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## **CHINA AGRI-PRODUCTS EXCHANGE LIMITED**

**中國農產品交易有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 0149)**

### **ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2022**

The board (the “**Board**”) of directors (the “**Director(s)**”) of China Agri-Products Exchange Limited (the “**Company**”) announces the audited consolidated results of the Company and its subsidiaries (collectively referred to the “**Group**”) for the year ended 31 March 2022, together with the comparative figures for the year ended 31 March 2021, as follows:

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

*For the year ended 31 March 2022*

	<i>Notes</i>	<b>2022</b> <i>HK\$'000</i>	<b>2021</b> <i>HK\$'000</i>
<b>Turnover</b>	4	<b>868,685</b>	650,529
Cost of operation		<b>(412,500)</b>	(298,721)
<b>Gross profit</b>		<b>456,185</b>	351,808
Other revenue and other net income		<b>26,669</b>	41,158
Gain on litigation judgment		<b>48,572</b>	660,833
General and administrative expenses		<b>(148,828)</b>	(157,436)
Selling expenses		<b>(61,067)</b>	(30,559)

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

For the year ended 31 March 2022

	Notes	2022 HK\$'000	2021 HK\$'000
<b>Profit from operations before fair value changes and impairment</b>		<b>321,531</b>	865,804
Loss on early redemption of convertible bonds		—	(5,067)
Allowance for expected credit losses on trade and other receivables and loan receivables, net		(2,522)	(42,969)
Allowance for expected credit losses on financial assets at fair value through other comprehensive income (“FVTOCI”)		(5,566)	—
Net loss in fair value of investment properties		(53,477)	(14,202)
Loss on disposal of financial assets at FVTOCI		(22,190)	—
Loss on fair value change of derivative financial instruments		(59)	(263)
Unrealised gain/(loss) on financial assets at fair value through profit or loss		46	(6)
Written down of stock of properties		—	(1,747)
<b>Profit from operations</b>		<b>237,763</b>	801,550
Finance costs	6(a)	(131,970)	(157,087)
<b>Profit before taxation</b>	6	<b>105,793</b>	644,463
Income tax	7	(68,757)	(143,293)
<b>Profit for the year</b>		<b>37,036</b>	501,170
<b>Other comprehensive income/(loss), net of income tax</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		120,361	255,811
Loss on fair value of financial assets at FVTOCI		(27,756)	—
Reclassified adjustment for allowance for expected credit losses on financial assets at FVTOCI		5,566	—
Release on disposal of financial assets at FVTOCI		22,190	—
Other comprehensive income for the year, net of income tax		120,361	255,811
<b>Total comprehensive income for the year, net of income tax</b>		<b>157,397</b>	756,981
<b>Profit attributable to:</b>			
Owners of the Company		6,401	489,602
Non-controlling interests		30,635	11,568
		<b>37,036</b>	501,170
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		117,255	716,508
Non-controlling interests		40,142	40,473
		<b>157,397</b>	756,981
<b>Earnings per share</b>			
— Basic (HK cents)	9(a)	<b>0.06</b>	4.92
— Diluted (HK cents)	9(b)	<b>0.06</b>	4.91

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	Note	2022 HK\$'000	2021 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		59,200	56,800
Right-of-use assets		15,303	19,632
Investment properties		3,178,403	3,069,723
Loan and interest receivables		18,525	—
		<u>3,271,431</u>	<u>3,146,155</u>
<b>Current assets</b>			
Stock of properties		1,534,063	1,692,714
Trade receivables	10	1,888	9,766
Prepayment, deposits and other receivables		199,533	288,336
Loan and interest receivables		12,913	22,472
Financial assets at fair value through profit or loss		112	125
Pledged bank deposits		30,820	—
Bank and cash balances		440,328	424,675
		<u>2,219,657</u>	<u>2,438,088</u>
<b>Current liabilities</b>			
Deposits and other payables		487,653	520,612
Contract liabilities		233,727	586,577
Receipts in advance		243,927	234,863
Bank and other borrowings		809,122	227,856
Convertible bonds		—	131,363
Lease liabilities		4,912	5,054
Income tax payable		97,073	75,781
		<u>1,876,414</u>	<u>1,782,106</u>
<b>Net current assets</b>		<u>343,243</u>	<u>655,982</u>
<b>Total assets less current liabilities</b>		<u>3,614,674</u>	<u>3,802,137</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)***As at 31 March 2022*

	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
<b>Non-current liabilities</b>		
Bonds	<b>216,542</b>	195,630
Bank and other borrowings	<b>466,553</b>	816,453
Lease liabilities	<b>15,035</b>	20,200
Deferred tax liabilities	<b>565,012</b>	564,001
	<hr/>	<hr/>
	<b>1,263,142</b>	1,596,284
	<hr/>	<hr/>
<b>Net assets</b>	<b>2,351,532</b>	2,205,853
	<hr/> <hr/>	<hr/> <hr/>
<b>Capital and reserves</b>		
Share capital	<b>99,531</b>	99,531
Reserves	<b>1,839,782</b>	1,708,617
	<hr/>	<hr/>
<b>Total equity attributable to owners of the Company</b>	<b>1,939,313</b>	1,808,148
Non-controlling interests	<b>412,219</b>	397,705
	<hr/>	<hr/>
<b>Total equity</b>	<b>2,351,532</b>	2,205,853
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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2022*

### 1. GENERAL INFORMATION

China Agri-Products Exchange Limited (the “**Company**”, together with its subsidiaries the “**Group**”) is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The addresses of the registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business is Suite 3202, 32/F, Skyline Tower, 39 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong. The immediate holding company of the Company is Goal Success Investments Limited and the intermediate holding company is Wai Yuen Tong Medicine Holdings Limited (“**WYT**”) (Stock Code: 897). In the opinion of the directors of the Company, the ultimate holding company of the Company is Wang On Group Limited (Stock Code: 1222).

The Group is principally engaged in the management and sales of properties in agricultural produce exchange markets in the People’s Republic of China (the “**PRC**”). The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”) which is also the functional currency of the Company. All values are rounded to the nearest thousand (“**HK\$’000**”) except otherwise indicated.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and by the Hong Kong Companies Ordinance (“**CO**”).

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the periods presented, unless otherwise stated.

**(b) Basis of preparation of financial statements**

**(i) Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 *Lease*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

**(ii) Functional and presentation currency**

Items included in the financial statements of each of the Group’s subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the “**functional currency**”). The functional currency of the Company is HK\$. For the purposes of presenting the consolidated financial statements, the Group adopted HK\$ as its presentation currency for the convenience of the readers. The directors consider HK\$, being an internationally well-recognised currency, can provide more meaningful information to the Company’s investors.

All values are rounded to the nearest thousand unless otherwise stated.

**3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)**

**Amendments to HKFRSs that are mandatorily effective for the current year**

In the current year, the Group has applied 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 2021 for the preparation of the consolidated financial statements:

HKFRS 16 (Amendment)	Covid-19-Related Rent Concessions beyond 30 June 2021
HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform — Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “**Committee**”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

The application of the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

#### **New and amendments to HKFRSs in issue but not yet effective**

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

HKFRS 17	Insurance Contracts and the related Amendments <sup>2</sup>
HKFRS 3 (Amendments)	Reference to the Conceptual framework <sup>1</sup>
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>2</sup>
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies <sup>2</sup>
HKAS 8 (Amendments)	Definition of Accounting Estimates <sup>2</sup>
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>2</sup>
HKAS 16 (Amendments)	Property, Plant and Equipment — Proceeds before Intended Use <sup>1</sup>
HKAS 37 (Amendments)	Onerous Contracts — Cost of Fulfilling a Contract <sup>1</sup>
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2018-2020 <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

#### 4. TURNOVER

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from contracts with customers:		
<i>Recognised at a point in time</i>		
Revenue from property ancillary services	101,389	98,389
Commission income from agricultural produce exchange market	94,909	83,276
Revenue from property sales	418,564	233,183
Food and agricultural by-products merchandising	11,429	41,960
	<hr/> 626,291	<hr/> 456,808
Revenue from other sources:		
Property rental income	242,394	193,721
	<hr/> 868,685	<hr/> 650,529
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#### 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

The following is an analysis of the Group's revenues and results by reportable segments for the current year and prior year:

	Agricultural produce exchange market operation		Property sales		Unallocated		Consolidated	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
<b>Turnover</b>								
External sales	<u>450,121</u>	<u>417,346</u>	<u>418,564</u>	<u>233,183</u>	<u>—</u>	<u>—</u>	<u>868,685</u>	<u>650,529</u>
<b>Results</b>								
Segment result	<u>212,777</u>	<u>167,975</u>	<u>91,303</u>	<u>62,284</u>	<u>—</u>	<u>—</u>	<u>304,080</u>	230,259
Other revenue and other net income	10,953	36,768	—	—	15,716	4,390	26,669	41,158
Gain on litigation judgement	48,752	—	—	—	—	660,833	48,572	660,833
Net loss in fair value of investment properties	(53,477)	(14,202)	—	—	—	—	(53,477)	(14,202)
Loss on fair value change of derivative financial instruments	—	—	—	—	(59)	(263)	(59)	(263)
Written down of stock of properties	—	—	—	(1,747)	—	—	—	(1,747)
Allowance for expected credit losses on trade and other receivables and loan receivables, net	(426)	(722)	—	—	(2,096)	(42,247)	(2,522)	(42,969)
Allowance for expected credit losses on financial assets at FVTOCI	—	—	—	—	(5,566)	—	(5,566)	—
Loss on disposal of financial assets at FVTOCI	—	—	—	—	(22,190)	—	(22,190)	—
Loss on early redemption of convertible bonds	—	—	—	—	—	(5,067)	—	(5,067)
Unrealised gain/(loss) on financial assets of fair value through profit or loss	—	—	—	—	46	(6)	46	(6)
Unallocated corporate expenses							(57,790)	(66,446)
Profit from operation							237,763	801,550
Finance costs	(38,541)	(28,968)	—	—	(93,429)	(128,119)	(131,970)	(157,087)
Profit before taxation							105,793	644,463
Income tax							(68,757)	(143,293)
Profit for the year							<u>37,036</u>	<u>501,170</u>

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2 to the consolidated financial statements. Business segment represents the profit from each segment without allocation of certain other revenue and other net income, loss on fair value change of derivative financial instruments, unrealised gain/(loss) on financial assets of fair value through profit or loss, allowance for expected credit loss on trade and other receivables and loan receivables, allowance for expected credit losses on financial assets at FVTOCI, loss on disposal of financial assets at FVTOCI, loss on early redemption of convertible bonds, certain gain on litigation judgment, central administrative costs and directors' salaries, certain finance costs and income tax expenses. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the years ended 31 March 2022 and 2021.

### Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

	Agricultural produce exchange market operation		Property sales		Consolidated	
	2022	2021	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Assets</b>						
Segment assets	3,653,129	3,731,650	1,534,063	1,692,714	5,187,192	5,424,364
Unallocated corporate assets					303,896	159,879
Consolidated total assets					<u>5,491,088</u>	<u>5,584,243</u>
<b>Liabilities</b>						
Segment liabilities	2,048,190	1,970,543	233,727	408,568	2,281,917	2,379,111
Unallocated corporate liabilities					857,639	999,279
Consolidated total liabilities					<u>3,139,556</u>	<u>3,378,390</u>

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than financial assets at fair value through profit or loss and corporate assets.
- all liabilities are allocated to reportable segments other than bonds, convertible bonds, certain deferred tax liabilities and corporate liabilities.

## Other segment information

The following is an analysis of the Group's other segment information:

	Agricultural produce exchange market operation		Property sales		Unallocated		Consolidated	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Capital expenditure (Note)	70,524	22,785	—	—	334	6,690	70,858	29,475
Depreciation of property, plant and equipment	10,298	10,434	—	—	3,019	2,067	13,317	12,501
Depreciation of right-of-use assets	3,685	4,127	—	—	—	—	3,685	4,127

*Note:* Capital expenditure consists of additions to property, plant and equipment and investment properties.

For the years ended 31 March 2022 and 2021, no other single customers contributed 10% or more to the Group's revenue.

## Geographical information

As at the end of the reporting period, the entire revenue of the Group were generated from external customers located in the PRC and over 90% of non-current assets of the Group were located in the PRC. Accordingly, no geographical segment analysis on the carrying amount of segment assets or additions to property, plant and equipment is presented.

## 6. PROFIT BEFORE TAXATION

Profit before taxation is arrived after charging/(crediting):

### (a) Finance costs

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interests on bank and other borrowings wholly repayable within five years	95,990	84,470
Interests on bank and other borrowings wholly repayable over five years	1,339	3,768
Interests on promissory notes	—	18,720
Interests on convertible bonds	8,974	26,261
Interests on bonds	23,812	21,529
Interests on lease liabilities	1,855	2,339
	<u>131,970</u>	<u>157,087</u>

### (b) Staff costs (including directors' emoluments)

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Contributions to defined contribution retirement plans	3,985	1,775
Salaries, wages and other benefits	61,345	56,819
	<u>65,330</u>	<u>58,594</u>

(c) **Other items**

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Property rental income	242,394	193,721
Less: Outgoings	<u>(19,977)</u>	<u>(17,591)</u>
Net rental income	222,417	176,130
Depreciation of property, plant and equipment	13,317	12,501
Depreciation of right-of-use assets	3,685	4,127
Loss on disposal on property, plant and equipment	5,533	238
Auditors' remuneration		
— audit services	1,980	1,980
— other services	280	280
Expenses relating to short-term lease	2,505	146
Loss on early redemption of convertible bonds	—	5,067
Loss on fair value change of derivative financial instruments	59	263
Unrealised (gain)/loss on financial assets at fair value through profit or loss		
— investment in equity security listed	<u>(46)</u>	<u>6</u>
Total unrealised loss on financial assets at fair value through profit or loss, net	13	269
Equity-settled share-based payment expense	1,139	—
Cost of stock of properties	<u><u>266,413</u></u>	<u><u>156,215</u></u>

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

Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Current tax</b>		
PRC enterprise income tax	90,680	103,346
<b>Deferred tax</b>		
Origination and (reversal) of temporary difference	(21,923)	39,947
	<u>68,757</u>	<u>143,293</u>

No provision for Hong Kong Profits Tax has been made as the Group had no estimated assessable profits arising in Hong Kong for the years ended 31 March 2022 and 2021. PRC Enterprise Income Tax is computed according to the relevant legislation interpretations and practices in respect thereof during the year. PRC Enterprise Income Tax rate is 25% for the years ended 31 March 2022 and 2021.

## 8. DIVIDEND

The directors do not recommend the payment of any dividend in respect of the years ended 31 March 2022 and 31 March 2021 respectively.

## 9. EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately HK\$6,401,000 (2021: approximately HK\$489,602,000) and the weighted average number of 9,953,067,822 ordinary shares (2021: 9,953,067,822 ordinary shares) in issue during the year.

### (b) Diluted earnings per share

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share	6,401	489,602
Interest on convertible bonds, net of income tax	7,833	21,458
Loss on fair value change of derivative financial instruments	59	263
Loss on early redemption of convertible bonds	—	5,067
	<hr/>	<hr/>
Earnings for the purpose of diluted earnings per share	<b>14,293</b>	<b>516,390</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Number of shares</b>		
	2022	2021
<b>Shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>9,953,067,822</b>	9,953,067,822
Effect of dilutive potential ordinary shares:		
Convertible bonds	<b>185,580,822</b>	562,273,973
	<hr/>	<hr/>
Weighted average number of ordinary shares, for the purpose of diluted earnings per share	<b>10,138,648,644</b>	<b>10,515,341,795</b>
	<hr/> <hr/>	<hr/> <hr/>

Diluted earnings per share for the year ended 31 March 2022 were the same as basic earnings per share because the impact of the Company's share option had no dilutive effect and convertible bonds during the year had anti-dilutive effect.

## 10. TRADE RECEIVABLES

Trade receivables, net of allowance for expected credit losses, with the following ageing analysis presented based on the payment terms on the tenancy agreement as of the end of the reporting period:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Less than 30 days	703	8,617
More than 30 days but less than 90 days	470	385
More than 90 days but less than 180 days	322	548
More than 180 days	393	216
	<u>1,888</u>	<u>9,766</u>

The Group generally allows an average credit period of 30 days to its trade customers. The Group may on a case-by-case basis, and after evaluation of the business relationships and creditworthiness of its customers, extend the credit period upon customers' report.

## MANAGEMENT DISCUSSION AND ANALYSIS

### SUMMARY OF FINANCIAL RESULTS

#### Turnover, gross profit and segment result

For the year ended 31 March 2022 (the “Year”), the Group recorded a turnover of approximately HK\$869 million, representing an increase of approximately HK\$218 million as compared to that of the last financial year ended 31 March 2021. The below table summarises the key financial performance of the Group:

HK\$ million and approximate %	For the year ended 31 March 2022			For the year ended 31 March 2021		
	Agricultural Produce Exchange Market Operation	Property Sales	Total	Agricultural Produce Exchange Market Operation	Property Sales	Total
Turnover	450	419	869	418	233	651
Gross Profit	304	152	456	275	77	352
Segment Result	213	91	304	168	62	230
Gross Profit to Turnover	68%	36%	52%	66%	33%	54%
Segment Result to Turnover	47%	22%	35%	40%	27%	35%

The Group recorded a turnover of approximately HK\$869 million for the Year, representing an increase of approximately 33% as compared to approximately HK\$651 million of the last financial year, which was mainly due to the increase in property sales recognition during the Year. The Group recorded a gross profit and a segment result of approximately HK\$456 million and approximately HK\$304 million, respectively, for the Year (2021: approximately HK\$352 million and approximately HK\$230 million, respectively), representing an increase of approximately 30% and an increase of approximately 32%, respectively, as compared to that of the last financial year. The increase in gross profit and segment result was mainly due to the increase in property sales recognition during the Year.

### **Other revenue and other net income**

The Group recorded other revenue and other net income of approximately HK\$27 million for the Year (2021: approximately HK\$41 million). The decrease was mainly due to the government grant and subsidies.

### **Gain on litigation judgment**

The Group recorded approximately HK\$49 million gain on litigation judgment for the Year but recorded such gain in the last financial year in the amount of approximately HK\$661 million. The recognition of gain on litigation judgment in the last financial year was resulting from the verdict of the proceedings relating to the Group's of Wuhan market as disclosed in the announcement of the Company dated 18 January 2021, details of which have been disclosed in the section headed "Litigation" in this announcement and will be disclosed in note 36 to the consolidated financial statements of the annual report of the Company (the "**Annual Report**") to be published in accordance with the requirements under the Listing Rules.

### **General and administrative expenses, selling expenses and finance costs**

General and administrative expenses were approximately HK\$149 million for the Year (2021: approximately HK\$157 million). The decrease was mainly due to the continuous cost controls during the Year. Selling expenses were approximately HK\$61 million for the Year (2021: approximately HK\$31 million). The increase in selling expenses was mainly due to the increase in sales recognition and the related sales and promotion activities during the Year. Finance costs were approximately HK\$132 million for the Year (2021: approximately HK\$157 million), and such decrease was mainly due to the repayments of the convertible bonds during the Year.

### **Allowance for expected credit losses on trade and other receivables and loan receivables**

The Group recorded allowance for expected credit losses on trade and other receivables and loan receivables of approximately HK\$3 million for the Year (2021: approximately HK\$43 million). The decrease was mainly due to the long-aged trade and other receivables and loan receivables had been recognised in the last financial year.

## **Net loss in fair value of investment properties and written down of stock of properties**

During the Year, net loss in fair value of investment properties was approximately HK\$53 million (2021: net loss in fair value of investment properties of approximately HK\$14 million). The net loss was mainly due to decrease in fair value of Wuhan Baisazhou Agricultural and By-Product Exchange Market (“**Wuhan Baisazhou Market**”). Stock of properties value has not been written down for the Year (2021: written down of approximately HK\$2 million).

## **Loss on fair value change of derivative financial instruments**

During the Year, net loss in fair value of derivative financial instruments was approximately HK\$0.1 million (2021: loss of approximately HK\$0.3 million). The decrease of the net loss was due to the approaching of the due date of the convertible bonds.

## **Profit attributable to owners of the Company**

The profit attributable to owners of the Company for the Year was approximately HK\$6 million as compared to the profit of approximately HK\$490 million in the last financial year. Profit from operations before fair value changes and impairment, interest and tax was approximately HK\$322 million and the profit from operations was approximately HK\$238 million for the Year (2021: approximately HK\$866 million and approximately HK\$802 million, respectively). The decrease in profit attributable to owners of the Company was mainly due to decrease in gain on litigation judgment resulting from the verdict of Wuhan market legal case and offsetted by the combined effect of a number of other items, including (but not limited to) an increase in the Group’s consolidated profit from operation, a decrease in allowance for expected credit loss, decrease in finance costs and income tax expenses, increase in loss on disposal of financial assets at FVTOCI and unfavourable fair value changes on investment properties as compared to the last financial year.

## **DIVIDENDS**

The Directors do not recommend any payment of final dividend for the Year (2021: Nil). No interim dividend was paid to the shareholders of the Company (the “**Shareholders**”) for the six months ended 30 September 2021 (30 September 2020: Nil).

## REVIEW OF OPERATIONS

During the Year, the Group was principally engaged in management and sales of properties in agricultural produce exchange markets in the PRC. During the Year, the Coronavirus Disease 2019 (the “COVID-19”) epidemic rebounded in various parts of the PRC but it caused little impact on the Group’s business operations, as our markets have complied with the strict hygienic requirements imposed by the local authorities. To cope with the future growth, the Company has actively been studying and evaluating various business opportunities to diversify the income streams of the Group and to deliver long-term benefits to the Shareholders.

### Agricultural Produce Exchange Markets

#### *Hubei Province*

##### *Wuhan Baisazhou Market*

Wuhan Baisazhou Agricultural and By-Product Exchange Market (“**Wuhan Baisazhou Market**”) is one of the largest agricultural produce exchange operators in the PRC. Wuhan Baisazhou Market is situated in the Hongshan District of Wuhan City, the PRC with a site area of approximately 310,000 square metres and one of the most notable agricultural products market in Hubei Province. In 2021, Wuhan Baisazhou Market was awarded top 10 of agricultural produce exchange market by China Agricultural Wholesale Market Association. The award was a sign to the market contribution being made by the Group’s effort and expertise as an agricultural produce exchange market operator in the PRC.

In 2021, the legal disputes involving this market resulted in a judgment in favour of the Group. For further information related to the said legal disputes, please refer to the section headed “Litigation” in this announcement and note 36 to the consolidated financial statements of the Annual Report to be published in due course.

The outbreak of COVID-19 epidemic in various parts of the PRC during the Year did not cause significant effect on this market during the Year, and it was able to remain in normal operations.

### *Huangshi Market*

Huangshi Hongjin Agricultural and By-Product Exchange Market (“**Huangshi Market**”) is a joint venture project of the Group founded in January 2015 with an operating area of approximately 23,000 square metres. Huangshi city is a county level city in Hubei and around 100 kilometres away from Wuhan Baisazhou Market. Huangshi Market, as a second-tier agricultural produce exchange market, created synergy effect with Wuhan Baisazhou Market, facilitating vegetables and by-products trading. During the Year, the operation turnover of Huangshi Market increased by approximately 16% due to improvement of market operations.

### *Suizhou Market*

Suizhou Baisazhou Agricultural and By-Product Exchange Market (“**Suizhou Market**”) is another joint venture project of the Group founded in March 2018. It occupied approximately 240,000 square metres. The Group pursued asset-light operation business model by taking up the contract management rights to operate this market. During the Year, the turnover of Suizhou Market increased by approximately 65% as compared to that of the last financial year.

### *Henan Province*

#### *Luoyang Market*

Luoyang Hongjin Agricultural and By-Product Exchange 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. The business performance of Luoyang Market was satisfactory. The turnover increased approximately by 375% due to the increase of properties sale recognition during the Year as compared to that of the last financial year.

#### *Puyang Market*

Puyang Hongjin Agricultural and By-Product Exchange Market (“**Puyang Market**”) is one of our joint venture projects in cooperation with a local partner in Henan Province, the PRC. During the Year, Puyang Market faced a keen competition from a new market. The market turnover for the Year decreased by approximately 44% due to the decrease of properties sale recognition during the Year as compared to that of the last financial year.

### *Kaifeng Market*

Kaifeng Hongjin Agricultural and By-Product Exchange Market (“**Kaifeng Market**”), with a gross floor construction area of approximately 140,000 square metres, is the Group’s third market operation point for the facilitation of the building of an agricultural produce market network in Henan Province, the PRC. During the Year, the turnover of Kaifeng Market increased by approximately 117% from that of the last financial year due to the increase of properties sale recognition during the Year as compared to that of last financial year.

### *Guangxi Zhuang Autonomous Region*

#### *Yulin Market*

Yulin Hongjin Agricultural and By-Product Exchange Market (“**Yulin Market**”) is one of the largest agricultural produce exchange markets in Guangxi Zhuang Autonomous Region, the PRC (“**Guangxi Region**”) with a site area of approximately 415,000 square metres. The turnover of Yulin Market decreased by approximately 22% due to the decrease of properties sale recognition during the Year as compared to that of the last financial year.

#### *Qinzhou Market*

Qinzhou Hongjin Agricultural and By-Product Exchange Market (“**Qinzhou Market**”), with a gross floor construction area of approximately 180,000 square metres, is the Group’s second market operation point for the facilitation of the building of an agricultural produce market network in the Guangxi Region. The turnover of Qinzhou Market decreased by approximately 9% due to the decrease of properties sale recognition during the Year as compared to that of the last financial year.

### *Jiangsu Province*

#### *Xuzhou Market*

Xuzhou Agricultural and By-Product Exchange Market (“**Xuzhou Market**”) occupies approximately 200,000 square metres and is located in the northern part of Jiangsu Province, the PRC. The turnover of Xuzhou Market increased by approximately 9% as compared to that of the last financial year.

### *Huai'an Market*

Huai'an Hongjin Agricultural and By-Product Exchange Market (“**Huai'an Market**”), occupies approximately 100,000 square metres, is located at Huai'an City of Jiangsu Province, the PRC. Phase one of Huai'an Market had been in operation since October 2015 and it is expected that the performance of Huai'an Market will gradually improve after the market becomes more mature. During the Year, the legal dispute between the Company and the Huai'an Market joint venture partner has now come to an end. The details of which will be disclosed in note 36 to the consolidated financial statements of the Annual Report to be published in due course.

### *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 Group's first attempt in investment in Liaoning Province, the PRC. Panjin Market focused on the trading of river crabs and held regular market fairs. During the Year, the operation performance of Panjin Market was steady. The operation turnover increased by approximately 6% as compared to that of the last financial year.

### **E-commerce development**

With the robust mobile network and widespread use of intelligent mobile devices in the PRC, the Group allocated cost effective resources to e-commerce development. The Group would also explore opportunities to establish new electronic trading platform for energising the efficiency of agricultural products market.

### **Cyber risk and security**

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

## **Data fraud or theft risk**

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

## **Environmental and social risk**

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

## **Effect of the COVID-19 pandemic on the Group's business**

During the Year, the PRC government have imposed various measures to contain the spread of the COVID-19 virus. These included limiting the locomotion of people and vehicles and strengthening the markets hygiene controls. In response to such measures, the markets invested and improved fixtures and facilities to meet up with such measures. This helped to minimize the impacts of the COVID-19 pandemic on the operations and the financial performance of the Group during the Year.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 March 2022, the Group had total cash and cash equivalents amounting to approximately HK\$440 million (31 March 2021: approximately HK\$425 million) whilst total assets and net assets were approximately HK\$5,491 million (31 March 2021: approximately HK\$5,584 million) and approximately HK\$2,352 million (31 March 2021: approximately HK\$2,206 million), respectively. The Group's gearing ratio as at 31 March 2022 was approximately 0.4 (31 March 2021: approximately 0.4), being a ratio of (i) total bank and other borrowings and bonds of approximately HK\$1,492 million (31 March 2021: approximately HK\$1,371 million), net of cash and cash equivalents of approximately HK\$440 million (31 March 2021: approximately HK\$425 million) to (ii) shareholders' funds of approximately HK\$2,352 million (31 March 2021: approximately HK\$2,206 million).

As at 31 March 2022, the ratio of total interest-bearing debts of approximately HK\$1,492 million (31 March 2021: approximately HK\$1,371 million) to total assets of approximately HK\$5,491 million (31 March 2021: approximately HK\$5,584 million) was approximately 27% (31 March 2021: approximately 25%).

## CONVERTIBLE NOTES

On 19 October 2016, the Company issued the convertible notes with the aggregate principal amount of HK\$500 million which matured on 18 October 2021 (the “**Convertible Notes**”), which entitled the holders to convert into the shares of the Company (the “**Share(s)**”) at a conversion price of HK\$0.4 per Share. During the Year, no Convertible Notes were converted into Shares by the Convertible Notes’ holders. On 9 December 2020, the Company partially redeemed the Convertible Notes in the principal amount of HK\$130 million. The remaining principal amount of HK\$134.8 million had been fully redeemed on 18 October 2021. As at 31 March 2022, there were no outstanding Convertible Notes.

## LISTED NOTES DUE IN 2024 (THE “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 by way of debt issue to professional investors only (Stock Code: 5755). As at 31 March 2022, the Listed Notes in the principal amount of HK\$290 million remained outstanding. Carrying value of the Listed Notes was approximately HK\$217 million (31 March 2021: approximately HK\$196 million).

## CAPITAL COMMITMENTS, PLEDGES AND CONTINGENT LIABILITIES

As at 31 March 2022, outstanding capital commitments, contracted but not provided for, amounted to approximately HK\$272 million (31 March 2021: approximately HK\$241 million) in relation to the purchase of property, plant and equipment, construction contracts and operating lease agreements. As at 31 March 2022, the Group had no significant contingent liabilities (31 March 2021: approximately HK\$27,000 in relation to the guarantees provided by a wholly-owned subsidiary of the Company to our customers in favor of a bank for the loans provided by the bank to the customers of our project).

As at 31 March 2022, certain investment properties, stock of properties and bank deposits with carrying amount of approximately HK\$1,987 million (31 March 2021: approximately HK\$1,405 million for investment properties and stock of properties) were pledged to secure certain bank borrowings.

The Group did not have any outstanding foreign exchange contracts, interest or currency swaps or other financial derivatives as at 31 March 2022. The revenue, operating costs and bank deposits of the Group were mainly denominated in Renminbi (“**RMB**”) and Hong Kong dollars. The activities of the Group are exposed to foreign currency risks mainly arising from its operations in mainland China and certain bank deposits denominated in RMB. Currently, the Group does not have a foreign currency hedging policy. During the Year, due to the currency fluctuation of RMB against Hong Kong dollars, the Group had been considering, from time to time, alternative risk hedging tools to mitigate RMB currency exchange risk.

## DEBT PROFILES AND FINANCIAL PLANNING

As at 31 March 2022 and 31 March 2021, interest-bearing debts of the Group were analyzed as follows:

	As at 31 March 2022		As at 31 March 2021	
	Carrying amount <i>HK\$ million</i>	Approximate effective interest rate <i>(per annum)</i>	Carrying amount <i>HK\$ million</i>	Approximate effective interest rate <i>(per annum)</i>
Bonds Issuance	217	12%	196	12%
Convertible Notes	—	—%	131	12%
Financial Institution Borrowings	699	6%	444	6%
Non-financial Institution Borrowings	576	10%	600	10%
Total	<u>1,492</u>		<u>1,371</u>	

*Note:*

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

As at 31 March 2022, the bonds issued by the Company will mature in September 2024; the Convertible Notes reached maturity and were fully repaid in October 2021, the financial institution borrowings of the Company will mature during the period from May 2022 to May 2029; the non-financial institution borrowings of the Company will mature in September 2022.

## TREASURY POLICY

The Group's treasury policy includes diversifying the funding sources. Internally generated cash flow and interest-bearing bank/non-financial institution loans were the general sources of funds to finance the operation of the Group during the Year. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations. In order to meet interest-bearing debts and business capital expenditure, the Group is from time to time considering various alternatives including equity and debt financing including but not limited to new share placing, rights issues of new shares, financial institution borrowings, non-financial institution borrowings, bonds issuance, convertible notes, other debt financial instruments, disposal of investment properties and sales of stock of properties.

## CONTRACTUAL ARRANGEMENT OF E-COMMERCE BUSINESS

Shenzhen Gudeng Technology Limited (“**Shenzhen Gudeng**”), established in 2015, was an indirect wholly-owned subsidiary of the Group carrying out the business of e-commerce and electronic trading platform of the Group. For compliance with the relevant PRC regulatory requirements, on 11 July 2016 and 11 October 2016, the Group entered into an agreement to transfer its entire interest in Shenzhen Gudeng to a nominee shareholder and further entered into a series of contractual arrangements after obtaining the Internet Content Provider license issued by the Communication Authority of Guangdong Province to enable the Group to manage and operate the Internet Content Provider services of Shenzhen Gudeng. Following a series of contractual arrangements, Shenzhen Zhibo Tianyu Trading Development Limited (“**Shenzhen Zhibo**”), an indirect wholly-owned subsidiary of the Company, was granted an exclusive right which was exercisable at any time at its sole discretion, to acquire the entire equity interest in Shenzhen Gudeng from the nominee shareholder at a nominal consideration of RMB100 or the minimum amount permitted under the applicable PRC laws (whichever is higher).

On 20 December 2021, Shenzhen Zhibo exercised the exclusive right and entered into an equity transfer agreement with the nominee shareholder to acquire the entire equity interest in Shenzhen Gudeng at the consideration of RMB100. After the completion of the transfer, the operation of the Group's e-commerce platform in online agricultural products trading as supported by the contractual arrangements ceased and unwound.

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

The investment properties of the Group were stated at fair value as at 31 March 2022. 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 2020, which incorporates the International Valuation Standards (IVS). The professional valuers valued the investment properties on the basis of capitalisation of the net income derived from 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, maturity, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market value.

The material valuation methods of investment properties valuation have been reviewed by the audit committee of the Company (the “**Audit Committee**”) and the Board.

## **RISK FACTORS RELATING TO OUR INDUSTRY AND BUSINESS OPERATIONS**

As at 31 March 2022, the Group operated 11 agricultural produce exchange markets across 5 provinces in the PRC. In view of the ever-changing business environment in the PRC, the followings are the principal risks, challenges and uncertainties faced by the Group, including: (1) fluctuation in the exchange rate of RMB against Hong Kong dollars, which affects the translation of the PRC assets and liabilities from RMB to Hong Kong dollars in the Group’s financial reporting, in view of which the Group periodically monitors the exchange rate fluctuation, and prepare effective hedging mechanism to tackle when adverse condition happens; (2) difficulty in obtaining adequate financing, including equity and debt financing, to support our agri-products exchange markets that are capital intensive, in view of which the Group regularly reviews the short-term and long-term liquidity level to prepare for the future needs, as and when appropriate; (3) difficulty in preserving or enhancing our competitive position in the agri-products exchange markets industry, in view of which the Group has designated personnel to monitor our competitors’ activities and formulated effective strategies to preserve our competitive position; (4) difficulty in maintaining or enhancing the level of occupancy at our agri-products exchange markets, in view of which the Group launches, from time to time, various marketing campaigns to retain existing

tenants and to attract new tenants; (5) challenges in obtaining promptly all necessary licenses and permits for the development, construction, operations and acquisition of agri-products exchange markets, in view of which the Group hires sufficient local staff with professional qualifications to ensure all processes comply with local laws and regulations; (6) the effect of changes and amendments in the national and local laws and regulations, especially the laws and regulations relating to agri-products exchange markets, on the Group's operations and development, in view of which the Group maintains a relatively flat organizational structure with high autonomy to enable fast reaction to changes; and (7) the possible closure of agricultural produce exchange market in the event of outbreak of COVID-19 break out in our markets. The Group has applied strict epidemic prevention measures in the exchange markets, such as measure body temperature and check health code of the entrants, increase the frequency and intensity of the cleaning services inside common areas of the exchange markets.

## **DEPENDENCE OF EMPLOYEES, CUSTOMERS AND SUPPLIERS**

As the Group is adopting market remuneration practices by reference to market terms, company performance, and individual qualifications and performance and well-organized structure management, no key and specific employee would materially and significantly affect the Group's success. Meanwhile, there were no major customers and suppliers which accounted for over 5% of the Group's income and no major suppliers which cannot be replaced by other appropriate suppliers. In this connection, no customers and suppliers would have material impact on the success of the Group's business performance.

## **ENVIRONMENTAL POLICIES AND PERFORMANCE**

The operations and development of agri-products exchange markets are subject to a variety of environmental laws and regulations during their construction and operations. Major environmental impacts are caused by waste and wastewater generated during the construction and operations of the markets. The Group has, in compliance with the PRC environmental law, engaged independent environmental consultants to conduct environmental impact assessments on all our construction projects in all material aspects. The environmental investigations conducted to date have not revealed any environmental liability that would be expected to have a material adverse effect on our business condition. Upon completion of construction of each market, the environmental authorities inspect the site to ensure compliance with all applicable environmental standards. All our construction projects comply with the "three simultaneities" principles stipulated in the Environmental Protection Law of the PRC. For further details of the impact of environmental laws and regulations on our operations and our environmental policies, please refer to our Environmental, Social and Governance Report to be published in compliance with the requirements under the Listing Rules.

## COMPLIANCE WITH LAWS AND REGULATIONS

During the Year, the Group complied in material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. The Company also complied with the requirements under the Listing Rules, the Securities and Futures Ordinance and the laws of Bermuda during the Year. The Group continuously reviews newly enacted laws and regulations affecting the operations of the Group, if any, and provides relevant trainings and guidance to the staff.

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

On 18 June 2021, Century Choice Limited (“**Century Choice**”), a wholly-owned subsidiary of CAP and a substantial shareholder (the “**PRC Shareholder**”) of 玉林宏進農副產品批發市場有限公司 (Yulin Hongjin Agricultural By-products Wholesale Marketplace Limited (“**Yulin Hongjin**”)) entered into an agreement in relation to the reduction of registered capital contribution of Century Choice in Yulin Hongjin. Pursuant to the agreement, the PRC Shareholder waived its entitlement to the dividend of approximately RMB40.95 million declared by Yulin Hongjin for the financial year ended 31 December 2020 and directed the same to be paid to Century Choice, and the amount of registered capital contribution by Century Choice in Yulin Hongjin was reduced by an amount equal to approximately RMB41.90 million. As a result of such reduction of registered capital contribution, the CAP Group’s equity interest in Yulin Hongjin was decreased from 65% to 51%. Details of the capital reduction were disclosed in the joint announcement of, inter alia, the Company dated 18 June 2021.

Save as disclosed above, there was no significant investment held, nor was there any material acquisition or disposal of subsidiaries during the Year. As at 31 March 2022, the Group did not have a concrete plan for material investments or capital assets nor acquisition or disposal of subsidiaries.

## 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, 11 March 2020 and 30 March 2021 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 and other related legal proceedings.

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 by the Hubei Court.

According to the judgment of the Hubei Court dated 23 December 2019 (the "**23 December Judgment**"), the counterclaim made by Ms. Wang and Tian Jiu was dismissed by the Hubei Court.

According to the notice of appeal dated 19 January 2020, Ms. Wang and Tian Jiu appealed against the 23 December Judgment to the Supreme Court and requested for an order from the Supreme Court that (a) the 23 December Judgment be set aside and (b) return of the Company's 90% interest in Baisazhou Agricultural (70% for Ms. Wang and 20% for Tian Jiu).

On 29 March 2021, the Company received the judgment of the Supreme Court dated 29 December 2020 (the "**29 December Judgment**") stating that the appeal basis of Ms. Wang and Tian Jiu could not be established and was not supported by the Supreme Court. Accordingly, the Supreme Court dismissed the appeal of Ms. Wang and Tian Jiu and upheld the 23 December Judgment. The 29 December Judgment is final.

As advised by the PRC legal advisors of the Company, according to the 23 December Judgment and the 29 December Judgment, the Company continues to be the legal owner of Baisazhou Agricultural.

On or about 24 October 2011, the Company issued a Writ of Summons in the Hong Kong Court of First Instance (the "**HK Court**") against Ms. Wang and Tian Jiu. The Company (as purchaser) sought damages from Ms. Wang and Tian Jiu (as vendors) for their breach of various provisions of the SPA regarding the acquisition of the interest in Baisazhou Agricultural.

On 18 January 2021, the Court handed down a judgment (“**HK Judgment**”). Pursuant to the HK Judgment, the Court ruled, inter alia, that (i) Ms. Wang and Tian Jiu shall pay to the Company damages in the total sum of RMB510,000,001; (ii) the Company is entitled to set-off an amount of HK\$54,211,000 from the sum due by the Company to Ms. Wang under one of the Instruments (as defined hereinafter); (iii) as the quantum of the award of damages to the Company is greater than the amounts due under the two instruments (the “**Instruments**”) purportedly described as promissory notes issued by the Company to Ms. Wang and Tian Jiu as part of consideration for the SPA, Ms. Wang and Tian Jiu are not allowed to enforce the Instruments against the Company. In the circumstances, the Company is not required to make any payment under the Instruments to Ms. Wang or Tian Jiu.

For other detailed information of the litigation cases, please refer to note 36 to the consolidated financial statements in the annual report to be published by the Company in due course.

## **EVENT AFTER REPORTING PERIOD**

### **Financial Assistance of parent company**

Subsequent to the year ended 31 March 2022, on 3 May 2022, the Company proposed to enter into a loan agreement (the “**Ping An Loan**”) with Ping An Bank Co., Ltd. for a loan principal amount of RMB300 million (equivalent amount of Hong Kong Dollar) for a term of three years. As a condition to the Ping An Loan, Wai Yuen Tong Medicine Holdings Limited (the parent company of the Company listed on the Stock Exchange with Stock Code 897) (“**WYT**”) is required to provide a financial guarantee in respect of the Company’s obligations under the Ping An Loan. The financial guarantee provided by WYT constituted a connected transaction for WYT and Wang On Group Limited (the parent company of WYT listed on the Stock Exchange with Stock Code 1222) (“**WOG**”). On 22 June 2022, the independent shareholders of WYT and WOG approved the Ping An Loan at their respective special general meetings.

At the same special general meetings held on 22 June 2022, the respective independent shareholders of WOG and WYT also approved the revolving credit facility in favour of the Company, in an aggregate principal amount of HK\$576 million, in which HK\$506 million provided by Winning Rich Investments Limited (a wholly-owned subsidiary of WYT) and HK\$70 million provided by Double Leads Investments Limited (a wholly-owned subsidiary of WOG), for a term of five years at the interest rate of 10% per annum. Such facility would expire on 2 May 2027.

## NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2022, the Group had 1,115 employees (31 March 2021: 1,151), 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 (the "**Share Option Scheme**") on 3 May 2012 for the primary purpose of providing incentive to selected eligible persons to take up options for their contribution to the Group. During the Year, 226,000,000 share options with an exercise price of HK\$0.118 per share were granted to the chief executive officer and certain employees of the Group and no share option was vested, exercised, cancelled and lapsed. Details of the grant of share options under the Share Option Scheme have been disclosed in the Company's announcement dated 3 January 2022. The Share Option Scheme expired on 2 May 2022. The Company will seek shareholders' approval for the adoption of a new share option scheme at its forthcoming annual general meeting.

## PROSPECTS

During the Year, due to the resurgence of the COVID-19 in various parts of the PRC, the local authorities has tightened the public hygiene controls. Notwithstanding these, the operations of the Group during the Year had not been materially disrupted. We have maintained high caution for all of our agricultural produce exchange markets, enabling our markets to meet up with the new hygienic requirements. This maintains our competitiveness against many local and less-sophisticated competitors.

Once again, agricultural development is the PRC central government's first priority policy for the next consecutive years. In 2022, the Central Committee of Communist Party of China and the State Council of China released the "No. 1 Central Document of 2022". The document promises to promote investments in agricultural produce markets, expand agricultural produce network, build logistic infrastructure and storage facilities of agricultural products and improve regional cold storage infrastructure.

In June 2021, Opinions of 17 Departments including Ministry of Commerce on Strengthening of the Construction of the County-level Commercial System to Promote Rural Consumption No. 99 (2021) of the Ministry of Commerce (the “**Opinion**”) was issued. The Opinion states that comprehensive business service centers and logistics distribution center in county seats shall be transformed and upgraded whereas large urban distribution enterprises shall be encouraged to expand the rural market, build and share warehousing and other equipment and facilities.

In December 2021, Notice by State Council Issuing the 14th Five Year Development Plan for the Digital Economy No. 29 (2021) of the State Council was published, which states that the transformation of industrial digitalization was promoted steadily and agricultural digitalization was built in a comprehensive manner.

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 the Shareholders as a whole.

## **CORPORATE SOCIAL RESPONSIBILITY**

While the Group endeavors to promote business development and strive for greater rewards for our stakeholders, we acknowledge our corporate social responsibility to share some burden in building the society where our business has been established and thrived. During the past years, the Group made charity donations to organizations, including various non-government and non-profit making organizations. The Group will continue to devote further resources and effort for being a socially responsible corporation.

## **RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS**

The Group recognized enhancing and maintaining good relationships with suppliers and customers are essential for the Group’s overall growth and development. The Group placed specific caution on selection of quality suppliers and customers and encourages fair and open competition to foster long-term relationships with quality suppliers on the basis of mutual trust. The Group has kept good communications and shared business updates with them when appropriate.

## **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 Year.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company is committed to maintaining a high standard of corporate governance within a sensible framework with a strong emphasis on transparency, accountability, integrity and independence and enhancing the Company's competitiveness and operating efficiency, to ensure its sustainable development and to generate greater returns for the Shareholders.

The Board has reviewed the corporate governance practices of the Company and is satisfied that the Company had applied the principles and complied with all the code provisions set out in the Corporate Governance Code (the "CG Code") as contained in Appendix 14 to the Listing Rules throughout the Year.

## **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 Year.

## **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 management and the Company's external auditors the consolidated annual results of the Group for the financial year ended 31 March 2022.

## **SCOPE OF WORK OF HLB HODGSON IMPEY CHENG LIMITED**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 March 2022 as set out in this announcement have been agreed by the Group's auditors, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2022. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by HLB Hodgson Impey Cheng Limited on this announcement.

## **PUBLICATION OF FINAL RESULTS AND DESPATCH OF ANNUAL REPORT**

This 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 Annual Report containing all the information required by the Listing Rules will be despatched to the Shareholders and available on the above websites in due course.

By Order of the Board  
**CHINA AGRICULTURAL PRODUCTS EXCHANGE LIMITED**  
**中國農產品交易所有限公司**  
**Leung Sui Wah, Raymond**  
*Executive Director and Chief Executive Officer*

Hong Kong, 24 June 2022

*As at the date of this announcement, the executive Directors are Mr. Leung Sui Wah, Raymond and Mr. Yau Yuk Shing, the non-executive Director is Mr. Tang Ching Ho, and the independent non-executive Directors are Mr. Ng Yat Cheung, Mr. Lau King Lung and Mr. Wong Ping Yuen.*