

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2023

INTERIM RESULTS

The board of directors (the “**Board**” or the “**Director(s)**”) of China Agri-Products Exchange Limited (the “**Company**”, together with its subsidiaries, collectively referred to as the “**Group**”) is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended 30 September 2023 (the “**Period**”), together with the comparative figures for the six months ended 30 September 2022 (the “**2022 Corresponding Period**”). This interim condensed consolidated financial information was not audited, but has been reviewed by the audit committee of the Company (the “**Audit Committee**”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Six months ended 30 September 2023

	Notes	Six months ended 30 September	
		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000 (Restated)
Turnover	3	324,693	321,507
Cost of operation		<u>(162,323)</u>	<u>(141,428)</u>
Gross profit		162,370	180,079
Other income and gain	4	25,643	13,543
General and administrative expenses		(78,713)	(81,684)
Selling expenses		<u>(15,567)</u>	<u>(16,444)</u>
Profit from operations before fair value changes and impairment		93,733	95,494
Impairment losses on financial assets, net		(559)	(726)
Write-down of properties held for sale		—	(4,685)
Fair value (losses)/gains on financial assets at fair value through profit or loss, net		(69)	13
Fair value gains on investment properties, net		<u>2,737</u>	<u>24,623</u>
Profit from operations		95,842	114,719
Finance costs	6	(57,982)	<u>(64,691)</u>
Profit before tax	7	37,860	50,028
Income tax	8	(22,020)	<u>(29,567)</u>
Profit for the period		<u>15,840</u>	<u>20,461</u>

	Six months ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited)
<i>Note</i>	HK\$'000	HK\$'000
		(Restated)
Profit for the period	<u>15,840</u>	<u>20,461</u>
Other comprehensive loss		
<i>Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translating foreign operations	<u>(186,220)</u>	<u>(374,092)</u>
Other comprehensive loss for the period	<u>(186,220)</u>	<u>(374,092)</u>
Total comprehensive loss for the period	<u>(170,380)</u>	<u>(353,631)</u>
Profit for the period attributable to:		
Owners of the parent	7,995	7,764
Non-controlling interests	<u>7,845</u>	<u>12,697</u>
	<u>15,840</u>	<u>20,461</u>
Total comprehensive loss for the period attributable to:		
Owners of the parent	(153,132)	(318,904)
Non-controlling interests	<u>(17,248)</u>	<u>(34,727)</u>
	<u>(170,380)</u>	<u>(353,631)</u>
Earnings per share attributable to ordinary equity holders of the parent		
Basic and diluted	<u>HK0.08 cents</u>	<u>HK0.08 cents</u>
	<i>10</i>	

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2023

	Notes	30 September 2023 (Unaudited) HK\$'000	31 March 2023 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		52,911	57,853
Right-of-use assets		20,629	24,555
Investment properties		2,761,243	2,933,376
Loan and interest receivables	12	7,724	17,209
Intangible asset		6,006	—
Deferred tax assets		450	—
		<hr/>	<hr/>
Total non-current assets		2,848,963	3,032,993
CURRENT ASSETS			
Properties under development		111,389	136,001
Properties held for sale		1,098,432	1,187,708
Trade receivables	11(a)	2,364	1,964
Prepayment, deposits and other receivables	11(b)	188,413	205,351
Loan and interest receivables	12	18,949	9,870
Financial assets at fair value through profit or loss		286	355
Pledged bank deposits		53,307	28,517
Cash and cash equivalents		278,509	312,434
		<hr/>	<hr/>
Total current assets		1,751,649	1,882,200
CURRENT LIABILITIES			
Trade and other payables	13	381,085	386,641
Contract liabilities		119,518	166,096
Receipts in advance		205,673	200,089
Bank and other borrowings		290,864	229,173
Lease liabilities		6,687	6,436
Land appreciation tax payable		27,989	30,864
Income tax payable		47,972	51,384
Unsecured notes		78,472	—
		<hr/>	<hr/>
Total current liabilities		1,158,260	1,070,683
NET CURRENT ASSETS		<hr/>	<hr/>
		593,389	811,517
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/>	<hr/>
		3,442,352	3,844,510

	30 September 2023 (Unaudited) HK\$'000	31 March 2023 (Audited) HK\$'000
NON-CURRENT LIABILITIES		
Unsecured notes	—	124,146
Bank and other borrowings	971,709	1,048,555
Lease liabilities	18,931	23,198
Deferred tax liabilities	492,678	521,199
	<hr/>	<hr/>
Total non-current liabilities	1,483,318	1,717,098
	<hr/>	<hr/>
Net assets	1,959,034	2,127,412
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	99,531	99,531
Reserves	1,487,365	1,638,495
	<hr/>	<hr/>
	1,586,896	1,738,026
Non-controlling interests	372,138	389,386
	<hr/>	<hr/>
Total equity	1,959,034	2,127,412
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

China Agri-Products Exchange Limited (the “**Company**”) is a limited liability company incorporated in Bermuda and is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The principal activities of the Company and its subsidiaries (collectively referred to as the “**Group**”) are described in note 5 to the unaudited interim condensed consolidated financial information.

The unaudited interim condensed consolidated financial information of the Group for the six months ended 30 September 2023 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 March 2023.

The accounting policies and the basis of preparation adopted in the preparation of this unaudited interim condensed consolidated financial information are consistent with those adopted in the Group’s audited consolidated financial statements for the year ended 31 March 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance, except for the adoption of the new and revised HKFRSs as further explained in note 2 below.

This unaudited interim condensed consolidated financial information has been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss (“**FVTPL**”) which have been measured at fair value. This unaudited interim condensed consolidated financial information is presented in Hong Kong dollar (“**HK\$**”) and all values are rounded to the nearest thousand except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current period's unaudited interim condensed consolidated financial information:

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Insurance Contracts</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform — Pillar Two Model Rules</i>

The nature and impact of the revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 April 2023. The amendments did not have any impact on the Group's unaudited interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.
- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 April 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments did not have significant impact on the net positions of deferred tax assets and deferred tax liabilities, and on the financial position or performance of the Group.

- (d) Amendments to HKAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

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 sales related tax, is analysed as follows:

	Six months ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue from contracts with customers:		
<i>Recognised at a point in time</i>		
Revenue from property sales	116,677	108,185
Commission income from agricultural produce exchange market	45,136	51,505
Revenue from food and agricultural by-products merchandising	15,491	1,231
<i>Recognised over time</i>		
Revenue from property ancillary services	44,752	47,390
	222,056	208,311
Revenue from other sources:		
Property rental income	102,637	113,196
	324,693	321,507

4. OTHER INCOME AND GAIN

	Six months ended 30 September	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Bank and other interest income	1,353	3,677
PRC government grants (<i>note</i>)	1,180	4,739
Consultancy income	12,122	3,582
Gain on early redemption of unsecured notes	10,231	505
Others	757	1,040
	<u>25,643</u>	<u>13,543</u>

Note:

Government subsidies during the six months ended 30 September 2023 represented The People's Republic of China (the "PRC") government subsidies of approximately HK\$1,180,000 (six months ended 30 September 2022: approximately HK\$4,739,000) granted to the Group by the local governmental authority in Mainland China for the business support on its operations in agricultural produce exchange markets in Mainland China.

The Group has complied with all attached conditions before the six months ended 30 September 2023 and 2022 and recognised these grants in profit or loss as "Other income and gain" in the respective accounting period.

5. OPERATING SEGMENT INFORMATION

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 segment for the six months ended 30 September 2023 and 2022:

	Agricultural produce exchange market operation		Property sales		Unallocated		Consolidated	
	Six months ended 30 September 2023		Six months ended 30 September 2022		Six months ended 30 September 2023		Six months ended 30 September 2022	
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Turnover								
External sales	208,016	213,322	116,677	108,185	—	—	324,693	321,507
Result								
Segment result	99,627	99,066	12,179	21,342	—	—	111,806	120,408
Other income and gain	2,318	7,220	—	—	23,325	6,323	25,643	13,543
Fair value gains on investment properties, net	2,737	24,623	—	—	—	—	2,737	24,623
Write-down of properties held for sale	—	—	—	(4,685)	—	—	—	(4,685)
Impairment losses on financial assets, net	(444)	(96)	—	—	(115)	(630)	(559)	(726)
Fair value (losses)/gains on financial assets at FVTPL, net	—	—	—	—	(69)	13	(69)	13
Unallocated corporate expense							(43,716)	(38,457)
Profit from operations							95,842	114,719
Finance costs	(21,892)	(25,941)	—	—	(36,090)	(38,750)	(57,982)	(64,691)
Profit before tax							37,860	50,028
Income tax							(22,020)	(29,567)
Profit for the period							15,840	20,461

Segment result represents the profit from each segment without allocation of certain other income and gain, fair value (losses)/gains on financial assets at FVTPL, impairment losses on financial assets, central administrative costs and directors' remuneration, 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 2023 and 2022.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment as at 30 September 2023 and 31 March 2023:

	Agricultural produce exchange market operation		Property sales		Consolidated	
	As at 30 September 2023 (Unaudited) HK\$'000	As at 31 March 2023 (Audited) HK\$'000	As at 30 September 2023 (Unaudited) HK\$'000	As at 31 March 2023 (Audited) HK\$'000	As at 30 September 2023 (Unaudited) HK\$'000	As at 31 March 2023 (Audited) HK\$'000
Assets						
Segment assets	3,237,783	3,398,330	1,209,821	1,323,709	4,447,604	4,722,039
Unallocated corporate assets					153,008	193,154
Consolidated total assets					<u>4,600,612</u>	<u>4,915,193</u>
Liabilities						
Segment liabilities	1,656,456	1,661,121	149,327	196,960	1,805,783	1,858,081
Unallocated corporate liabilities					835,795	929,700
Consolidated total liabilities					<u>2,641,578</u>	<u>2,787,781</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 and corporate assets.
- all liabilities are allocated to reportable segments other than unsecured notes, certain deferred tax liabilities and corporate liabilities.

Geographical information

As at the end of the reporting period, over 90% of the 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 is presented.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interests on bank and other borrowings	50,590	51,342
Interests on unsecured notes	6,290	12,609
Interests on lease liabilities	1,102	740
	<u>57,982</u>	<u>64,691</u>

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of properties sold	93,539	74,815
Cost of services provided	58,888	65,443
Depreciation on owned assets	7,543	6,666
Depreciation on right-of-use assets	2,906	1,716
Loss on disposal of items of property, plant and equipment	84	355
Fair value losses/(gains) on financial assets at fair value through profit or loss	69	(13)
Impairment losses on financial assets, net	559	726
	<u>559</u>	<u>726</u>

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. The provision for PRC land appreciation tax (“LAT”) is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

	Six months ended 30 September	
	2023 (Unaudited) <i>HK\$'000</i>	2022 (Unaudited) <i>HK\$'000</i> (Restated)
Current — Hong Kong		
Charge for the period	43	—
Current — Mainland China		
Charge for the period	9,551	19,403
LAT	9,436	4,846
Deferred	2,990	5,318
	<u>22,020</u>	<u>29,567</u>
Total tax charge for the period	<u>22,020</u>	<u>29,567</u>

9. INTERIM DIVIDEND

The board of directors does not recommend the payment of any interim dividend in respect of the six months ended 30 September 2023 (six months ended 30 September 2022: Nil).

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share for the six months ended 30 September 2023 is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the period of 9,953,067,822 (six months ended 30 September 2022: 9,953,067,822).

No adjustment has been made to the basic earnings per share amount presented for the six months ended 30 September 2023 and 2022 in respect of a dilution as the impact of the share options issued by the Company had no dilutive effect on the basic earnings per share amount presented.

The calculations of basic and diluted earnings per share amounts are based on:

	Six months ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	<u>7,995</u>	<u>7,764</u>
Number of shares		
	Six months ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares used in the basic and diluted earnings per share calculation	<u>9,953,067,822</u>	<u>9,953,067,822</u>

11. TRADE AND OTHER RECEIVABLES

(a) Trade receivables

	30 September 2023 (Unaudited) HK\$'000	31 March 2023 (Audited) HK\$'000
Trade receivables, gross	10,928	10,548
Less: Accumulated impairment	(8,564)	(8,584)
	<u>2,364</u>	<u>1,964</u>

Ageing analysis

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

	30 September 2023 (Unaudited) HK\$'000	31 March 2023 (Audited) HK\$'000
Within 1 month	858	1,335
1 to 3 months	915	313
Over 3 months but within 6 months	297	51
Over 6 months	294	265
	<u>2,364</u>	<u>1,964</u>

The Group generally allows an average credit period of 30 days to its trade customers. The Group seeks to maintain strict control over its outstanding receivables and to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

(b) Prepayment, deposits and other receivables

	30 September 2023 (Unaudited) HK\$'000	31 March 2023 (Audited) HK\$'000
Deposit for land acquisition	51,951	55,337
Other deposits	6,830	9,299
Prepayments	32,295	52,863
Other receivables	93,581	82,997
Tax recoverable	4,502	5,609
	<u>189,159</u>	<u>206,105</u>
Less: impairment allowance	(746)	(754)
	<u>188,413</u>	<u>205,351</u>

12. LOAN AND INTEREST RECEIVABLES

	30 September 2023 (Unaudited) HK\$'000	31 March 2023 (Audited) HK\$'000
Loan and interest receivables, secured	57,239	60,720
Loan and interest receivables, unsecured	10,355	9,945
	<u>67,594</u>	<u>70,665</u>
Less: impairment allowance	(40,921)	(43,586)
	<u>26,673</u>	<u>27,079</u>
Less: Portion classified as non-current assets	(7,724)	(17,209)
	<u>18,949</u>	<u>9,870</u>

13. TRADE AND OTHER PAYABLES

	30 September 2023 (Unaudited) HK\$'000	31 March 2023 (Audited) HK\$'000
<i>Trade payables</i>	62,288	41,608
<i>Deposits and other payables</i>		
Accrued charges	26,880	28,240
Deposit received	83,668	86,809
Interest payables	16,813	17,488
Other tax payables	15,725	15,926
Other payables	175,711	196,570
	381,085	386,641

The ageing analysis of trade payables as at the end of the reporting period, based on the invoice date is as follows:

	30 September 2023 (Unaudited) HK\$'000	31 March 2023 (Audited) HK\$'000
Within 1 month	26,575	5,854
1 to 3 months	61	1,346
Over 3 months but within 6 months	559	149
Over 6 months but within 12 months	1,846	1,564
Over 12 months	33,247	32,695
	62,288	41,608

The trade payables are non-interest-bearing and have an average term of 30 to 360 days. The Group has financial risk management policies in place to ensure that all payables are within the credit time frame.

14. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current period's presentation and disclosures.

INTERIM DIVIDEND

The Board has resolved not to declare any payment of interim dividend for the Period (for the six months ended 30 September 2022: 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\$325 million, representing an increase of approximately HK\$3 million or approximately 1% from approximately HK\$322 million for the six months period ended 30 September 2022 as a result of the increase in the property sales recognition as compared to that of the 2022 Corresponding Period. The below table summarises the key financial performance of the Group:

HK\$ million and approximate %	For the six months ended 30 September 2023			For the six months ended 30 September 2022		
	Agricultural Produce Exchange Market Operations	Property Sales	Total	Agricultural Produce Exchange Market Operations	Property Sales	Total
Turnover	208	117	325	214	108	322
Gross Profit	139	23	162	147	33	180
Segment Result	100	12	112	99	21	120
Gross Profit to Turnover	67%	20%	50%	69%	31%	56%
Segment Result to Turnover	48%	10%	34%	46%	19%	37%

During the Period, the Group recorded a gross profit and a segment result of approximately HK\$162 million and approximately HK\$112 million, respectively (for the six months ended 30 September 2022: approximately HK\$180 million and approximately HK\$120 million, respectively), representing a decrease of approximately 10% and approximately 7%, respectively, as compared to the 2022 Corresponding Period. The decrease in gross profit and segment result were mainly due to drop in gross profit and segment result in property sales during the Period.

General and Administrative Expenses, Selling Expenses and Finance Costs

The Group recorded general and administrative expenses of approximately HK\$79 million in the Period (for the six months ended 30 September 2022: approximately HK\$82 million). The decrease is mainly due to the decrease in legal and professional fee during the Period. Selling expenses were approximately HK\$16 million in the Period (for the six months ended 30 September 2022: approximately HK\$16 million). Finance costs were approximately HK\$58 million in the Period (for the six months ended 30 September 2022: approximately HK\$65 million) and such decrease is mainly due to the repayments of interest-bearing debts during the Period.

Fair Value Gains on Investment Properties, Net and Written Down of Properties Held for Sale

The fair value gains on investment properties, net was approximately HK\$3 million (for the six months ended 30 September 2022: approximately HK\$25 million). Such gain is mainly due to the improvement of income derived from Kaifeng Hongjin Agricultural and By-Product Exchange Market (“**Kaifeng Market**”). The properties held for sale have no impairment during the Period (for the six months ended 30 September 2022: approximately HK\$5 million). 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.

Fair Value (Losses)/Gains on Financial Assets at Fair Value through Profit or Loss, Net

As at 30 September 2023, the Group maintained listed equity instruments and derivative financial instruments. The Group has always adopted a prudent investment strategy and would closely monitor the market changes and adjust its investment portfolio as and when necessary.

Profit for the Period Attributable to Owners of the Parent

The profit for the period attributable to owners of the parent was approximately HK\$8 million as compared with approximately HK\$8 million in the 2022 Corresponding Period. The Group recorded profit from operations before fair value change and impairment of approximately HK\$94 million and profit from operations of approximately HK\$96 million for the Period (for the six months ended 30 September 2022: approximately HK\$95 million and approximately HK\$115 million, respectively).

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 (“**PRC**”). On one hand, China entered the post-pandemic period. This helps to boost the weakened economy. On the other hand, the Chinese real estate market downfall evened out this positive factor. However, this caused less effects on the Group’s performance due to the nature of the business model. To cope with the future growth, the Group has actively been studying and evaluating various business opportunities. During the Period, the Group incurred some costs for preparing for 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 of the Company (the “**Shareholders**”).

Agricultural Produce Exchange Markets

Hubei Province

Wuhan Baisazhou Market

Wuhan Baisazhou Agricultural and By-Product Exchange Market (“**Wuhan Baisazhou Market**”) is one of the largest agricultural produce exchange 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 one of the most notable agricultural produce exchange markets in Hubei Province. Wuhan Baisazhou Market was awarded “Top 50 of National Agricultural Products Comprehensive Wholesale Markets” by China Agricultural Wholesale Market Association in 2022. 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.

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 Province and around is 100 kilometres away from Wuhan Baisazhou Market. Huangshi Market, as a second-tier agricultural produce exchange market, created synergy with Wuhan Baisazhou Market to boost vegetables and by-products trading. The turnover of Huangshi Market decreased by approximately 7% as compared to that of the 2022 Corresponding Period.

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 occupies 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 Period, the turnover of Suizhou Market decrease by approximately 1% as compared to that of the 2022 Corresponding Period.

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 of Luoyang Market decreased by approximately 56% due to the decrease of properties sale recognition during the Period as compared to that of the 2022 Corresponding Period. Luoyang Market was awarded “Top 50 of National Agricultural Products Comprehensive Wholesale Markets” by China Agricultural Wholesale Market Association in 2022.

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 Period, Puyang Market faced keen competition from a new market. The turnover of Puyang Market decreased by approximately 22% mainly due to decrease of properties sale recognition during the Period as compared to that of the 2022 Corresponding Period.

Kaifeng Market

Kaifeng Hongjin Agricultural and By-Product Exchange 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 exchange market network in Henan Province, the PRC. During the Period, the turnover of Kaifeng Market increased by approximately 8% due to the increases of properties sale recognition and property rental income as compared to that of the 2022 Corresponding Period. Kaifeng Market was awarded “Top 50 of National Agricultural Products Comprehensive Wholesale Markets” by China Agricultural Wholesale Market Association in 2022.

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**”) with a site area of approximately 415,000 square metres. The turnover of Yulin Market increased by approximately 104% due to the increase of properties sale recognition during the Period as compared to that of the 2022 Corresponding 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, is the Group’s second market operation point for the facilitation of the building of an agricultural produce market network in the Guangxi Region. The turnover of Qinzhou Market decreased by approximately 22% during the Period as compared to that of the 2022 Corresponding Period.

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. During the period, the turnover of Xuzhou Market decreased by approximately 3% as compared to that of the 2022 Corresponding Period. Xuzhou Market was awarded “Top 100 of National Agricultural Products Wholesale Markets” by China Agricultural Wholesale Market Association in 2022.

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 and it is expected that the transaction volume of Huai’an Market will gradually improve after the market becomes more mature. The turnover of Huai’an Market decreased by approximately 30% due to decrease in properties sale recognition as compared to that of the 2022 Corresponding Period.

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 Period, the performance of Panjin Market was steady. The turnover of Panjin Market remain stable as compared to that of the 2022 Corresponding Period.

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 produce exchange markets. At the moment, the Group would take continuous cost control in electronic trading platform development.

Cyber Risk and Security

With information technology 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 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. 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 of severe and permanent climate change across the PRC. Such risk may have an adverse impact on agricultural production thereby affecting the turnover of the Group in market operation and property sales.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2023, the Group had total cash and cash equivalents amounting to approximately HK\$279 million (31 March 2023: approximately HK\$312 million) whilst total assets and net assets were approximately HK\$4,601 million (31 March 2023: approximately HK\$4,915 million) and approximately HK\$1,959 million (31 March 2023: approximately HK\$2,127 million), respectively. The Group's gearing ratio as at 30 September 2023 was approximately 0.5 (31 March 2023: approximately 0.5), being a ratio of (i) total bank and other borrowings and unsecured notes of approximately HK\$1,341 million (31 March 2023: approximately HK\$1,402 million), net of cash and cash equivalents of approximately HK\$279 million (31 March 2023: approximately HK\$312 million) to (ii) total equity of approximately HK\$1,959 million (31 March 2023: approximately HK\$2,127 million).

As at 30 September 2023, the ratio of total interest-bearing debts of approximately HK\$1,341 million (31 March 2023: approximately HK\$1,402 million) to total assets of approximately HK\$4,601 million (31 March 2023: approximately HK\$4,915 million) was approximately 29% (31 March 2023: approximately 29%).

LISTED NOTES DUE IN 2024 (“LISTED NOTES”) AND PARTIAL REPURCHASE DURING THE PERIOD

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 30 September 2023, the Listed Notes in the principal amount of HK\$90 million (31 March 2023: HK\$150 million) remained outstanding after the repurchase and cancellation in the principal amount of HK\$60 million during the Period. Carrying value of the Listed Notes was approximately HK\$78 million (31 March 2023: approximately HK\$124 million).

CAPITAL COMMITMENTS, PLEDGES AND CONTINGENT LIABILITIES

As at 30 September 2023, outstanding capital commitments, contracted but not provided for, amounted to approximately HK\$179 million (31 March 2023: approximately HK\$224 million) in relation to the purchase of property, plant and equipment and construction contracts. As at 30 September 2023, the Group provided guarantees of approximately HK\$27.2 million to customers in favour of certain banks for the loans provided by the banks to the customers of the properties sold (31 March 2023: approximately HK\$36.1 million), representing the contingent liabilities of approximately HK\$176,000 (31 March 2023: approximately HK\$328,000) in relation to such guarantees. Pursuant to the terms of

the guarantees, in the event of default on mortgage payments by these purchasers before the expiry of the guarantees, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalties owed by the defaulted purchasers to the banks, net of any sales proceeds.

As at 30 September 2023, certain investment properties, properties under development, properties held for sale and bank deposits with carrying amount of approximately HK\$2,061 million (31 March 2023: approximately HK\$2,166 million) 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 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 Period, 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 30 September 2023 and 31 March 2023, interest-bearing debts of the Group were analysed as follows:

	As at 30 September 2023		As at 31 March 2023	
	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>	78	12%	124	12%
Financial Institution Borrowings <i>(note **)</i>	886	6%	882	5%
Non-financial Institution Borrowings <i>(note **)</i>	377	10%	396	10%
Total	1,341		1,402	

Notes:

* 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 30 September 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 October 2023 to May 2029 (31 March 2023: May 2023 to May 2029); and the non-financial institution borrowings of the Company will mature in May 2027 (31 March 2023: April 2023 to May 2027).

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 THE AUDIT COMMITTEE

The investment properties of the Group were stated at fair value as at 30 September 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 The Hong Kong Institute of Surveyors 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 and the Board.

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 Period. As at 30 September 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.

RISK FACTORS RELATING TO OUR INDUSTRY AND BUSINESS OPERATIONS

As at 30 September 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 the Group's agricultural produce 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 the Group's competitive position in the agricultural produce 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 the Group's agricultural produce 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 agricultural produce 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 agricultural produce 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.

EVENT AFTER REPORTING PERIOD

The Company repurchased outstanding Listed Notes (stock code: 5755) in an aggregate amount of HK\$20 million on 13 October 2023 and 20 October 2023 via open market. The repurchases were funded by internal resources. The repurchased notes had been cancelled on 2 November 2023.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2023, the Group had 1,116 employees (31 March 2023: 1,116), 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 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 Period, the continuous high tension between the PRC and the United States, and the downfall of Chinese real estate hindered the economic growth. However, such effects has little impact on the Group's operation which is mainly focused on the PRC 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.

Once again, agricultural development is the PRC central government's first priority policy for the next few 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 exchange markets, expand the agricultural produce network, build logistic infrastructure and storage facilities for agricultural produce 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 brought by the promotion of data economy by the PRC government. The Group further expanded its operations to wet market and trading by leveraging on 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 the Shareholders as a whole.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Period, the Company completed the repurchase and the cancellation of the outstanding Listed Notes under the HK\$1,000,000,000 medium term note programme on the Stock Exchange in the aggregate principal amount of HK\$60,000,000. Following the repurchase and the cancellation, the Listed Notes in the principal amount of HK\$90,000,000 remained outstanding.

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 Period.

On 13 October 2023 and 20 October 2023, the Company further repurchased part of the Listed Notes in an aggregate principal amount of HK\$20,000,000 of the outstanding Listed Notes (the “**Repurchased Notes**”).

After cancellation of the Repurchased Notes and as at the date of this announcement, the aggregate principal amount of the Listed Notes remaining outstanding was HK\$70,000,000.

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 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 with all Directors, all Directors confirmed that they had complied with the required standards 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, risk management and other corporate government issues. 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 and discussed with the management of the Group 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 2023 interim report of the Company 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 November 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.