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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Director(s)**”) of China Agri-Products Exchange Limited (the “**Company**”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 September 2021 (the “**Period**”), together with the comparative figures for the six months ended 30 September 2020 (“**2020 Corresponding Period**”). These condensed consolidated interim financial statements were not audited, but have been reviewed by HLB Hodgson Impey Cheng Limited (“**HLB**”), the Group’s external auditors, and the audit committee of the Company (the “**Audit Committee**”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2021

		For the six months ended 30 September 2021 (Unaudited) HK\$’000	For the six months ended 30 September 2020 (Unaudited) HK\$’000
	Notes		
Turnover	3	411,791	292,413
Cost of operation		<u>(183,889)</u>	<u>(141,780)</u>
Gross profit		227,902	150,633
Other revenue and other net income	4	7,855	10,323
General and administrative expenses		(74,622)	(79,418)
Selling expenses		<u>(23,410)</u>	<u>(14,608)</u>
Profit from operations before fair value changes and impairment		137,725	66,930
Net gain in fair value of investment properties		3,527	39,473
Loss on fair value of derivative financial instruments		(59)	(308)
Written down of stock of properties		—	(1,689)
(Allowance for)/Reversal of expected credit losses on trade and other receivables and loan receivables, net		(1,142)	269
Allowance for expected credit losses on financial asset at fair value through other comprehensive income (“ FVTOCI ”)		(5,566)	—
Unrealised gain/(loss) on financial asset at fair value through profit or loss (“ FVTPL ”)		<u>84</u>	<u>(8)</u>

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

For the six months ended 30 September 2021

	<i>Notes</i>	For the six months ended 30 September 2021 (Unaudited) HK\$'000	For the six months ended 30 September 2020 (Unaudited) HK\$'000
Profit from operations		134,569	104,667
Finance costs	6	<u>(66,129)</u>	<u>(82,487)</u>
Profit before taxation	7	68,440	22,180
Income tax	8	<u>(34,486)</u>	<u>(40,772)</u>
Profit/(loss) for the period		33,954	(18,592)
Other comprehensive income, net of income tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		60,064	130,655
Loss on fair value of debt instrument measured at FVTOCI		(1,130)	—
Reclassified adjustment for allowance for excepted credit losses on debt instrument measured at FVTOCI		<u>5,566</u>	<u>—</u>
Other comprehensive income for the period, net of income tax		<u>64,500</u>	<u>130,655</u>
Total comprehensive income for the period, net of income tax		<u>98,454</u>	<u>112,063</u>
Profit/(loss) attributable to:			
Owners of the Company		18,294	(22,567)
Non-controlling interests		<u>15,660</u>	<u>3,975</u>
		<u>33,954</u>	<u>(18,592)</u>
Total comprehensive income attributable to:			
Owners of the Company		75,998	93,687
Non-controlling interests		<u>22,456</u>	<u>18,376</u>
		<u>98,454</u>	<u>112,063</u>
Earnings/(loss) per share			
— Basic <i>(HK cents)</i>	10	<u>0.18</u>	<u>(0.23)</u>
— Diluted <i>(HK cents)</i>	10	<u>0.18</u>	<u>(0.23)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2021 (Unaudited) <i>HK\$'000</i>	As at 31 March 2021 (Audited) <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		55,448	56,800
Right-of-use assets		16,752	19,632
Investment properties		3,135,098	3,069,723
		3,207,298	3,146,155
Current assets			
Stock of properties		1,631,162	1,692,714
Trade and other receivables	<i>11</i>	278,360	298,538
Loan receivables		24,863	22,036
Financial assets at FVTOCI		37,705	—
Financial assets at FVTPL		150	125
Pledged bank deposits		30,131	—
Bank and cash balances		442,307	424,675
		2,444,678	2,438,088
Current liabilities			
Deposits and other payables	<i>12</i>	510,107	520,612
Contract liabilities		442,753	586,577
Receipts in advance		188,474	234,863
Bank and other borrowings		899,388	227,856
Convertible bonds		134,483	131,363
Lease liabilities		4,681	5,054
Income tax payable		98,016	75,781
		2,277,902	1,782,106
Net current assets		166,776	655,982
Total assets less current liabilities		3,374,074	3,802,137

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

	As at 30 September 2021 (Unaudited) <i>Notes</i> <i>HK\$'000</i>	As at 31 March 2021 (Audited) <i>HK\$'000</i>
Non-current liabilities		
Bonds	205,821	195,630
Bank and other borrowings	307,821	816,453
Lease liabilities	17,757	20,200
Deferred tax liabilities	547,329	564,001
	<hr/>	<hr/>
	1,078,728	1,596,284
	<hr/>	<hr/>
Net assets	2,295,346	2,205,853
	<hr/> <hr/>	<hr/> <hr/>
Capital and reserves		
Share capital	99,531	99,531
Reserves	1,797,386	1,708,617
	<hr/>	<hr/>
Total equity attributable to owners of the Company	1,896,917	1,808,148
Non-controlling interests	398,429	397,705
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Total equity	2,295,346	2,205,853
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

1. BASIS OF PREPARATION

Statement of compliance

The unaudited condensed consolidated interim financial statements (the “**Interim Financial Statements**”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with Hong Kong Accounting Standard (the “**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

The Interim Financial Statements has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

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

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

In the current interim period, the Group has applied the 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 Interim Financial Statements:

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

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

3. TURNOVER

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

	For the six months ended	
	30 September	30 September
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers:		
<i>Recognised at a point in time</i>		
Revenue from property ancillary services	50,371	48,919
Commission income from agricultural produce exchange market	49,253	39,286
Revenue from property sales	190,600	109,008
Food and agricultural by-products merchandising	631	10,637
	<u>290,855</u>	<u>207,850</u>
Revenue from other sources:		
Property rental income	120,936	84,563
	<u>411,791</u>	<u>292,413</u>

4. OTHER REVENUE AND OTHER NET INCOME

	For the six months ended	
	30 September	30 September
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank and other interest income	4,825	3,777
PRC government grants (<i>Note (a)</i>)	1,720	5,701
Others	1,310	845
	<u>7,855</u>	<u>10,323</u>

Note:

- (a) PRC government grants represent various form of subsidies and compensation granted to the Group by the local government authorities in the People's Republic of China (the "PRC"). These grants are generally made for business support and awards to enterprises on a discretionary basis in respect of COVID-19 and its investments in the agricultural products exchange market in the PRC. These are no unfulfilled conditions or contingencies relating to these grants.

5. SEGMENT REPORTING

The Group has two reportable segments under HKFRS 8, (i) agricultural produce exchange market operation and (ii) property sales. The segmentations are based on the information about the operation of the Group that management uses to make decisions and regularly review by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance.

Segment revenue and results

An analysis of the Group's revenues and results by reportable segment for the six months ended 30 September 2021 and 30 September 2020:

	Agricultural produce exchange market operation		Property sales		Unallocated		Consolidated	
	For the six months end		For the six months end		For the six months end		For the six months end	
	30 September 2021	30 September 2020	30 September 2021	30 September 2020	30 September 2021	30 September 2020	30 September 2021	30 September 2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover								
External sales	<u>221,191</u>	<u>183,405</u>	<u>190,600</u>	<u>109,008</u>	<u>—</u>	<u>—</u>	<u>411,791</u>	<u>292,413</u>
Result								
Segment result	<u>107,813</u>	<u>71,985</u>	<u>49,906</u>	<u>20,455</u>	<u>—</u>	<u>—</u>	<u>157,719</u>	<u>92,440</u>
Other revenue and other net income	3,780	7,511	—	—	4,075	2,812	7,855	10,323
Net changes in fair value of investment properties	3,527	39,473	—	—	—	—	3,527	39,473
Written down of stock of properties	—	—	—	(1,689)	—	—	—	(1,689)
Loss on fair value of derivative financial instruments	—	—	—	—	(59)	(308)	(59)	(308)
(Allowance for)/reversal of expected credit losses on trade and other receivables and loan receivables, net	100	147	—	—	(1,242)	122	(1,142)	269
Allowance for expected credit losses on financial assets at FVTOCI	—	—	—	—	(5,566)	—	(5,566)	—
Unrealised gain/(loss) on financial asset at FVTPL	—	—	—	—	84	(8)	84	(8)
Unallocated corporate expense							<u>(27,849)</u>	<u>(35,833)</u>
Profit from operations							<u>134,569</u>	<u>104,667</u>
Finance costs	(15,639)	(13,924)	—	—	(50,490)	(68,563)	<u>(66,129)</u>	<u>(82,487)</u>
Profit before taxation							<u>68,440</u>	<u>22,180</u>
Income tax							<u>(34,486)</u>	<u>(40,772)</u>
Profit/(loss) for the period							<u><u>33,954</u></u>	<u><u>(18,592)</u></u>

Business segment represents the profit from each segment without allocation of certain other revenue and other net income, loss on fair value of derivative financial instruments, unrealised gain/(loss) on fair value of financial assets at FVTPL, allowance for expected credit losses on financial asset 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 for the six months ended 30 September 2021 and 2020.

Segment assets and liabilities

An analysis of the Group's assets and liabilities by reportable segment as at 30 September 2021 and 31 March 2021:

	Agricultural produce exchange market operation		Property sales		Consolidated	
	As at 30 September 2021 <i>HK\$'000</i> (Unaudited)	As at 31 March 2021 <i>HK\$'000</i> (Audited)	As at 30 September 2021 <i>HK\$'000</i> (Unaudited)	As at 31 March 2021 <i>HK\$'000</i> (Audited)	As at 30 September 2021 <i>HK\$'000</i> (Unaudited)	As at 31 March 2021 <i>HK\$'000</i> (Audited)
Assets						
Segment assets	3,724,255	3,731,650	1,631,162	1,692,714	5,355,417	5,424,364
Unallocated corporate assets					296,559	159,879
Consolidated total assets					<u>5,651,976</u>	<u>5,584,243</u>
Liabilities						
Segment liabilities	1,906,330	1,970,543	442,753	408,568	2,349,083	2,379,111
Unallocated corporate liabilities					1,007,547	999,279
Consolidated total liabilities					<u>3,356,630</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 FVTPL, financial assets at FVTOCI and corporate assets.
- all liabilities are allocated to reportable segments other than bonds, convertible bonds and corporate liabilities.

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. FINANCE COSTS

	For the six months ended	
	30 September 2021 <i>HK\$'000</i> (Unaudited)	30 September 2020 <i>HK\$'000</i> (Unaudited)
Interests on bank and other borrowings wholly repayable within five years	43,727	41,128
Interests on bank and other borrowings wholly repayable over five years	1,592	2,523
Interests on promissory notes	—	11,750
Interests on convertible bonds	8,186	15,373
Interests on bonds	11,636	10,525
Interests on leases liabilities	988	1,188
	<u>66,129</u>	<u>82,487</u>

7. PROFIT BEFORE TAXATION

	For the six months ended	
	30 September	30 September
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging/(crediting) the following items:		
Contributions to defined contribution retirement plans	1,915	543
Salaries, wages and other benefits	29,371	25,491
	<hr/>	<hr/>
Staff costs	31,286	26,034
	<hr/>	<hr/>
Property rental income	120,936	84,563
Less: Outgoings	(9,911)	(6,141)
	<hr/>	<hr/>
Net rental income	111,025	78,422
	<hr/>	<hr/>
Depreciation and amortisation	6,510	5,889
Depreciation of right-of-use assets	1,918	2,001
Expenses relating to short-term lease	217	146
Loss on fair value of derivative financial instruments	59	308
Unrealised (gain)/loss on financial assets at FVTPL		
— investment in listed equity security	(84)	8
Allowance for/(reversal of) expected credit losses on trade and other receivables and loan receivables, net	1,142	(269)
Allowance for expected credit losses on financial assets at FVTOCI	5,566	—
Loss on disposal of property, plant and equipment	1,668	147
Cost of stock of properties	123,033	84,264
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8. INCOME TAX

	For the six months ended	
	30 September 2021 HK\$'000 (Unaudited)	30 September 2020 HK\$'000 (Unaudited)
Current tax		
— PRC enterprise income tax	61,453	25,033
Deferred tax		
— Origination and (reversal of) temporary differences	(26,967)	15,739
	<u>34,486</u>	<u>40,772</u>

No provision for Hong Kong Profits Tax has been made in the Interim Financial Statements as the Company and its subsidiaries had no assessable profits in both periods. PRC Enterprise Income Tax is computed to the relevant legislation interpretations and practices in respect thereof during the period. PRC Enterprise Income Tax rate is 25% for the six months ended 30 September 2021 and 30 September 2020.

9. DIVIDENDS

The Directors do not propose the payment of any interim dividend in respect of the period under review (six months ended 30 September 2020: Nil).

10. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit attributable to owners of the Company of approximately HK\$18,294,000 (six months ended 30 September 2020: loss attributable to owners of the Company of approximately HK\$22,567,000) and weighted average number of approximately 9,953,068,000 ordinary shares (six months ended 30 September 2020: approximately 9,953,068,000 ordinary shares). The diluted earnings/(loss) per share for the six months ended 30 September 2021 and 30 September 2020 were the same as the basic earnings/(loss) per share because the outstanding convertible bonds had an anti-diluted effect on the basic earnings/(loss) per share.

11. TRADE AND OTHER RECEIVABLES

	As at 30 September 2021 <i>HK\$'000</i> (Unaudited)	As at 31 March 2021 <i>HK\$'000</i> (Audited)
Trade debtors, gross	12,614	17,943
Less: allowance for expected credit losses	(7,123)	(8,177)
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Trade debtors, net	5,491	9,766
	<hr/>	<hr/>
Deposit for land acquisition	58,517	57,428
Other deposits	9,014	7,733
Prepayments	147,755	157,411
Other receivables	71,467	81,291
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	286,753	303,863
Less: allowance for expected credit losses	(13,884)	(15,091)
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	272,869	288,772
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Trade and other receivables, net	<u>278,360</u>	<u>298,538</u>

(a) Ageing analysis

Included in trade and other receivables are trade debtors with the following ageing analysis presented, net of allowance for expected credit loss, based on the payment terms on the tenancy agreement as of the end of the reporting period:

	As at 30 September 2021 <i>HK\$'000</i> (Unaudited)	As at 31 March 2021 <i>HK\$'000</i> (Audited)
Less than 30 days	2,966	8,617
More than 30 days but less than 90 days	2,146	385
More than 90 days but less than 180 days	262	548
More than 180 days	117	216
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	5,491	9,766
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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.

12. DEPOSITS AND OTHER PAYABLES

	As at 30 September 2021 <i>HK\$'000</i> (Unaudited)	As at 31 March 2021 <i>HK\$'000</i> (Audited)
Accrued charges	34,451	29,402
Construction payables	50,700	43,217
Deposit received	97,679	96,733
Interest payables	26,295	29,506
Other tax payables	37,376	52,567
Other payables	263,606	269,187
	<u>510,107</u>	<u>520,612</u>

13. INDEPENDENT REVIEW

The Interim Financial Statements for the six months ended 30 September 2021 is unaudited, but has been reviewed by HLB, in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the HKICPA. The Interim Financial Statements has also been reviewed by the Audit Committee.

INTERIM DIVIDEND

The Board has resolved not to declare any payment of interim dividend for the Period (for the six months ended 30 September 2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY OF FINANCIAL RESULTS

Turnover, Gross Profit and Segment Result

For the Period, the Group recorded a turnover of approximately HK\$412 million, representing an increase of approximately HK\$120 million or approximately 41% from approximately HK\$292 million for the six months period ended 30 September 2020 as both the revenue from property sales and the revenue from agricultural produce exchange market operations were higher than that of the 2020 Corresponding Period. The below table summarises the key financial performance of the Group:

HK\$ million and approximate %	For the six months ended 30 September 2021			For the six months ended 30 September 2020		
	Agricultural Produce Exchange Market Operations	Property Sales	Total	Agricultural Produce Exchange Market Operations	Property Sales	Total
Turnover	221	191	412	183	109	292
Gross Profit	160	68	228	126	25	151
Segment Result	108	50	158	72	21	93
Gross Profit to Turnover	72%	36%	55%	69%	23%	52%
Segment Result to Turnover	49%	26%	38%	39%	19%	32%

During the Period, the Group recorded a gross profit and a segment result of approximately HK\$228 million and approximately HK\$158 million, respectively (for the six months ended 30 September 2020: approximately HK\$151 million and approximately HK\$93 million, respectively), representing an increase of approximately 51% and approximately 70%, respectively, as compared to the 2020 Corresponding Period. The reduction of the COVID-19 transmission helped the Group's sales and market operation restore to the normal level during the Period.

General and Administrative Expenses, Selling Expenses and Finance Costs

The Group recorded general and administrative expenses of approximately HK\$75 million during the Period (for the six months ended 30 September 2020: approximately HK\$79 million). The decrease was mainly due to the implementation of cost saving policies during the Period. Selling expenses were approximately HK\$23 million in the Period (for the six months ended 30 September 2020: approximately HK\$15 million), the increase was due to the increase in property sales recognition. Finance costs were approximately HK\$66 million in the Period (for the six months ended 30 September 2020: approximately HK\$82 million) and such decrease was mainly due to the repayment of interest-bearing debts.

Net Gain in Fair Value of Investment Properties and Written Down of Stock of Properties

The net gain in fair value of investment properties was approximately HK\$4 million (for the six months ended 30 September 2020: net gain of approximately HK\$39 million). Such gain was mainly due to the improvement of income derived from Luoyang Hongjin Agricultural and By-Product Exchange Market (“**Luoyang Market**”) and Kaifeng Hongjin Agricultural and By-Product Exchange Market (“**Kaifeng Market**”). No stock of properties was impaired during the Period (stock of properties value of approximately HK\$2 million was impaired during the six months ended 30 September 2020). The fair value was arrived at based on the valuations carried out by an independent firm of qualified professional valuers. The professional valuers are professional members of The Hong Kong Institute of Surveyors and the valuations conform to the Valuation Standard of The Hong Kong Institute of Surveyors.

Loss in Fair Value of Derivative Financial Instruments

During the Period, net loss in fair value of derivative financial instruments was approximately HK\$59,000 (for the six months ended 30 September 2020: net loss of approximately HK\$308,000) due to the closer to the maturity date.

Profit Attributable to Owners of the Company

The profit attributable to owners of the Company for the Period was approximately HK\$18 million as compared with the loss attributable to owners of the Company of approximately HK\$23 million in the 2020 Corresponding Period. The Group recorded profit from operations before fair value change of investment properties and impairment of approximately HK\$138 million and profit from operations of approximately HK\$135 million for the Period (for the six months ended 30 September 2020: approximately HK\$67 million and approximately HK\$105 million, respectively). The profit attributable to owners of the Company was mainly due to the increase in revenue from sales of properties and agricultural produce exchange market operation.

REVIEW OF OPERATIONS

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

Agricultural Produce Exchange Markets

Hubei Province

Wuhan Baisazhou Market

Located in the provincial capital of Hubei Province, the PRC, Wuhan Baisazhou Agricultural and By-Product Exchange Market ("**Wuhan Baisazhou Market**") is one of the largest agricultural produce exchange market operators in the PRC. Wuhan Baisazhou Market is situated in the Hongshan District of Wuhan city, the PRC with a site area of approximately 310,000 square metres and a total gross floor area of approximately 190,000 square metres. In 2021, it was awarded top 10 of agricultural produce exchange markets by the China Agricultural Wholesale Market Association. The award recognises the effort and contribution of the Group in the agricultural market and it acknowledges the expertise of the Group as an agricultural produce exchange market operator in the PRC. Rental income from properties letting is the major income generated from Wuhan Baisazhou Market.

Huangshi Market

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

Suizhou Market

In March 2018, the Group formed a joint venture company with an independent third party in Suizhou city, Hubei Province, the PRC, to operate Suizhou Baisazhou Agricultural and By-Product Exchange Market (“**Suizhou Market**”), which is the third project of the Group in Hubei Province. Suizhou Market occupies approximately 240,000 square metres. Phase one of Suizhou Market focused on vegetables and fruits transactions. The Group has pursued asset light business model by taking up the contract management rights to operate this new market in Hubei Province. The COVID-19 pandemic had moderately affected the performance of the market. During the Period, the operating performance of Suizhou Market was satisfactory.

Henan Province

Luoyang Market

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

Puyang Market

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

Kaifeng Market

Kaifeng Hongjin Agricultural and By-Product Exchange Market (“**Kaifeng Market**”), with a gross floor construction area of approximately 120,000 square metres, was the third point of market operations for facilitating the Group to build an agricultural produce market network in Henan Province, the PRC. The performance of Kaifeng Market had improved gradually.

Guangxi Zhuang Autonomous Region

Yulin Market

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

Qinzhou Market

Qinzhou Hongjin Agricultural and By-Product Exchange Market (“**Qinzhou Market**”), with a gross floor construction area of approximately 180,000 square metres, was the second point of market operations and facilitated the Group to build an agricultural produce market network in the Guangxi Region. During the Period, the performance of Qinzhou Market was satisfactory.

Jiangsu Province

Xuzhou Market

Xuzhou Agricultural and By-Product Exchange Market (“**Xuzhou Market**”) occupies approximately 200,000 square metres and is located in the northern part of Jiangsu Province, the PRC. The market houses various market stalls, godowns and cold storage. Xuzhou Market is a major marketplace for the supply of fruits in the city and the northern part of Jiangsu Province, the PRC. The operating performance of Xuzhou Market was steady during the Period.

Huai'an Market

Huai'an Hongjin Agricultural and By-Product Exchange Market (“**Huai'an Market**”) occupies approximately 100,000 square metres and is located in Huai'an City of Jiangsu Province, the PRC. Phase one of Huai'an Market has begun its operation since October 2015 and it is expected that the performance of Huai'an Market will gradually improve after the market becomes more mature. During the Period, the Company had a legal dispute in respect of Huai'an Market with the joint venture partner, the details of which are disclosed in note 20 to the condensed consolidated financial statements in the interim report (the “**Interim Report**”) to be distributed to the shareholders of the Company 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 first attempt of investment of the Group in Liaoning Province, the PRC. Panjin Market focused on the trading of river crabs. It is expected that the performance of Panjin Market will remain steady.

E-commerce Development

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

Cyber Risk and Security

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

Data Fraud or Theft Risk

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

Environmental and Social Risk

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

Outbreak of COVID-19 Pandemic

During the outbreak of COVID-19 pandemic, the PRC government has imposed various restrictive measures to contain the rapid spread of COVID-19 pandemic across the country, including limitation on mobility of people and vehicles and further control on the hygienic condition of public markets. These measures slowed down the market trading activities and hence a reduction on relevant commission income. However, as the pandemic subsided during the Period, the sales and the market operation have restored to a normal level.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2021, the Group had total cash and cash equivalents amounting to approximately HK\$442 million (31 March 2021: approximately HK\$425 million) whilst total assets and net assets were approximately HK\$5,652 million (31 March 2021: approximately HK\$5,584 million) and approximately HK\$2,295 million (31 March 2021: approximately HK\$2,206 million), respectively. The Group's gearing ratio as at 30 September 2021 was approximately 0.5 (31 March 2021: approximately 0.4), being a ratio of total bank and other borrowings, bonds and convertible bonds of approximately HK\$1,548 million (31 March 2021: approximately HK\$1,371 million), net of cash and cash equivalents of approximately HK\$442 million and pledged bank deposits of approximately HK\$30 million (31 March 2021: Nil) (31 March 2021: net of cash and cash equivalents of approximately HK\$425 million) to shareholders' funds of approximately HK\$2,295 million (31 March 2021: approximately HK\$2,206 million).

As at 30 September 2021, the ratio of total interest-bearing debts of approximately HK\$1,548 million (31 March 2021: approximately HK\$1,371 million) to total assets of approximately HK\$5,652 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 7.5% denominated convertible notes with the aggregate principal amount of HK\$500 million which was mature on 18 October 2021 (the “**Convertible Notes**”), which entitle the holders to convert into the ordinary shares of the Company (the “**Shares**”) at a conversion price of HK\$0.4 per Share. On 9 December 2020, the Company partially redeemed the Convertible Notes in the principal amount of HK\$130 million. During the Period, no Convertible Note was converted into Shares by the holders of the Convertible Notes. As at 30 September 2021, the Convertible Notes with the outstanding principal amount of HK\$134.8 million was in issue. On 18 October 2021, the Company fully redeemed the remaining principal amount of HK\$134.8 million.

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 of Hong Kong Limited (the “**Stock Exchange**”) by way of debt issue to professional investors only (stock code: 5755). As at 30 September 2021, the Listed Notes in the principal amount of HK\$290 million remained outstanding.

CAPITAL COMMITMENTS, PLEDGES AND CONTINGENT LIABILITIES

As at 30 September 2021, outstanding capital commitments, contracted but not provided for, amounted to approximately HK\$267 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 30 September 2021, the Group does not have contingent liabilities in relation to the guarantees provided by wholly-owned subsidiaries of the Company to our customers in favor of a bank for the loans provided by the bank to the customers of our projects (31 March 2021: approximately HK\$27,000).

As at 30 September 2021, certain investment properties, stock of properties and bank deposits with carrying amount of approximately HK\$1,746 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 30 September 2021. The revenue, operating costs and bank deposits of the Group were mainly denominated in Renminbi and Hong Kong dollars. The activities of the Group are exposed to foreign currency risks mainly arising from its operations in mainland China and certain bank deposits denominated in Renminbi. Currently, the Group does not have a foreign currency hedging policy. During the Period, due to the currency fluctuation of Renminbi against Hong Kong dollars, the Group had been considering, from time to time, alternative risk hedging tools to mitigate Renminbi currency exchange risk.

DEBT PROFILES AND FINANCIAL PLANNING

As at 30 September 2021 and 31 March 2021, interest-bearing debts of the Group were analysed as follows:

	As at 30 September 2021		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	206	12%	196	12%
Convertible Notes	134	12%	131	12%
Financial Institution Borrowings	618	6%	444	6%
Non-financial Institution Borrowings	590	10%	600	10%
Total	<u>1,548</u>		<u>1,371</u>	

Note:

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

As at 30 September 2021, the bonds issued by the Company will mature in September 2024; the Convertible Notes have matured and been fully repaid in October 2021; the financial institution borrowings of the Company will mature during the period from October 2021 to May 2029 and the non-financial institution borrowings of the Company will mature in September 2022.

TREASURY POLICY

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

MATERIAL VALUATION METHOD OF INVESTMENT PROPERTIES AND REVIEW OF AUDIT COMMITTEE

The investment properties of the Group were stated at fair value as at 30 September 2021. 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 completed 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 and the Board.

SIGNIFICANT INVESTMENTS 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 the Company 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 declared by Yulin Hongjin for the financial year ended 31 December 2020 in the amount of approximately RMB40.95 million 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 RMB41.9 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. As at 30 September 2021, the Group did not have a concrete plan for material investments or capital assets nor acquisition or disposal of subsidiaries.

RISK FACTORS RELATING TO OUR INDUSTRY AND BUSINESS OPERATIONS

As at 30 September 2021, the Group operated 11 agricultural produce exchange markets across five provinces in the PRC. In view of the ever-changing business environment in the PRC, the following are the principal risks, challenges and uncertainties faced by the Group, including: (1) fluctuation in the exchange rate of Renminbi against Hong Kong dollars, which affects the translation of the PRC assets and liabilities from Renminbi to Hong Kong dollars in the Group’s financial reporting, in which the Group periodically monitors the exchange rate fluctuation, and prepares effective hedging mechanism to deal with adverse conditions in forex market, if necessary; (2) difficulty in obtaining adequate financing, in both equity and debt financing, to support our agri-products exchange markets that are capital intensive in nature. To manage such risk, the Group regularly reviews the short-term and long-term liquidity level and prepare for the future capital need, as and when appropriate; (3) preserving or enhancing our competitive position in the agri-products exchange markets industry, in which the Group has designated personnel to monitor the market activities of competitors and formulate effective strategies to preserve our competitive position; (4) maintaining or enhancing the level of occupancy in our agri-products exchange markets, in which the Group launches, from time to time, various marketing campaigns to retain existing tenants and to attract new tenants; (5) obtaining all necessary licenses and permits for development, construction, operations and acquisition of agri-products exchange markets. To manage such risk, the Group hires sufficient local staffs with professional qualifications to ensure all processes complying with local rules and regulations; and (6) to effect regulatory changes and

amendments relating to agri-products exchange markets which affect operation and development of the Group, in both the national and local levels. To manage such risk, the Group maintains a relatively flat organization structure and a high autonomous level to enable quick response to any changes in different aspects; (7) the rebound of COVID-19 epidemic will adversely affect the markets operation. To manage such risk, the markets continuously carry out various contingency health and hygienic measures for the sake of the health and safety of all of our employees, tenants and visitors.

LITIGATION

References were made to the announcements of the Company dated 11 January 2011, 22 May 2012, 19 June 2014, 4 July 2014, 13 January 2015, 14 January 2015, 28 May 2015, 8 January 2016, 11 January 2016, 24 May 2016, 31 August 2016, 19 April 2017, 11 May 2017, 27 December 2018, 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 20 to the consolidated financial statements in the Interim Report.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2021, the Group had 1,125 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 on 3 May 2012 for the primary purpose of providing incentive to selected eligible persons to take up options for their contribution to the Group.

PROSPECTS

During the Period, the tension between the PRC and the United States remained and has slowed down the economic growth. However, such friction has little impact on the Group's operation which is mainly focused on 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 outbreak of the COVID-19, all of our agricultural produce exchange markets have upgraded the facilities and fixtures to keep up with the stringent health and hygiene measures imposed by the local governments. On one side, this increased our operation cost; on the other side, this raised our competitive edges against many local and less-sophisticated competitors. As the degrading of the pandemic during the Period, it helped the Company not only restored to normal operating level, but better suit the after-pandemic market environment.

Once again, agricultural development is the PRC central government's first priority policy for the next consecutive years. In 2021, the Central Committee of Communist Party of China and the State Council of China released the "No. 1 Central Document of 2021". The document vows to promote investments in agricultural produce markets, expand agricultural produce network, build logistic infrastructure and storage facilities of agriculture products and improve regional cold storage infrastructure. On the other hand, it is expected that the "Belt and Road Initiative" policy will drive the overall growth of the PRC economy and provide a sustainable way for the PRC's continuing development.

In order to capture new business opportunities, the Group has taken further steps to expand its operations in the PRC by cooperating with different partners with "asset light" strategy. Taking the advantage of its leading position in the industry, the Group is confident that this strategy and business model will deliver long-term benefits to the Company and its shareholders as a whole.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

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 the code provisions set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules throughout the Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of all Directors, all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the Period.

AUDIT COMMITTEE

The Audit Committee was established in accordance with the requirements of the Listing Rules, for the purposes of, inter alia, reviewing and providing supervision over the Group's financial reporting processes, internal controls and risk management. The Audit Committee comprises all the independent non-executive Directors, namely Mr. Wong Ping Yuen, Mr. Ng Yat Cheung and Mr. Lau King Lung, and is chaired by Mr. Wong Ping Yuen. The Audit Committee has reviewed with the management and HLB the unaudited condensed consolidated interim results of the Group for the Period.

PUBLICATION OF INTERIM RESULTS AND DESPATCH OF INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cnagri-products.com). The 2021 interim report of the Company containing all the information required by the Listing Rules will be despatched to the Company's shareholders and available on the above websites in due course.

By Order of the Board
CHINA 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, 23 November 2021

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.