Accountants' Report

Regal Smart Investment Limited
(Incorporated in Hong Kong with limited liability)

Years ended 31 March 2022, 2023 and 2024 and six months ended 30 September 2024

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**ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF REGAL SMART INVESTMENT LIMITED
TO THE DIRECTORS OF CHINA AGRI-PRODUCTS EXCHANGE LIMITED**

**Introduction**

We report on the historical financial information of Regal Smart Investment Limited (the "Target Company") set out on pages 3 to 28, which comprises the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Target Company for each of the years ended 31 March 2022, 2023 and 2024, and the six months ended 30 September 2024 (the "Relevant Periods"), and the statements of financial position of the Target Company as at 31 March 2022, 2023 and 2024 and 30 September 2024 and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages 3 to 28 forms an integral part of this report, which has been prepared for inclusion in the circular of China Agri-Products Exchange Limited (the "Company") dated 24 January 2025 (the "Circular") in connection with the acquisition of the entire equity interest of the Target Company by a subsidiary of the Company (the "Acquisition").

**Directors' responsibility for the Historical Financial Information**

The directors of the Target Company (the "Directors") are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and the basis of presentation set out in note 2.1 and note 2.2 to the Historical Financial Information, respectively, and for such internal control as the Directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of the Circular in which the Historical Financial Information of the Target Company is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

**Reporting accountants' responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and the basis of presentation set out in note 2.1 and note 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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## Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Company as at 31 March 2022, 2023 and 2024 and 30 September 2024 and of the financial performance and cash flows of the Target Company for each of the Relevant Periods in accordance with the basis of preparation and the basis of presentation set out in note 2.1 and note 2.2 to the Historical Financial Information, respectively.

## Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Target Company which comprises the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 September 2024 and other explanatory information (the "Interim Comparative Financial Information"). The Directors are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of preparation and the basis of presentation set out in note 2.1 and note 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review 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. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and the basis of presentation set out in note 2.1 and note 2.2 to the Historical Financial Information, respectively.

## Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

### Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page 3 have been made.

### Dividends

We refer to note 15 to the Historical Financial Information which states that no dividends have been paid or declared by the Target Company in respect of the Relevant Periods.

Ernst Young

*Certified Public Accountants*
Hong Kong
24 January 2025

## I. HISTORICAL FINANCIAL INFORMATION

### Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Target Company for the Relevant Periods, on which the Historical Financial Information is based, were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong Dollars ("HK$") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

## I. HISTORICAL FINANCIAL INFORMATION (continued)

## (A) STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Notes | Year ended 31 March 2022 HK$'000 | Year ended 31 March 2023 HK$'000 | Year ended 31 March 2024 HK$'000 | Six months ended 30 September 2023 HK$'000 (unaudited) | Six months ended 30 September 2024 HK$'000 |
|---|---|---|---|---|---|---|
| Administrative expenses | | ( 2) | ( 3) | ( 2) | ( 2) | ( 8) |
| Share of profit/(loss) of a joint venture | | 3,238 | ( 228) | 19,593 | ( 1,485) | 646 |
| Profit/(loss) before tax | 4 | 3,236 | ( 231) | 19,591 | ( 1,487) | 638 |
| Income tax expense | 5 | ( 329) | ( 519) | ( 367) | ( 367) | ( 466) |
| PROFIT/(LOSS) FOR THE YEAR/PERIOD | | 2,907 | ( 750) | 19,224 | ( 1,854) | 172 |
| OTHER COMPREHENSIVE INCOME/(LOSS) | | | | | | |
| *Other comprehensive income/ (loss) that may be reclassified to profit or loss in subsequent periods:* | | | | | | |
| Share of other comprehensive income/ (loss) of a joint venture | | 25 | ( 11,687) | (7,299) | (3,649) | 3,399 |
| Other comprehensive income/(loss) for the year/period | | 25 | ( 11,687) | (7,299) | (3,649) | 3,399 |
| Total comprehensive income/(loss) for the year/period | | 2,932 | (12,437) | 11,925 | ( 5,503) | 3,571 |

## (B) STATEMENTS OF FINANCIAL POSITION

| | Notes | 31 March 2022 HK$'000 | 31 March 2023 HK$'000 | 31 March 2024 HK$'000 | 30 September 2024 HK$'000 |
|---|---|---|---|---|---|
| NON-CURRENT ASSETS | | | | | |
| Interest in a joint venture | 6 | 155,710 | 138,601 | 147,229 | 146,613 |
| CURRENT ASSETS | | | | | |
| Deposits | 7 | 6 | 6 | 6 | 6 |
| Amount due from the ultimate holding company | 9 | 21,308 | 21,308 | 21,308 | 21,308 |
| Amounts due from fellow subsidiaries | 9 | 13,327 | 18,017 | 21,273 | 21,268 |
| Dividend receivable | | - | - | - | 4,661 |
| Cash and cash equivalents | 8 | 132 | 114 | 155 | 152 |
| Total current assets | | 34,773 | 39,445 | 42,742 | 47,395 |
| CURRENT LIABILITIES | | | | | |
| Amount due to the immediate holding company | 9 | 70,865 | 70,865 | 70,865 | 70,865 |
| Tax payable | | - | - | - | 466 |
| Total current liabilities | | 70,865 | 70,865 | 70,865 | 71,331 |
| NET CURRENT LIABILITIES | | (36,092) | (31,420) | (28,123) | (23,936) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 119,618 | 107,181 | 119,106 | 122,677 |
| Net assets | | 119,618 | 107,181 | 119,106 | 122,677 |
| EQUITY | | | | | |
| Share capital | 10 | -* | -* | -* | -* |
| Reserves | | 119,618 | 107,181 | 119,106 | 122,677 |
| Total equity | | 119,618 | 107,181 | 119,106 | 122,677 |

* Less than HK$500

## I. HISTORICAL FINANCIAL INFORMATION (continued)

## (C) STATEMENTS OF CHANGES IN EQUITY

| | Share capital HK$'000 | Other reserve HK$'000 (note) | Retained profits HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| At 1 April 2021 | -** | (12,067) | 128,753 | 116,686 |
| Profit for the year | - | - | 2,907 | 2,907 |
| Other comprehensive income for the year: | | | | |
| Share of other comprehensive income of a joint venture | - | 25 | - | 25 |
| Total comprehensive income for the year | - | 25 | 2,907 | 2,932 |
| At 31 March 2022 and 1 April 2022 | -** | (12,042)* | 131,660* | 119,618 |
| Loss for the year | - | - | (750) | (750) |
| Other comprehensive loss for the year: | | | | |
| Share of other comprehensive loss of a joint venture | - | (11,687) | - | (11,687) |
| Total comprehensive loss for the year | - | (11,687) | (750) | (12,437) |
| At 31 March 2023 and 1 April 2023 | -** | (23,729)* | 130,910* | 107,181 |
| Profit for the year | - | - | 19,224 | 19,224 |
| Other comprehensive loss for the year: | | | | |
| Share of other comprehensive loss of a joint venture | - | (7,299) | - | (7,299) |
| Total comprehensive income/(loss) for the year | - | (7,299) | 19,224 | 11,925 |
| At 31 March 2024 and 1 April 2024 | -** | (31,028)* | 150,134* | 119,106 |
| Profit for the period | - | - | 172 | 172 |
| Other comprehensive income for the period: | | | | |
| Share of other comprehensive income of a joint venture | - | 3,399 | - | 3,399 |
| Total comprehensive income for the period | - | 3,399 | 172 | 3,571 |
| At 30 September 2024 | -** | (27,629)* | 150,306* | 122,677 |

## I. HISTORICAL FINANCIAL INFORMATION (continued)

## (C) STATEMENTS OF CHANGES IN EQUITY (Continued)

| | Share capital HK$'000 (unaudited) | Other reserve HK$'000 (unaudited) (note) | Retained profits HK$'000 (unaudited) | Total HK$'000 (unaudited) |
|---|---|---|---|---|
| At 1 April 2023 | -** | (23,729) | 130,910 | 107,181 |
| Loss for the period | - | - | (1,854) | (1,854) |
| Other comprehensive loss for the period: | | | | |
| Share of other comprehensive loss of a joint venture | - | (3,649) | - | (3,649) |
| Total comprehensive loss for the period | - | (3,649) | (1,854) | (5,503) |
| At 30 September 2023 | -** | (27,378) | 129,056 | 101,678 |

Note: Other reserve comprises all other comprehensive income/(loss) shared from the PRC JV.

* These reserve accounts comprise the reserves of HK$119,618,000, HK$107,181,000, HK$119,106,000, and HK$122,677,000 as at 31 March 2022, 2023, and 2024, and 30 September 2024, respectively, in the statements of financial position.

** Less than HK$500

## I. HISTORICAL FINANCIAL INFORMATION (continued)

## (D) STATEMENTS OF CASH FLOWS

| | Year ended 31 March | | | Six months ended 30 September | |
|---|---|---|---|---|---|
| | 2022 HK$'000 | 2023 HK$'000 | 2024 HK$'000 | 2023 HK$'000 (unaudited) | 2024 HK$'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Profit/(loss) before tax | 3,236 | (231) | 19,591 | (1,487) | 638 |
| Adjustments for: | | | | | |
| Share of profit and loss of a joint venture | (3,238) | 228 | (19,593) | 1,485 | (646) |
| Cash used in operations | (2) | (3) | (2) | (2) | (8) |
| Withholding tax paid | (329) | (519) | (367) | - | - |
| Decrease in amounts due from fellow subsidiaries | - | 20 | 60 | 20 | 5 |
| Net cash flows generated from/(used in) operating activities | (331) | (502) | (309) | 18 | (3) |
| CASH FLOW FROM INVESTING ACTIVITIES | | | | | |
| Dividends received from a joint venture | 3,291 | 5,194 | 3,666 | - | - |
| Advances to fellow subsidiaries | (3,057) | (4,710) | (3,316) | - | - |
| Net cash flows generated from investing activities | 234 | 484 | 350 | - | - |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | (97) | (18) | 41 | 18 | (3) |
| Cash and cash equivalents at beginning of year/period | 229 | 132 | 114 | 114 | 155 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD | 132 | 114 | 155 | 132 | 152 |

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

### 1. CORPORATE INFORMATION

The Target Company is a limited liability company incorporated in the Hong Kong. The registered office of the Target Company is located at Suite 3202, 32/F., Skyline Tower, 39 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong.

The Target Company is principally engaged in investment holding.

The Target Company is a wholly-owned subsidiary of Wang On Commercial Management Limited, a company incorporated in the British Virgin Islands with limited liability. In the opinion of the Directors, the Target Company is ultimately owned by Wang On Group Limited ("WOG"), a company incorporated in Bermuda and listed on The Stock Exchange of Hong Kong Limited.

### 2. ACCOUNTING POLICIES

### 2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA. All HKFRSs effective for the accounting period commencing from 1 April 2024, together with the relevant transitional provisions, have been early adopted by the Target Company throughout the Relevant Periods and the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention. The Historical Financial Information is presented in HK$ and all values are rounded to the nearest thousand except when otherwise indicated.

### 2.2 BASIS OF PRESENTATION

The Historical Financial Information has been prepared under the going concern concept because (i) WOG has agreed to provide continual financial support and adequate funds to the Target Company up to the completion date of the Acquisition to meet its liabilities as and when they fall due and not to request repayment of the amount due to WOG and its subsidiaries by the Target Company until such time as the Target Company is in a position to repay such amount without impairing its financial position; and (ii) the Company has agreed to provide continual financial support and adequate funds for the Target Company from the completion date of the Acquisition to meet its liabilities as and when they fall due and not to request repayment of any amount due to the Company and its subsidiaries by the Target Company until such time as the Target Company is in a position to repay without impairing its liquidity and financial position.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Target Company has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

| | |
|---|---|
| HKFRS 18 | *Presentation and Disclosure in Financial Statements*[3] |
| Amendments to HKFRS 9 and HKFRS 7 | *Amendments to the Classification and Measurement of Financial Instruments*[2] |
| Amendments to HKFRS 10 and HKAS 28 | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4] |
| Amendments to HKAS 21 | *Lack of Exchangeability*[1] |
| *Annual Improvements to HKFRS Accounting Standards - Volume 11* | Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10, and HKAS 7[2] |

1 Effective for annual periods beginning on or after 1 January 2025
2 Effective for annual periods beginning on or after 1 January 2026
3 Effective for annual/reporting periods beginning on/after 1 January 2027
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Target Company is described below.

HKFRS 18 replaces HKAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as HKAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 *Statement of Cash Flows*, HKAS 33 *Earnings per Share* and HKAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other HKFRSs. HKFRS 18 and the consequential amendments to other HKFRSs are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Target Company is currently analysing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of its Historical Financial Information.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKFRS 9 and HKFRS 7 clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Target Company's Historical Financial Information.

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Target Company's Historical Financial Information.

*Annual Improvements to HKFRS Accounting Standards – Volume 11* set out amendments to HKFRS 1, HKFRS 7 (and the accompanying *Guidance on implementing HKFRS 7*), HKFRS 9, HKFRS 10 and HKAS 7. Details of the amendments that are expected to be applicable to the Target Company are as follows:

- HKFRS 7 *Financial Instruments: Disclosures*: The amendments have updated certain wording in paragraph B38 of HKFRS 7 and paragraphs IG1, IG14 and IG20B of the *Guidance on implementing HKFRS 7* for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the *Guidance on implementing HKFRS 7* does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Target Company's Historical Financial Information.

- HKFRS 9 *Financial Instruments*: The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Target Company's Historical Financial Information.

- HKFRS 10 *Consolidated Financial Statements*: The amendments clarify that the relationship described in paragraph B74 of HKFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of HKFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Target Company's Historical Financial Information.

- HKAS 7 *Statement of Cash Flows*: The amendments replace the term "cost method" with "at cost" in paragraph 37 of HKAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Target Company's Historical Financial Information.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Based on the Target Company's assessment completed to date, these revised HKFRSs are not expected to have a significant impact on the results of operations, financial position, or presentation of the Historical Financial Information.

## 2.4 MATERIAL ACCOUNTING POLICY INFORMATION

Interest in a joint venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Target Company's interest in a joint venture is stated in the Historical Financial Information at the Target Company's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Target Company's share of the post-acquisition results and other comprehensive income of a joint venture is included in statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the joint venture, the Target Company recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Target Company and its joint venture are eliminated to the extent of the Target Company's interest in a joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of the joint venture is included as part of the Target Company's interest in the joint venture.

If an investment in a joint venture becomes an investment in an associate or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of joint control over the joint venture, the Target Company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

# II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

## 2.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

<u>Related parties</u>
A party is considered to be related to the Target Company if:

(a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Target Company;
  - (ii) has significant influence over the Target Company; or
  - (iii) is a member of the key management personnel of the Target Company or of a parent of the Target Company;

or

(b) the party is an entity where any of the following conditions applies:

  - (i) the entity and the Target Company are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Target Company are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Target Company or to the parent of the Target Company.

2.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial assets

**Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Target Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Target Company has applied the practical expedient of not adjusting the effect of a significant financing component, the Target Company initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Target Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Target Company commits to purchase or sell the asset.

**Subsequent measurement**

The subsequent measurement of financial assets depends on their classification as follows:

**Financial assets at amortised cost**

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

2.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial assets (continued)

**Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Company's statements of financial position) when:

• the rights to receive cash flows from the asset have expired; or

• the Target Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Company has transferred substantially all the risks and rewards of the asset, or (b) the Target Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Company continues to recognise the transferred asset to the extent of the Target Company's continuing involvement. In that case, the Target Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Target Company could be required to repay.

**Impairment of financial assets**

The Target Company recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Target Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

**General approach**

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Target Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Target Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Target Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

2.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial assets (continued)

The Target Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Target Company may also consider a financial asset to be in default when internal or external information indicates that the Target Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Target Company.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables (including any lease receivables) which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Financial liabilities

**Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as loans and borrowings and payables at amortised cost, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Target Company's financial liabilities include amount due to the immediate holding company.

2.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial liabilities (continued)

**Subsequent measurement**

The subsequent measurement of financial liabilities depends on their classification as follows:

*Financial liabilities at amortised cost*
After initial recognition, financial liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

**Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

**Offsetting of financial liabilities**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents
Cash and cash equivalents in the statements of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits, as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Target Company's cash management.

## 2.4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Income tax

Current and deferred tax are recognised in profit or loss. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if and only if the Target Company has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for a non-financial asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

**Impairment of interest in a joint venture**

As at 31 March 2022, 2023 and 2024, and 30 September 2024, the carrying values of the Target Company's interest in a joint venture were HK$155,710,000, HK$138,601,000, HK$147,229,000 and HK$146,613,000, respectively, which are stated in the Historical Financial Information at the Target Company's share of net assets under the equity method of accounting, less any impairment losses. The Target Company has assessed at the end of each reporting period whether there is any indication that the carrying amount of interest in a joint venture is impaired. Interest in a joint venture is tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The directors of the Target Company has performed an impairment assessment of its interest in the joint venture using the fair value less costs of disposal which is dependent on the fair value of the investment properties and other assets held by the joint venture, and with reference to valuation of the related properties performed by independent professionally qualified valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, information from current rental value and appropriate capitalisation rates in an active market for similar properties is considered and assumptions that are mainly based on market conditions existing at the end of each reporting period are used.

## 4. PROFIT/(LOSS) BEFORE TAX

The Target Company's profit/(loss) before tax is arrived at after charging:

| | Year ended 31 March | | | Six months ended 30 September | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2023 | 2024 |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 (Unaudited) | HK$'000 |
| Auditor's remuneration | - | - | 1 | 1 | 1 |

Note: Auditor's remuneration for year ended 2022 and 2023 are borne by the ultimate holding company of the Target Company.

No directors received any fees or emoluments in respect of their services rendered to the Target Company during the Relevant Periods.

5. INCOME TAX

No provision of Hong Kong profit tax has been made during the Relevant Periods as the Target Company did not generate any assessable profits arising in Hong Kong during the Relevant Periods. Taxes on profits assessable in Mainland China have been calculated at that rate of tax prevailing in Mainland China.

| | Year ended 31 March | | | Six months ended 30 September | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2023 | 2024 |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 (Unaudited) | HK$'000 |
| Current - People's Republic of China ("PRC") withholding tax | 329 | 519 | 367 | 367 | 466 |

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory tax rate to the tax expense at the effective tax rate is as follows:

| | Year ended 31 March | | | Six months ended 30 September | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2023 | 2024 |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 (Unaudited) | HK$'000 |
| Profit/(loss) before tax | 3,236 | (231) | 19,591 | (1,487) | 638 |
| Tax at the statutory tax rate of 16.5% | 534 | (38) | 3,233 | (245) | 105 |
| Withholding tax at 10% on the dividends declared by a joint venture | 329 | 519 | 367 | 367 | 466 |
| Profit and loss attributable to a joint venture | (534) | 38 | (3,233) | 245 | (105) |
| Tax charge for the year/period | 329 | 519 | 367 | 367 | 466 |

At the end of each of Relevant Periods, subject to the agreement of the Inland Revenue Department, the estimated tax losses arising in Hong Kong that are available indefinitely for offsetting against future taxable profit of the Target Company are as follows:

| | As at 31 March | | | As at 30 September |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2024 |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Estimated tax losses | 9,220 | 9,220 | 9,220 | 9,220 |

Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that sufficient taxable profits will be available against which the tax losses can be utilised.

## 6. INTEREST IN A JOINT VENTURE

| | As at 31 March | | | As at 30 September |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2024 |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Share of net assets | 155,710 | 138,601 | 147,229 | 146,613 |

Particulars of the joint venture, which is a Sino-foreign joint venture and directly held by the Target Company, as at the end of each of the Relevant Periods are as follows:

| Name | Registered capital | Place of establishment/ registration and business | Percentage of beneficial interest attributable to the Target Company | Principal activities |
|---|---|---|---|---|
| Shenzhen Trading Market Company Limited (深圳市集貿市場有限公司) | Paid up of RMB 31,225,000 | PRC/ Mainland China | 50% | Management and sub-licensing of Chinese wet markets |

6. INTEREST IN A JOINT VENTURE (continued)

The following table illustrate the summarised financial information in respect of the joint venture and reconciled to the carrying amount in the Historical Financial Information.

| | | As at 31 March | | As at 30 September |
|---|---|---|---|---|
| | 2022 HK$'000 | 2023 HK$'000 | 2024 HK$'000 | 2024 HK$'000 |
| Cash and cash equivalents | 59,732 | 55,251 | 57,749 | 65,166 |
| Other current assets | 3,538 | 4,956 | 8,528 | 9,023 |
| Current assets | 63,270 | 60,207 | 66,277 | 74,189 |
| Non-current assets | 351,068 | 299,872 | 307,492 | 305,651 |
| Current liabilities | 52,595 | 47,415 | 53,888 | 64,141 |
| Non-current liabilities | 50,324 | 35,463 | 25,423 | 22,473 |
| Net assets | 311,419 | 277,201 | 294,458 | 293,226 |

| | | As at 31 March | | As at 30 September |
|---|---|---|---|---|
| | 2022 HK$'000 | 2023 HK$'000 | 2024 HK$'000 | 2024 HK$'000 |
| Reconciliation to interest in a joint venture | | | | |
| Proportion of ownership | 50% | 50% | 50% | 50% |
| Share of net assets of a joint venture | 155,710 | 138,601 | 147,229 | 146,613 |

## 6. INTEREST IN A JOINT VENTURE (continued)

The following table illustrate the summarised financial information in respect of the joint venture and reconciled to the carrying amount in the Historical Financial Information. (continued)

| | Year ended 31 March | | | Six months ended 30 September | |
|---|---|---|---|---|---|
| | 2022 HK$'000 | 2023 HK$'000 | 2024 HK$'000 | 2023 HK$'000 (unaudited) | 2024 HK$'000 |
| Revenue | 49,263 | 40,503 | 45,185 | 22,691 | 21,329 |
| Interest income | 294 | 695 | 1,087 | 389 | 274 |
| Interest expense | 790 | 352 | 425 | 234 | 152 |
| Tax expense/(credit) | 2,203 | (50) | 13,126 | (1,697) | 474 |
| Profit/(loss) and total comprehensive income/(loss) for the year/period | 6,525 | (23,830) | 24,588 | (10,268) | 8,090 |
| Dividends declared by a joint venture | 3,291 | 5,194 | 3,666 | 3,666 | 4,661 |

## 7. DEPOSITS

| | As at 31 March | | | As at 30 September |
|---|---|---|---|---|
| | 2022 HK$'000 | 2023 HK$'000 | 2024 HK$'000 | 2024 HK$'000 |
| Deposits | 6 | 6 | 6 | 6 |

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 March 2022, 2023 and 2024 and 30 September 2024, the loss allowance was assessed to be minimal.

## 8. CASH AND CASH EQUIVALENTS

Cash at banks earns interest at floating rates based on daily bank deposit rates. The carrying amounts of the bank balances approximate to their fair values. All the bank balances are deposited with creditworthy banks with no recent history of default.

## 9. AMOUNTS DUE FROM/(TO) THE ULTIMATE HOLDING COMPANY/THE IMMEDIATE HOLDING COMPANY/FELLOW SUBSIDIARIES

Balances with the ultimate holding company, the immediate holding company and fellow subsidiaries are unsecured, interest-free and repayable on demand. The carrying amounts of these balances are approximately to their fair values.

## 10. SHARE CAPITAL

| | As at 31 March | | | As at 30 September |
|---|---|---|---|---|
| | 2022 HK$ | 2023 HK$ | 2024 HK$ | 2024 HK$ |
| Issued and fully paid: 1 ordinary share | 1 | 1 | 1 | 1 |

## 11. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions disclosed elsewhere in the Historical Financial Information, the Target Company had the following transactions with a fellow subsidiary during the Relevant Periods:

| | Year ended 31 March | | | Six months ended 30 September | |
|---|---|---|---|---|---|
| | 2022 HK$'000 | 2023 HK$'000 | 2024 HK$'000 | 2023 HK$'000 (Unaudited) | 2024 HK$'000 |
| Management fee incurred by the Target Company | - | 1 | 1 | 1 | - |

The management fee was determined on a mutually agreed basis between the Target Company and the fellow subsidiary.

(b) Compensation of key management personnel of the Target Company

No compensation was paid to the key management personnel of the Target Company during the Relevant Periods.

## 12. FINANCIAL INSTRUMENTS BY CATEGORY

The financial assets and liabilities of the Target Company as at the end of each of the Relevant Periods were financial assets stated at amortised cost and financial liabilities stated at amortised cost, respectively.

## 13. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, deposits, dividend receivable, amount due from the ultimate holding company and amounts due from fellow subsidiaries approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the financial asset and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

During the Relevant Periods, there was no transfer of fair value measurement between Level 1 and Level 2 and no transfer into or out of Level 3 for both financial assets and financial liabilities.

## 14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Company's financial instruments comprise cash and cash equivalents, deposits, dividend receivable, amounts due from the ultimate holding company and fellow subsidiaries and financial liabilities included the amount due to the immediate holding company. Details of these financial instruments are disclosed in the respective notes to the historical financial information.

The main risks arising from the Target Company's financial instruments are credit risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below.

*Credit risk*

The Target Company's bank balances are held in a major financial institution located in Hong Kong, which management believes are of high credit quality. For credit risk of the Target Company's other financial assets, which arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

*Liquidity risk*

The Target Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g. cash and cash equivalents) and projected cash flows from operations.

The Target Company's objective is to maintain a balance between continuity and flexibility of funding. The maturity profile of the Target Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was within one year or on demand.

As at 31 March 2022, 2023, 2024 and 30 September 2024, the Target Company had net current liabilities and the Target Company has obtained financial support from the Target Company's ultimate holding company in order to meet with the objective as mentioned above.

*Capital management*

The primary objective of the Target Company's capital management is to safeguard the Target Company's ability to continue as a going concern in order to provide returns to the sole shareholder, to procure adequate financial resources from the sole shareholder and to maintain an optimal capital structure to reduce the cost of capital.

## 15. DIVIDENDS

No dividends were declared or paid in respect of the Relevant Periods.

## III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 30 September 2024.