PRC with a site area of approximately 415,000 square metres and a total gross floor area of approximately 196,000 square metres. It consists of various types of market stalls and multi-storey godown. As an energetic agricultural produce exchange market with continuously remarkable performance, Yulin Market has become one of the key agricultural produce exchange markets in Guangxi Region. Sale of properties is the major income generated from Yulin Market. The performance of Yulin Market was satisfactory during the Period.

### ***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 Period, the performance of Qinzhou Market was satisfactory.

## ***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 fruits in the city and the northern part of Jiangsu Province, the PRC. The operating performance of Xuzhou Market was steady during the Period.

### ***Huai’an Market***

Huai’an Hongjin Agricultural and By-Product Exchange Market (“**Huai’an Market**”) occupies approximately 100,000 square metres and is located in Huai’an City of Jiangsu Province, the PRC. Phase one of Huai’an Market has begun its operation since October 2015 and it is expected that the performance of Huai’an Market will gradually improve after the market becomes more mature. During the Period, the Company had a legal dispute in respect of Huai’an Market with the joint venture partner, the details of which will be disclosed in note 19 to the condensed consolidated financial statements in the interim report for the six months ended 30 September 2020 to be published in compliance with the requirements under the Listing Rules.



## ***Liaoning Province***

### ***Panjin Market***

Panjin Hongjin Agricultural and By-Product Exchange Market (“**Panjin Market**”), with a construction area of around 50,000 square metres, is the first attempt of investment of the Group in Liaoning Province, the PRC. Panjin Market focused on the trading of river crabs. It is expected that the performance of Panjin Market will remain steady.

### **Food and Agricultural By-products Merchandising**

The Group launched the food and agricultural by-products merchandising business. During the COVID-19 pandemic, the company added the delivery service to community. The business returned to normal level and performed steadily afterwards.

### **E-commerce Development**

With the robust mobile network and widespread use of intelligent mobile devices in the PRC, the Group has put limited resources into e-commerce development linking online and offline customers in our agricultural produce exchange markets together. The Group took cautious cost control on e-business operation and will also explore opportunities to cooperate with other business partners in this area.

### **Cyber Risk and Security**

With computer system and internet network playing vital roles in its operation, the Group has designated professionals to monitor and assess potential cyber risk. Both hardware and software are kept track with appropriate company policies. Potential cyber risks and network security is one of the key concerns of the management, thus the Group has formulated policies and procedures to regulate the use of internet, physically safeguard of system power supply and regularly update of internet protection system and firewall to separate the intranet of the Group from 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 existing policies and procedures have been effectively in place to avoid data fraud or theft risk.

## **Environmental and Social Risk**

Due to the nature of the business, the Group will face a moderate environmental risk in case there is severe and permanent climate change across the PRC. Such risk may have an adverse impact on agricultural production and affect the turnover of the Group in market operation and property sales.

## **Outbreak of COVID-19 Pandemic**

During the outbreak of COVID-19 pandemic, the PRC government has imposed various restrictive measures to contain the rapid spread of COVID-19 pandemic across the territory, including limitation on locomotion of people and vehicles and further control on the hygienic condition of public markets. These measures slowed down the market trading activities and hence a reduction on relevant commission income. However, the impact on market is temporary due to nature of the business and with a quick containment to the spread of COVID-19 pandemic in the PRC, the market trading volume and income had gradually resumed to a normal level.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 September 2020, the Group had total cash and cash equivalents amounting to approximately HK\$449 million (31 March 2020: approximately HK\$340 million) whilst total assets and net assets were approximately HK\$5,508 million (31 March 2020: approximately HK\$5,139 million) and approximately HK\$1,562 million (31 March 2020: approximately HK\$1,485 million), respectively. The Group's gearing ratio as at 30 September 2020 was approximately 0.9 (31 March 2020: approximately 1.0), being a ratio of total bank and other borrowings, bonds, convertible bonds and promissory notes of approximately HK\$1,829 million (31 March 2020: approximately HK\$1,811 million), net of cash and cash equivalents of approximately HK\$449 million (31 March 2020: approximately HK\$340 million) to shareholders' funds of approximately HK\$1,562 million (31 March 2020: approximately HK\$1,485 million).

As at 30 September 2020, the ratio of total interest-bearing debts of approximately HK\$1,829 million (31 March 2020: approximately HK\$1,811 million) to total assets of approximately HK\$5,508 million (31 March 2020: approximately HK\$5,139 million) was approximately 33% (31 March 2020: approximately 35%).

## **CONVERTIBLE NOTES**

On 19 October 2016, the Company issued the 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 ordinary shares of the Company (the “**Shares**”) at a conversion price of HK\$0.4 per Share. During the Period, no Convertible Notes were converted into Shares by the holders of the Convertible Notes. As at 30 September 2020, the Convertible Notes with the outstanding principal amount of HK\$264.8 million was in issue.

## **LISTED NOTES DUE IN 2024 (“LISTED NOTES”)**

In May 2014, the Company established a HK\$1 billion medium term note program. The Listed Notes issued under the program are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) by way of debt issue to professional investors only (stock code: 5755). As at 30 September 2020, the Listed Notes in the principal amount of HK\$290 million remained outstanding.

## **CAPITAL COMMITMENTS, PLEDGES AND CONTINGENT LIABILITIES**

As at 30 September 2020, outstanding capital commitments, contracted but not provided for, amounted to approximately HK\$377 million (31 March 2020: approximately HK\$398 million) in relation to the purchase of property, plant and equipment, construction contracts and operating lease agreements. As at 30 September 2020, the Group had significant contingent liabilities in the amount of approximately HK\$0.2 million in relation to the guarantees provided by wholly-owned subsidiaries of the Company to our customers in favor of a bank for the loans provided by the bank to the customers of our projects (31 March 2020: approximately HK\$0.6 million).

As at 30 September 2020, certain investment properties and stock of properties with carrying amount of approximately HK\$1,714 million (31 March 2020: approximately HK\$1,633 million for land use rights and properties) were pledged to secure certain bank borrowings.

The Group did not have any outstanding foreign exchange contracts, interest or currency swaps or other financial derivatives as at 30 September 2020. The revenue, operating costs and bank deposits of the Group were mainly denominated in Renminbi 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 Renminbi. Currently, the Group does not have a foreign currency hedging policy. During the Period, due to the currency fluctuation of Renminbi against Hong Kong dollars, the Group had been considering, from time to time, alternative risk hedging tools to mitigate Renminbi currency exchange risk.

## DEBT PROFILES AND FINANCIAL PLANNING

As at 30 September 2020 and 31 March 2020, interest-bearing debts of the Group were analysed as follows:

	As at 30 September 2020		As at 31 March 2020	
	Carrying	Approximate	Carrying	Approximate
	amount	effective	amount	effective
	HK\$ million	interest rate	HK\$ million	interest rate
		(per annum)		(per annum)
Bonds Issuance	186	12%	177	12%
Convertible Notes	252	12%	247	12%
Financial Institution Borrowings	415	6%	411	6%
Non-financial Institution Borrowings	600	10%	600	10%
Promissory Notes	<u>376</u>	5%	<u>376</u>	5%
<b>Total</b>	<b><u>1,829</u></b>		<b><u>1,811</u></b>	

*Note:*

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

As at 30 September 2020, the bonds issued by the Company will mature in September 2024; the Convertible Notes will mature in October 2021; the financial institution borrowings of the Company matured during the period from January 2020 to September 2020 and will mature during the period from October 2020 to May 2029; the non-financial institution borrowings of the Company will mature in September 2022; and the holders of the promissory notes gave an undertaking not to indorse, assign, transfer or negotiate the promissory notes and to 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 would 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 19 to the condensed consolidated financial statements in the interim report for the six months ended 30 September 2020 to be published in compliance with the requirements under the Listing Rules.

## **TREASURY POLICY**

The Group's treasury policy includes diversification of funding sources. Internally generated cash flow and interest-bearing bank/non-financial institution loans were the general sources of fund to finance the operation of the Group during the Period. The Group regularly reviews its major funding positions so as 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 from time to time considers various types of equity and debt financing alternative, including but not limited to placement of new shares, rights issue of new shares, financial institution borrowings, non-financial institution borrowings, bonds issuance, convertible notes issuance, other debt financial instruments issuance, disposal of investment properties and sales of stock properties.

## **MATERIAL VALUATION METHOD OF INVESTMENT PROPERTIES AND REVIEW OF AUDIT COMMITTEE**

The investment properties of the Group were stated at fair value as at 30 September 2020. The fair value was arrived at based on the valuations carried out by an independent firm of qualified professional valuers. The professional valuers are professional members of The Hong Kong Institute of Surveyors with experience in the location of the properties being valued. The valuations are confirmed to be in accordance with HKIS Valuation Standards 2017, which incorporates the International Valuation Standards (IVS). The professional valuers valued the properties on the basis of capitalisation of the net income derived from the properties rental and made reference to the asking or transaction price of market comparable. For inventory portions of the properties, Direct Comparison Method is adopted based on the principle of substitution, where comparison is made based on prices realised on actual sales and/or asking prices of comparable properties. Comparable properties of similar size, scale, nature, 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.

The material valuation methods of investment properties valuation have been reviewed by the Audit Committee and the Board.

## **SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Save for the subsidiaries of the Company, there was no significant investments held, nor was there any material acquisition or disposal of subsidiaries during the Period. As at 30 September 2020, the Group did not have a concrete plan for material investments or capital assets nor acquisition or disposal of subsidiaries.

## RISK FACTORS RELATING TO OUR INDUSTRY AND BUSINESS OPERATIONS

As at 30 September 2020, the Group operated 11 agricultural produce exchange markets across five provinces in the PRC. In view of the ever-changing business environment in the PRC, the following are the principal risks, challenges and uncertainties faced by the Group, including: (1) fluctuation in the exchange rate of Renminbi against Hong Kong dollars, which affects the translation of the PRC assets and liabilities from Renminbi to Hong Kong dollars in the Group's financial reporting, in which the Group periodically monitors the exchange rate fluctuation, and prepares effective hedging mechanism to deal with adverse conditions in forex market, if necessary; (2) difficulty in obtaining adequate financing, in both equity and debt financing, to support our agri-products exchange markets that are capital intensive in nature. The Group regularly reviews the short-term and long-term liquidity level and prepare for the future capital need, as and when appropriate; (3) preserving or enhancing our competitive position in the agri-products exchange markets industry, in which the Group has designated personnel to monitor the market activities of competitors and formulate effective strategies to preserve our competitive position; (4) maintaining or enhancing the level of occupancy in our agri-products exchange markets, in which the Group launches, from time to time, various marketing campaigns to retain existing tenants and to attract new tenants; (5) obtaining all necessary licenses and permits for development, construction, operations and acquisition of agri-products exchange markets. The Group hires sufficient local staffs with professional qualifications to ensure all processes complying with local rules and regulations; and (6) to effect regulatory changes and amendments relating to agri-products exchange markets which affect operation and development of the Group, in both the national and local levels. The Group maintains a relatively flat organization structure and a high autonomous level to enable quick response to any changes in different aspects; (7) the rebound of COVID-19 epidemic will adversely affect the markets operation. The markets continuously carry out various contingency health and hygienic measures for the sake of the health and safety of all of our employees, tenants and visitors.

## 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, 27 December 2018 and 11 March 2020 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. On 8 January 2016, the Company received a judgment dated 31 December 2015 issued by the Beijing Court, by which the Beijing Court demanded MOFCOM to handle the Application again within 30 days.

On 23 May 2016, the Company received a decision (the “**Decision**”) issued by MOFCOM dated 19 May 2016 to the effect, among other things, that its approval issued in November 2007 (the “**Approval**”) in relation to the Contended Agreements shall not be revoked and shall remain to be in force. In making the Decision, MOFCOM considered that the revocation of the Approval as requested by Ms. Wang and Tian Jiu may cause serious damage to the public interest.



Upon the making of the Decision by MOFCOM that the Approval shall not be revoked and shall remain in force in August 2016, the Company noted that Ms. Wang and Tian Jiu had brought another administrative proceedings (the “**Administrative Proceedings**”) to the Beijing Court. According to a writ dated 3 August 2016, Ms. Wang and Tian Jiu requested the Beijing Court to revoke the Decision and to order MOFCOM to make a decision to revoke the Approval. According to a notice issued by the Beijing Court dated 26 August 2016 together with the writ which was served to the Company on 30 August 2016, each of the Company and Baisazhou Agricultural has been added as third party by the Beijing Court to the Administrative Proceedings.

On 18 April 2017, the Company received the 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.

On 30 August 2017, the hearing for the appeal against the 31 March Judgment took place. On 24 December 2018, the Company received the judgment of the Beijing High People’s Court dated 20 December 2018 (the “**20 December Judgment**”). 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 Court as set out in the 31 March Judgment.

On 4 March 2020, the Company noted the judgment of the Supreme Court dated 31 December 2019 (the “**31 December Judgment**”). By the 31 December Judgment, the Supreme Court dismissed the application of Ms. Wang and Tian Jiu for retrial and for dismissal of the 31 March Judgment and the 20 December Judgment.

In other words, the approval issued by MOFCOM in November 2007 in relation to the Contended Agreements 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 SPA to make the necessary filing with MOFCOM.



On 10 May 2017, Ms. Wang and Tian Jiu applied to the Hubei Court for a freezing order in respect of the Company's 70% interest in Baisazhou Agricultural. According to the order of the Hubei Court dated 26 May 2017 (the "**26 May Order**"), the Hubei Court granted 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). On 10 April 2019, in light of the outcome of the legal proceedings against MOFCOM by Ms. Wang and Tian Jiu, the Company applied to the Hubei Court for withdrawal of the Company's claim. On 11 April 2019, the application of the Company was granted. According to the order of the Hubei Court dated 23 December 2019, the counterclaim made by Ms. Wang and Tian Jiu was dismissed by the Hubei Court.

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 19 to the consolidated financial statements in the interim report for the six months ended 30 September 2020 to be published in compliance with the requirements under the Listing Rules.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 September 2020, the Group had 1,193 employees (31 March 2020: 1,171), 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 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.

## **PROSPECTS**

During the Period, although the trade debate between the PRC and the United States of America has slowed down the global economic growth, such debate has temporary impact on the Group's operation which is mainly focus on domestic market. Looking ahead, the Group will continue to build up 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.

Since the outbreak of the COVID-19 pandemic, most of our agricultural produce exchange markets have continued to operate by taking various contingency health and hygienic measures for the sake of the health and safety of all of our employees, tenants and customers. The outbreak of COVID-19 pandemic inevitably has caused an adverse effect to the performance of our markets. Due to the nature of our operation, the outbreak only has a short-term effect to our operation and the performance of the markets will resume to normal levels when the outbreak ended.

Once again, agricultural development is the PRC central government's first priority policy for the next consecutive years. In 2020, the Central Committee of Communist Party of China and the State Council of China released the "No. 1 Central Document of 2020". The document vows to promote investments in agricultural produce markets, expand agricultural produce network, build logistic infrastructure and storage facilities of agriculture products and improve regional cold storage infrastructure. On the other hand, it is expected that the "Belt and Road Initiative" 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 opportunities, the Group has taken further steps to expand its operations in the PRC by cooperating with different partners with "asset light" strategy. 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**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the Period.

## **CORPORATE GOVERNANCE**

The Company complied with the code provisions set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules during the Period, except for the following deviation:

### **Code provision A.2.1**

Mr. Chan Chun Hong, Thomas (“**Mr. Chan**”) currently takes up the roles of both the chairman of the Board and the chief executive officer, which deviates 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**”) 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, all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the Period.

## **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 HLB the unaudited condensed consolidated interim results of the Group for the Period.

## **PUBLICATION OF INTERIM RESULTS AND DESPATCH OF INTERIM REPORT**

This interim results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.cnagri-products.com](http://www.cnagri-products.com)). The 2020 interim 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, 24 November 2020

*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.*