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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 FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2023

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 2023, together with the comparative figures for the year ended 31 March 2022, as follows:

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

*For the year ended 31 March 2023*

	<i>Notes</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Turnover</b>	4	<b>596,400</b>	868,685
Cost of operation		<u>(265,635)</u>	<u>(412,500)</u>
<b>Gross profit</b>		<b>330,765</b>	456,185
Other revenue and other net income		<b>24,918</b>	26,669
Gain on litigation judgment		–	48,572
General and administrative expenses		<b>(163,702)</b>	(148,828)
Selling expenses		<b>(47,053)</b>	(61,067)
<b>Profit from operations before fair value changes and impairment</b>		<b>144,928</b>	321,531
Gain on early redemption of bonds		<b>15,556</b>	–

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

*For the year ended 31 March 2023*

	Notes	2023 HK\$'000	2022 HK\$'000
Allowance for expected credit losses on trade and other receivables and loan receivables, net		(2,936)	(2,522)
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		(4,651)	(53,477)
Loss on disposal of financial assets at FVTOCI		–	(22,190)
Loss on fair value change of derivative financial instruments		(159)	(59)
Unrealised gain on financial assets at fair value through profit or loss		11	46
Written down of stock of properties		(6,400)	–
<b>Profit from operations</b>		<b>146,349</b>	237,763
Finance costs	6(a)	(118,446)	(131,970)
<b>Profit before taxation</b>	6	<b>27,903</b>	105,793
Income tax	7	(9,402)	(68,757)
<b>Profit for the year</b>		<b>18,501</b>	37,036
<b>Other comprehensive (loss)/income, net of income tax</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(242,568)	120,361
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 (loss)/income for the year, net of income tax		(242,568)	120,361
<b>Total comprehensive (loss)/income for the year, net of income tax</b>		<b>(224,067)</b>	157,397
<b>Profit attributable to:</b>			
Owners of the Company		6,836	6,401
Non-controlling interests		11,665	30,635
		<b>18,501</b>	37,036
<b>Total comprehensive (loss)/income attributable to:</b>			
Owners of the Company		(206,327)	117,255
Non-controlling interests		(17,740)	40,142
		<b>(224,067)</b>	157,397
<b>Earnings per share</b>			
– Basic <i>(HK cents)</i>	9(a)	<b>0.07</b>	0.06
– Diluted <i>(HK cents)</i>	9(b)	<b>0.07</b>	0.06

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	<b>2023</b>	2022
<i>Notes</i>	<b>HK\$'000</b>	HK\$'000
<b>Non-current assets</b>		
Property, plant and equipment	57,853	59,200
Right-of-use assets	24,555	15,303
Investment properties	2,933,376	3,178,403
Loan and interest receivables	<u>17,209</u>	<u>18,525</u>
	<u><b>3,032,993</b></u>	<u>3,271,431</u>
<b>Current assets</b>		
Stock of properties	1,323,709	1,534,063
Trade receivables	10 1,964	1,888
Prepayment, deposits and other receivables	205,351	199,533
Loan and interest receivables	9,870	12,913
Financial assets at fair value through profit or loss	355	112
Pledged bank deposits	28,517	30,820
Bank and cash balances	<u>312,434</u>	<u>440,328</u>
	<u><b>1,882,200</b></u>	<u>2,219,657</u>
<b>Current liabilities</b>		
Deposits and other payables	386,641	456,307
Contract liabilities	166,096	233,727
Receipts in advance	200,089	243,927
Bank and other borrowings	229,173	809,122
Lease liabilities	6,436	4,912
Land appreciation tax payable	30,864	31,346
Income tax payable	<u>51,384</u>	<u>97,073</u>
	<u><b>1,070,683</b></u>	<u>1,876,414</u>
<b>Net current assets</b>	<u><b>811,517</b></u>	<u>343,243</u>
<b>Total assets less current liabilities</b>	<u><b>3,844,510</b></u>	<u>3,614,674</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(Continued)**As at 31 March 2023*

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
<b>Non-current liabilities</b>		
Bonds	<b>124,146</b>	216,542
Bank and other borrowings	<b>1,048,555</b>	466,553
Lease liabilities	<b>23,198</b>	15,035
Deferred tax liabilities	<b>521,199</b>	565,012
	<u><b>1,717,098</b></u>	<u>1,263,142</u>
<b>Net assets</b>	<u><b>2,127,412</b></u>	<u>2,351,532</u>
<b>Capital and reserves</b>		
Share capital	<b>99,531</b>	99,531
Reserves	<b>1,638,495</b>	1,839,782
	<u><b>1,738,026</b></u>	<u>1,939,313</u>
<b>Total equity attributable to owners of the Company</b>	<u><b>1,738,026</b></u>	<u>1,939,313</u>
Non-controlling interests	<b>389,386</b>	412,219
	<u><b>2,127,412</b></u>	<u>2,351,532</u>
<b>Total equity</b>	<u><b>2,127,412</b></u>	<u>2,351,532</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2023*

## 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 (“**WOG**”) (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**”) and food and agricultural by-products merchandising in Hong Kong. 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*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

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 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>3</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2024.

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 year, net of discount and sales related tax, is analysed as follows:

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
Revenue from contracts with customers:		
<i>Recognised at a point in time</i>		
Revenue from property ancillary services	<b>97,576</b>	101,389
Commission income from agricultural produce exchange market	<b>94,915</b>	94,909
Revenue from property sales	<b>169,020</b>	418,564
Food and agricultural by-products merchandising	<b>14,715</b>	11,429
	<u><b>376,226</b></u>	<u>626,291</u>
Revenue from other sources:		
Property rental income	<u><b>220,174</b></u>	<u>242,394</u>
	<u><b>596,400</b></u>	<u>868,685</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

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

	Agricultural produce exchange market operation		Property sales		Unallocated		Consolidated	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
<b>Turnover</b>								
External sales	<u>427,380</u>	<u>450,121</u>	<u>169,020</u>	<u>418,564</u>	<u>-</u>	<u>-</u>	<u>596,400</u>	<u>868,685</u>
<b>Results</b>								
Segment result	<u>166,649</u>	<u>212,777</u>	<u>33,523</u>	<u>91,303</u>	<u>-</u>	<u>-</u>	<u>200,172</u>	<u>304,080</u>
Other revenue and other net income	15,744	10,953	-	-	9,174	15,716	24,918	26,669
Gain on litigation judgment	-	48,752	-	-	-	-	-	48,572
Gain on early redemption of bonds	-	-	-	-	15,556	-	15,556	-
Allowance for expected credit losses on trade and other receivables and loan receivables, net	(1,513)	(426)	-	-	(1,423)	(2,096)	(2,936)	(2,522)
Allowance for expected credit losses on financial assets at FVTOCI	-	-	-	-	-	(5,566)	-	(5,566)
Net loss in fair value of investment properties	(4,651)	(53,477)	-	-	-	-	(4,651)	(53,477)
Loss on disposal of financial assets at FVTOCI	-	-	-	-	-	(22,190)	-	(22,190)
Loss on fair value change of derivative financial instruments	-	-	-	-	(159)	(59)	(159)	(59)
Unrealised gain on financial assets at fair value through profit or loss	-	-	-	-	11	46	11	46
Written down of stock of properties	-	-	(6,400)	-	-	-	(6,400)	-
Unallocated corporate expenses							<u>(80,162)</u>	<u>(57,790)</u>
Profit from operations							<u>146,349</u>	<u>237,763</u>
Finance costs	(45,396)	(38,541)	-	-	(73,050)	(93,429)	<u>(118,446)</u>	<u>(131,970)</u>
Profit before taxation							<u>27,903</u>	<u>105,793</u>
Income tax							<u>(9,402)</u>	<u>(68,757)</u>
Profit for the year							<u>18,501</u>	<u>37,036</u>

The accounting policies of the reportable segments are the same as the Group's accounting policies describe 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 on financial assets at fair value through profit or loss, certain allowance for expected credit losses on trade and other receivables and loan receivables, gain on early redemption of bonds, allowance for expected credit losses on financial assets at FVTOCI, loss on disposal of financial assets at FVTOCI, 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 2023 and 2022.

### Segment assets and liabilities

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

	<b>Agricultural produce exchange market operation</b>		<b>Property sales</b>		<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Assets</b>						
Segment assets	<b>3,398,330</b>	3,653,129	<b>1,323,709</b>	1,534,063	<b>4,722,039</b>	5,187,192
Unallocated corporate assets					<b>193,154</b>	303,896
Consolidated total assets					<b><u>4,915,193</u></b>	<b><u>5,491,088</u></b>
<b>Liabilities</b>						
Segment liabilities	<b>1,661,121</b>	2,048,190	<b>196,960</b>	233,727	<b>1,858,081</b>	2,281,917
Unallocated corporate liabilities					<b>929,700</b>	857,639
Consolidated total liabilities					<b><u>2,787,781</u></b>	<b><u>3,139,556</u></b>

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 and corporate liabilities.

## Other segment information

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

	Agricultural produce		Property sales		Unallocated		Consolidated	
	exchange market operation							
	2023	2022	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital expenditure (Note)	37,492	70,524	-	-	869	334	38,361	70,858
Depreciation of property, plant and equipment	11,843	10,298	-	-	2,384	3,019	14,227	13,317
Depreciation of right-of-use assets	4,264	3,685	-	-	-	-	4,264	3,685

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

For the years ended 31 March 2023 and 2022, no other single customers contributed 10% or more to the Group's revenue.

## Geographical information

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

## 6. PROFIT BEFORE TAXATION

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

### (a) Finance costs

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interests on bank and other borrowings wholly repayable within five years	94,231	95,990
Interests on bank and other borrowings wholly repayable over five years	1,504	1,339
Interests on convertible bonds	–	8,974
Interests on bonds	20,995	23,812
Interests on lease liabilities	1,716	1,855
	<u>118,446</u>	<u>131,970</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Contributions to defined contribution retirement plans	4,105	3,985
Salaries, wages and other benefits	62,135	61,345
Equity-settled share-based payment	4,647	1,139
	<u>70,887</u>	<u>66,469</u>

(c) **Other items**

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
Property rental income	<b>220,174</b>	242,394
Less: Outgoings	<b>(27,860)</b>	(19,977)
Net rental income	<b>192,314</b>	222,417
Depreciation of property, plant and equipment	<b>14,227</b>	13,317
Depreciation of right-of-use assets	<b>4,264</b>	3,685
(Gain)/loss on disposal on property, plant and equipment	<b>(539)</b>	5,533
Auditors' remuneration		
– audit services	<b>1,980</b>	1,980
– other services	<b>280</b>	280
Expenses relating to short-term lease	<b>394</b>	2,505
Loss on fair value change of derivative financial instruments	<b>159</b>	59
Unrealised gain on financial assets at fair value through profit or loss – investment in listed equity security	<b>(11)</b>	(46)
Total unrealised loss on financial assets at fair value through profit or loss, net	<b>148</b>	13
Cost of stock of properties	<b>124,310</b>	266,413

## 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Current tax</b>		
Hong Kong Profits Tax	220	–
PRC Enterprise Income Tax	<u>27,015</u>	<u>90,680</u>
	27,235	90,680
<b>Over provision in prior years</b>		
PRC Enterprise Income Tax	(16,668)	–
<b>Deferred tax</b>		
Reversal of temporary difference	<u>(1,165)</u>	<u>(21,923)</u>
	<u><u>9,402</u></u>	<u><u>68,757</u></u>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for the year ended 31 March 2023 (2022: No provision for Hong Kong Profits Tax has been made as the Group had no estimated assessable profits arising in Hong Kong). 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 2023 and 2022.

## 8. DIVIDEND

The directors do not recommend the payment of any dividend in respect of the years ended 31 March 2023 and 2022 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\$6,836,000 (2022: approximately HK\$6,401,000) and the weighted average number of 9,953,067,822 ordinary shares (2022: 9,953,067,822 ordinary shares) in issue during the year.

### (b) Diluted earnings per share

Diluted earnings per share for the year ended 31 March 2023 was the same as basic earnings per share because the impact of the Company's share options had no dilutive effect (2022: same as basic earnings per share because the impact of the Company's share options had no diluted effect and convertible bonds during the year had anti-dilutive effect).

## 10. TRADE RECEIVABLES

Included in trade receivables are trade debtors with the following ageing analysis presented based on the payment terms on the tenancy agreement as of the end of the reporting period:

	<b>2023</b>	2022
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Current to 30 days	<b>1,335</b>	703
31 to 90 days	<b>313</b>	470
91 to 180 days	<b>51</b>	322
Over 180 days	<b>265</b>	393
	<b><u>1,964</u></b>	<u>1,888</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 2023 (the “Year”), the Group recorded a turnover of approximately HK\$596 million, representing a decrease of approximately HK\$273 million as compared to that of the last financial year ended 31 March 2022. The below table summarises the key financial performance of the Group:

HK\$ million and approximate %	For the year ended 31 March 2023			For the year ended 31 March 2022		
	Agricultural Produce Exchange Market Operation	Property Sales	Total	Agricultural Produce Exchange Market Operation	Property Sales	Total
Turnover	427	169	596	450	419	869
Gross Profit	287	44	331	304	152	456
Segment Result	167	33	200	213	91	304
Gross Profit to						
Turnover	67%	26%	56%	68%	36%	52%
Segment Result to						
Turnover	39%	20%	34%	47%	22%	35%

The Group recorded a turnover of approximately HK\$596 million for the Year, representing a decrease of approximately 31% as compared to approximately HK\$869 million of the last financial year, which was mainly due to decrease in property sales recognition during the Year. The Group recorded a gross profit and a segment result of approximately HK\$331 million and approximately HK\$200 million, respectively, for the Year (2022: approximately HK\$456 million and approximately HK\$304 million, respectively), representing a decrease of approximately 27% and a decrease of approximately 34%, respectively, as compared to that of the last financial year. The decrease in gross profit and segment result was mainly due to the decrease 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\$25 million for the Year (2022: approximately HK\$27 million). The decrease was mainly due to decrease in bank and other interest income.

### **Gain on litigation judgment**

The Group recorded no gain or loss on litigation judgment for the Year as compared to such gain in the last financial year in the amount of approximately HK\$49 million.

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

General and administrative expenses were approximately HK\$164 million for the Year (2022: approximately HK\$149 million). The increase was mainly due to the increase in new business preparation cost including but not limited to salary, travelling and others, during the Year. Selling expenses were approximately HK\$47 million for the Year (2022: approximately HK\$61 million). The decrease in selling expenses was mainly due to the decrease in sales recognition and the related sales and promotion activities during the Year. Finance costs were approximately HK\$118 million for the Year (2022: approximately HK\$132 million), and such decrease was mainly due to decrease of the financial cost 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 (2022: approximately HK\$3 million).

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

During the Year, net loss in fair value change of investment properties was approximately HK\$5 million (2022: net loss in fair value of investment properties of approximately HK\$53 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 been written down of approximately HK\$6 million for the Year (2022: Nil).

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

During the Year, loss on fair value change of derivative financial instruments was approximately HK\$0.2 million (2022: loss of approximately HK\$0.1 million). The increase of the net loss was mainly due to the loss on fair value change of put options.

## **Income tax**

Income tax was approximately HK\$9 million for the Year (2022: approximately HK\$69 million). The decrease was mainly due to the decrease in tax provision arising from lower assessable profits, particularly, as a result of the decrease in property sales and decrease in gain on litigation judgment, and over-provision recognised during the Year. In addition, decrease in tax provision arising from capital reduction of a subsidiary also cause the significant drop of income tax for the Year.

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

The profit attributable to owners of the Company for the Year was approximately HK\$7 million as compared to the profit of approximately HK\$6 million in the last financial year. Profit from operations before fair value changes and impairment, interest and tax was approximately HK\$145 million and the profit from operations was approximately HK\$146 million for the Year (2022: approximately HK\$322 million and approximately HK\$238 million, respectively). The increase in profit attributable to owners of the Company was mainly due to the decrease in net loss in fair value of investment properties and loss on disposal of financial assets at FVTOCI and offsetted by the combined effect of a number of items, including (but not limited) the decrease in property sales recognition and no gain on litigation judgment as compared to the last financial year.

## **DIVIDENDS**

The Directors do not recommend any payment of final dividend for the Year (2022: Nil). No interim dividend was paid to the shareholders of the Company (the “**Shareholders**”) for the six months ended 30 September 2022 (30 September 2021: 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. Since the early 2023, the Coronavirus Disease 2019 (the “**COVID-19**”) epidemic phased out and the PRC government lifted the relevant control measures. This helps to boost the weakened economy, and has a positive effect on the Group’s performance. To cope with the future growth, the Group has actively been studying and evaluating various business opportunities. During the Year, the Group incurred some costs for preparing new business. The new business is expected to, upon launch, help 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 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. Wuhan Baisazhou Market was awarded top 50 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. Rental income from properties letting is the major income generated from Wuhan Baisazhou Market.

The COVID-19 epidemic phased out since the beginning of 2023. During the Year, the epidemic did not cause significant effect on this market which 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 performance of Huangshi Market was steady.

#### *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 11% 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 of approximately 255,000 square metres. The turnover decreased by approximately 52% due to the decrease 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 keen competition from a new market. The turnover increased by approximately 33% due to the improvement in agricultural products transaction commission 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 decreased by approximately 31% from that of the last financial year due to the decrease of properties sale recognition 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 46% 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 operation performance of Qinzhou Market was steady during the 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 decreased by approximately 3% 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 transaction volume of Huai’an Market will gradually improve after the market becomes more mature.

### *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 decreased by approximately 4% 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 has launched a new electronic trading platform for energising the efficiency of agricultural products market. At the moment, the Group would take cautious cost control in electronic trading platform development.

## **Cyber risk and security**

With information technology system and internet network playing vital roles in its operation, the Group has designated professionals to monitor and assess potential cyber risks. 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, to physically safeguard system power supply and to regularly update 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 put 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 in 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.

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

From the beginning of 2023, the PRC government has lifted various COVID-19 containment measures. The impacts of the COVID-19 pandemic phased out on the operations and the financial performance of the Group during the Year. However, the Group's markets continued implementing various measures to maintain the markets' hygiene controls.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 March 2023, the Group had total cash and cash equivalents amounting to approximately HK\$312 million (31 March 2022: approximately HK\$440 million) whilst total assets and net assets were approximately HK\$4,915 million (31 March 2022: approximately HK\$5,491 million) and approximately HK\$2,127 million (31 March 2022: approximately HK\$2,352 million), respectively. The Group's gearing ratio as at 31 March 2023 was approximately 0.5 (31 March 2022: approximately 0.4), being a ratio of (i) total bank and other borrowings and bonds of approximately HK\$1,402 million (31 March 2022: approximately HK\$1,492 million), net of cash and cash equivalents of approximately HK\$312 million (31 March 2022: approximately HK\$440 million) to (ii) shareholders' funds of approximately HK\$2,127 million (31 March 2022: approximately HK\$2,352 million).

As at 31 March 2023, the ratio of total interest-bearing debts of approximately HK\$1,402 million (31 March 2022: approximately HK\$1,492 million) to total assets of approximately HK\$4,915 million (31 March 2022: approximately HK\$5,491 million) was approximately 29% (31 March 2022: approximately 27%).

## **LISTED NOTES DUE IN 2024 (“LISTED NOTES”) AND PARTIAL REPURCHASE DURING THE YEAR**

In May 2014, the Company established a HK\$1,000,000,000 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 31 March 2023, the Listed Notes in the principal amount of HK\$150 million (31 March 2022: HK\$290 million) remained outstanding after the repurchase and cancellation in the principal amount of HK\$140 million during the Year. Carrying value of the Listed Notes was approximately HK\$124 million (31 March 2022: approximately HK\$217 million).

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

As at 31 March 2023, outstanding capital commitments, contracted but not provided for, amounted to approximately HK\$224 million (31 March 2022: approximately HK\$272 million) in relation to the purchase of property, plant and equipment, construction contracts and operating lease agreements. As at 31 March 2023, the Group had significant contingent liabilities in the amount of approximately HK\$328,000 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 (31 March 2022: no significant contingent liabilities).

As at 31 March 2023, certain investment properties, stock of properties and bank deposits with carrying amount of approximately HK\$2,166 million (31 March 2022: approximately HK\$1,987 million for investment properties, stock of properties and bank deposits) 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 2023. 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 2023 and 31 March 2022, interest-bearing debts of the Group were analyzed as follows:

	As at 31 March 2023		As at 31 March 2022	
	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>
Listed Notes <i>(note *)</i>	124	12%	217	12%
Financial Institution Borrowings <i>(note **)</i>	882	5%	699	6%
Non-financial Institution Borrowings <i>(note **)</i>	<u>396</u>	10%	<u>576</u>	10%
Total	<u><u>1,402</u></u>		<u><u>1,492</u></u>	

Note:

\* the Listed Notes which were made in Hong Kong dollars with fixed interest rates;

\*\* other items as mentioned in the above table were made in Hong Kong dollars and RMB with fixed and floating interest rates.

As at 31 March 2023, the Listed Notes issued by the Company will mature in September 2024; the financial institution borrowings of the Company will mature during the period from May 2023 to May 2029 (31 March 2022: May 2022 to May 2029); the non-financial institution borrowings of the Company will mature during the period from April 2023 to May 2027 (31 March 2022: 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 from time to time considers 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.

## **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 2023. 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 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 vacant site and 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 of the Company (the “**Audit Committee**”) and the Board.

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

As at 31 March 2023, 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 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 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) difficulty in 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) difficulty in 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) challenges in obtaining promptly all necessary licenses and permits for development, construction, operations and acquisition of agri-products exchange markets. The Group hires sufficient local staff members with professional qualifications to ensure all processes complying with local rules and regulations; and
- (6) to the effect of 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.

## **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 a 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, which will be uploaded on the websites of the Stock Exchange and the Company in due course.

## **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.

## **CONTINUING CONNECTED TRANSACTIONS MASTER LICENSING AGREEMENT**

On 1 October 2022, WOG and the Group entered into a master licensing agreement which sets out the general principles and key terms governing the definitive licensing agreements under which relevant members of the WOG may grant license of, and the Group may take up the license of the premises from 1 October 2022 to 30 September 2025. Details were disclosed in the joint announcement of the Company, WYT and WOG dated 1 October 2022.

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

There was no significant investment held, nor was there any material acquisition or disposal of subsidiaries, associates and joint ventures during the Year. As at 31 March 2023, the Group did not have any concrete plan for material investments or capital assets nor acquisition or disposal of subsidiaries, associates and joint ventures.

## **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.

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.

On 20 April 2023, the Court ruled in respect of the total damages that Ms. Wang and Tian Jiu shall pay to the Company in respect of the HK Judgment and ruled that Ms. Wang and Tian Jiu shall pay to the Company damages in the sum of HK\$567,037,325.74, together with interest thereon at judgment rate from 18 January 2021 until payment.

The Company is seeking legal advice for the recovery of damages against Ms. Wang and 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**

On 12 April 2023, the Company repurchased outstanding Listed Notes in an aggregate principal amount of HK\$10,000,000 via open market. The repurchased notes had been cancelled on 21 April 2023. Details of repurchase were disclosed in the announcement dated 12 April 2023.

## **NUMBER OF EMPLOYEES AND REMUNERATION POLICY**

As at 31 March 2023, the Group had 1,116 employees (31 March 2022: 1,115), 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. Remuneration 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 new share option scheme on 26 August 2022 for the primary purpose of rewarding eligible participants and to encourage them to work towards enhancing the value of the Company for the benefit of the Company and the Shareholders as a whole.

## **PROSPECTS**

During the Year, the tension between the PRC and the United States worsened and has slowed down the economic growth. However, such friction has little impact on the Group's operation which is mainly focused on the domestic market. Looking ahead, the Group will continue to build a nationwide agricultural produce exchange network by leveraging on its leading position in the industry, readily replicable business model, well-advanced management system, information technology infrastructure and quality customer services.

Since the beginning of 2023, COVID-19 phased out, the local governments have canceled most of the health and hygiene measures imposed during the time. All of our agricultural produce exchange markets followed but continued to implement a certain level of health and hygiene measures as our competitive edges against many local and less-sophisticated competitors. This also helps us be better adopt to the post-pandemic market environment as public health and hygiene become a major topic in the future.

Once again, agricultural development is the PRC central government's first priority policy for the next consecutive years. In 2023, the Central Committee of Communist Party of China and the State Council of China released the "No. 1 Central Document of 2023". The document vows to promote investments in agricultural produce markets, expand the agricultural produce network, build logistic infrastructure and storage facilities for 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 an "asset light" strategy. It has also explored electronic platform development to capture the opportunity of technology advancement in which the PRC government promotes data economy. A further expansion of the CAP Group's scope to wet market and trading is also being pursued with its leading position in the industry, the Group is confident that its business strategy and operation model will deliver long-term benefits to the Company and its shareholders as a whole.

## **CORPORATE SOCIAL RESPONSIBILITY**

While the Group endeavors to promote business development and strives 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 charitable donations to organizations, including various non-government and non-profit making organizations. The Group will continue to devote further resources and effort to 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 the 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**

During the financial year ended 31 March 2023, the Company completed the repurchase and the cancellation of the outstanding Listed Notes in the aggregate principal amount of HK\$140,000,000 under the HK\$1,000,000,000 medium term note programme on the Stock Exchange. Following the repurchase and the cancellation, the Listed Notes in the principal amount of HK\$150,000,000 remained outstanding as of 31 March 2023.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the Year.

The Company further repurchased part of the Listed Notes in an aggregate principal amount of HK\$10,000,000 of the outstanding Listed Notes on 12 April 2023.

After cancellation of the repurchased notes and as at the date of this announcement, the principal amount of the Listed Notes remaining outstanding was HK\$140,000,000.

## **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 2023.

## **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 2023 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 2023. 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.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Thursday, 17 August 2023 to Tuesday, 22 August 2023, both days inclusive, during which period no transfers of shares will be registered. In order to be qualified to attend and vote at the 2023 annual general meeting, all transfers of share(s), accompanied by the relevant share certificate(s) with the properly completed transfer form(s) either overleaf or separately, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 16 August 2023.

## **ANNUAL GENERAL MEETING**

The 2023 annual general meeting of the Company will be held at Garden Room A-D, 2/F, New World Millennium Hong Kong Hotel, 72 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Tuesday, 22 August 2023 at 10:45 a.m. and the notice convening such meeting will be published and despatched to the Shareholders in the manner as required by the Listing Rules in due course.

## **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 AGRI-PRODUCTS EXCHANGE LIMITED**  
中國農產品交易有限公司  
**Leung Sui Wah, Raymond**  
*Executive Director and Chief Executive Officer*

Hong Kong, 28 June 2023

*As at the date of this announcement, the executive Directors are Mr. Tang Ching Ho, 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.*